



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2023

Sacramento Metropolitan Air Quality Management District

Sacramento, California

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ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Sacramento Metropolitan Air Quality Management District
Sacramento, California



Prepared by the Administrative Services Division
Finance Section in Conjunction with District Staff

Division Manager
Jamille Moens

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Sacramento Metropolitan Air Quality Management District

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Introductory Section



December 20, 2023

LETTER OF TRANSMITTAL

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

We are pleased to present the Annual Comprehensive Financial Report (Annual Report) of the Sacramento Metropolitan Air Quality Management District (District) for the year ended June 30, 2023, which includes the independent auditor's report. The Annual Report is submitted in compliance with state law, which requires local governments to publish a complete set of audited financial statements presented in conformity with generally accepted accounting principles and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

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

The District's financial statements have been audited by Eide Bailly LLP, Certified Public Accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2023, are free of material misstatement. The independent auditors concluded, based upon the audit, there was a reasonable basis for rendering an unmodified (clean) opinion that the District financial statements for the fiscal year ended June 30, 2023, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor's report is located at the front of the financial section of this report.

The District's independent financial statement audit was part of a broader, federally mandated "Single Audit" designed to meet the Federal grantor agencies' special needs. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, including special emphasis on Federal award compliance.

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 District

The District is one of five large air quality management districts out of a total of 35 local or regional air agencies in California. It is responsible for monitoring air pollution within the Sacramento region and for programs to reduce ambient air pollution concentrations to meet the health-based ambient air quality standards established by the state and federal governments. The District is also actively pursuing actions

to reduce greenhouse gas emissions and promote low-carbon development. The U.S. Environmental Protection Agency (EPA) has designated the District as a part of the Sacramento Federal Ozone Nonattainment Area (SFNA), which is comprised of all of Sacramento and Yolo Counties, the eastern portion of Solano County, the southern portion of Sutter County and the western slopes of El Dorado and Placer Counties up to the Sierra crest and includes four other local air districts. Roughly 63% of the SFNA’s population falls within the District’s boundaries.

Population in Sacramento Federal Ozone Nonattainment Area

County	SFNA portion of the County	Population		County in SFNA/Total SFNA ³
		County ¹	SFNA/County ²	
El Dorado	159,292	189,382	84%	6.4%
Placer	400,400	410,310	98%	16.0%
Sacramento	1,573,364	1,573,364	100%	63.0%
Solano	140,095	445,060	31%	5.6%
Sutter	3,222	99,045	3%	0.1%
Yolo	222,430	222,430	100%	8.9%
Total	2,498,803	2,939,591	-	100.0%

¹ The county population data is based on the 2022 California Department of Finance Population Estimates and Components of Change by County (Table E-6) <https://dof.ca.gov/Forecasting/Demographics/Estimates/>. It represents the population estimate as of July 2022.

² The SFNA/County population percentages are based on the 2020 Census Data, which was downloaded from:

https://www2.census.gov/programssurveys/decennial/2020/data/01-Redistricting_File--PL_94-171/California/ on 02/10/2022.

³ Percentage values are rounded to one decimal point.

Air quality in the SFNA is designated nonattainment for the federal National Ambient Air Quality Standards (NAAQS) for ozone. The region is also administratively designated for nonattainment of the particulate matter NAAQS, although technically the short-term PM2.5 and PM10 standards have been met and maintained. A redesignation is expected once the requirement for a maintenance plan for each standard is completed. A combination of many active sources of smog-precursor emissions, poor atmospheric ventilation, a capping temperature inversion, bordering mountains, and plenty of sunny days act to enhance smog formation and effectively trap pollutants in the Sacramento Valley Basin. The District Board approved a regional State Implementation Plan (SIP) for the 2008 ozone NAAQS, which projects attainment by 2024. The Plan was submitted to the EPA in 2018 and is awaiting final approval. The District is also leading the development of a SIP for the 2015 ozone NAAQS, which is slated for submittal to the EPA in late 2023. The required maintenance plans for the PM standards are in development.

Air and climate pollution emissions in the Sacramento region come from mobile, stationary, and area-wide sources. The largest contributor is the transportation sector - motor vehicles, trucks, airplanes, locomotives, and other fossil fuel combustion engines. State and federal regulations coupled with local financial incentive programs focusing on fleet modernization projects will help reduce pollution emissions and improve our air quality in the region.

The District implements a broad range of programs and strategies to combat air and climate pollution and accomplish its mission. From the development of clean air rules and enforcement of industrial emission permits to land use planning and deployment of millions of dollars in public funding for incentives for clean air projects, the annual budget serves as the foundation for the District’s financial planning and controls. The Governing Board is required to adopt an annual budget by July 1 of each fiscal year. The budget is organized by fund and division and is adopted on a budgetary basis that includes encumbrances and expenditures. All annual appropriations lapse at fiscal year-end to the extent they have not been expended or encumbered. Amendments to increase the budget must be approved by the Governing Board.

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

Factors Affecting Financial Condition

This section contains information useful in assessing the District’s economic condition and includes a discussion of the local economy, long-term financial planning, and major initiatives that may have a significant impact on revenues or expenditures.

Local Economy

The 2019 annual unemployment rate in Sacramento County averaged 3.8% and increased to 9.3% in 2021, due to the pandemic. As of August 2023, the unemployment rate has returned to pre-COVID levels and is approximately 4.5%. The latest published economic forecast by the California Department of Transportation for Sacramento County expects a relatively high rate of home building, positive population growth, and expanding job opportunities to contribute to a relatively fast recovery and positive outlook over the next five years.

Sacramento County is becoming an emerging hub for technology firms largely because corporations like HP, Intel, Oracle, and Apple already have prominent infrastructure in the region. Employment in the manufacturing and transportation industries has grown consistently since 2012; steady growth in these industries is forecast over the next five years. The professional and business services sector will create a major share of future jobs in Sacramento County over the next several years. Finally, the government, education, and healthcare sectors are projected to show gains through 2027. The economic forecast indicates relative stability in revenue from permit and other fees for the District; with Board approval however, continued growth in fee revenue is anticipated as a result of Consumer Price Index adjustments to help keep pace with rising costs and other fee increases to ensure full cost recovery for services.

Long-term Financial Planning

Management presents a five-year financial forecast in the budget that elevates potential internal, external, and programmatic elements that could affect revenues and expenditures. This forecast identifies a funding gap between revenues and expenditures, which will require attention by the District. The imbalance is due primarily to the rising costs of doing business, such as employee services and capital expenditures outpacing current revenue increases, new state mandates that are not adequately funded, and a legacy lack of full cost-recovery for many of the District’s programs.

To address the projected funding gap in prior years, the District streamlined operations, scaled back some activities, held vacancies open, and “right-sized” funding for professional services and collaborations, resulting in a return of approximately \$4.2 million to the District’s General Fund over the last three years. Going forward, the District is anticipated to be fully staffed and will work closely with the Board of Directors to implement new funding solutions necessary to attain full cost recovery, ensure the integrity of the District’s clean air efforts to enable the region to remain eligible for federal transportation funding and continue to implement state low-carbon development and greenhouse gas (GHG) emission reduction programs. Fortunately, the financial reserves in the General Fund will bridge the necessary support for near-term operations until long-term fund stability is achieved.

General Fund

The District’s General Fund receives revenue from a variety of sources, including permit fees paid by stationary pollution sources (e.g., local businesses equipped with technologies that rely on any kind of combustion engine); automobile registration fees collected by the State of California Department of Motor Vehicles (DMV) and distributed to air districts for motor vehicle emission reduction programs; federal, local government and state subvention funds; and local sales tax. The General Fund does not receive property tax support as is the case for some air districts.

There are a few anticipated changes that may have a moderate to significant impact on revenues over the five-year forecast. To pursue full-cost recovery and address the ongoing issue of unfunded mandates, a fee study will be initiated soon that is anticipated to inform a potential permit fee increase. In addition, District staff is actively participating in regional discussions of a new sales tax measure. In previous efforts, the District was slated to receive 2.2% of the net sales tax proceeds in the expenditures plans of prior initiatives. Staff will continue to advocate for measures that can bring additional funding to the District and the region for clean transportation projects.

Expenditures for the General Fund are expected to gradually increase to address recurring expenses such as rising labor costs, long-term pension liabilities, and non-recurring capital improvement expenditures, most notably the rehabilitation and replacement of several aging ambient air monitoring regulatory stations. The ambient air quality monitoring network is critical District infrastructure and a part of a national network. Improvements are planned for various monitoring stations over the next few years to remain in compliance with applicable federal requirements. The network is also an important foundation for additional localized monitoring under the AB 617 Community Air Protection Program (CAPP), with a new mobile air monitoring laboratory recently added to the existing air monitoring network as part of the District's AB 617 efforts.

Internal Service Fund

The District Headquarters (Covell Building) is the primary asset in the Internal Service Fund and has historically been a very stable fund. The headquarters building is about 38,000 square feet and a portion of the building is leased to a third-party tenant. The District's tenant recently submitted notice that they will be vacating the building when their lease agreements expire in FY 2023/24. Given the pending vacancy along with the anticipated changing needs for the use of space due to a new hybrid (remote and onsite) work model, the District completed a comprehensive building assessment of several alternatives. With Board support, the District will proceed to sell the current headquarters and lease or purchase a smaller HQ facility, which is better suited for our hybrid-work arrangement.

As a result, this fund may experience short-term volatility due to 1) a period of extended reduced rental income given the termination of tenant leases while a potential buyer is identified, and/or 2) enhanced liquidity from the sale of an asset.

Special Revenue Fund

The Special Revenue Fund serves to track restricted revenue sources, primarily various emission technology and community air protection incentive grants from programs like Carl Moyer and CAPP. These programs are expected to be relatively stable for the next decade since the state has committed to a continuous appropriation for them. In addition, a significant amount of new state revenue continues to be directed to the California Air Resources Board for new and existing mobile source emission reduction programs and to address the disproportionate impacts of air pollution in environmental justice communities. Unfortunately, these grants rarely cover the full cost of implementation, and other funding is used to cover the shortfall. Continuation and/or expansion of programs supported by this fund will directly depend on the availability of DMV and sales tax revenue until such time that the percentage of the grant allowed for program administration is realistic. There are no capital expenditures associated with this fund.

Major Initiatives

The FY 2023/24 District Budget was approved on May 25, 2023, and represents a status quo budget that includes funding for mission-critical programs such as attainment of the NAAQS, advancing the region's decarbonization efforts, and CAPP.

The budget also included funding to replace two of the District’s major software applications (Permitting/Compliance and Transportation Incentives) and various shadow systems into a single enterprise-level solution (AiriA) to improve efficiencies, accuracy, customer service, and lower operating costs. Process improvement is expected to coincide with this software implementation and the inclusion of best practices wherever possible to optimize software utilization. The project is expected to last 18-24 months. The initial software development and implementation expense is non-recurring; however, there will be ongoing costs for annual maintenance fees.

Another new key project for the District is the Climate Pollution Reduction Grant (CPRG). CPRG is an EPA program funded by the Inflation Reduction Act for local actions that reduce greenhouse gases and associated criteria and toxic air pollution, create green jobs that strengthen the transition to a low-carbon economy, and provide tangible benefits to communities impacted by environmental injustice. The District is serving as the lead agency for the seven-county Sacramento-Roseville-Folsom Metropolitan Statistical Area under the EPA CPRG designation. As such, the District received \$1 million to develop three required deliverables – a Priority Climate Action Plan, a Comprehensive Climate Action Plan, and a Status Report. As the lead agency, the District is working with many regional partners on the various Phase 1 planning deliverables and will apply for Phase 2 implementation grants. Due to the timing of the CPRG Phase 1 award, the funding and expenditures for this grant were not included in the FY 2023/24 budget. There is the potential for significant incentive funding for the District and the region under the CPRG program in the future.

Other important initiatives include expanding regional partnerships, enhancing performance management in the hybrid work environment, and relocating the District’s Headquarters.

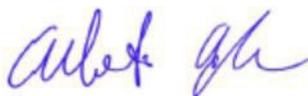
Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the District for the FY 2022/23 Annual Report. In addition to receiving the award for the Annual Report, the District also received the Distinguished Budget Presentation Award for its FY 2023/24 Budget Book. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for the preparation of state and local government financial reports and budgets. This Annual Report will also be submitted to GFOA to determine its eligibility for the certificate as it is believed to also meet the requirements of the program.

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

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

Respectfully submitted,



Alberto Ayala, PhD, MSE
Executive Director and Air Pollution Control Officer



Jamielle Moens
Administrative Services Division Manager



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Sacramento Metropolitan Air Quality
Management District
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO

Board of Directors

Patrick Kennedy, Chair
Vice Chair
Sacramento County Board of Supervisors

Sarah Aquino, Vice-Chair
Council Member
City of Folsom

Bret Daniels
Vice Mayor
City of Citrus Heights

Rich Desmond
Chair
Sacramento County Board of Supervisors

Sue Frost
Supervisor
Sacramento County Board of Supervisors

Eric Guerra
Vice Mayor
City of Sacramento

Patrick Hume
Supervisor
Sacramento County Board of Supervisors

Sean Loloee
Council Member
City of Sacramento

Caity Maple
Council Member
City of Sacramento

Kevin Papineau
Council Member
City of Galt

Phil Serna
Supervisor
Sacramento County Board of Supervisors

Bobbie Singh-Allen
Mayor
City of Elk Grove

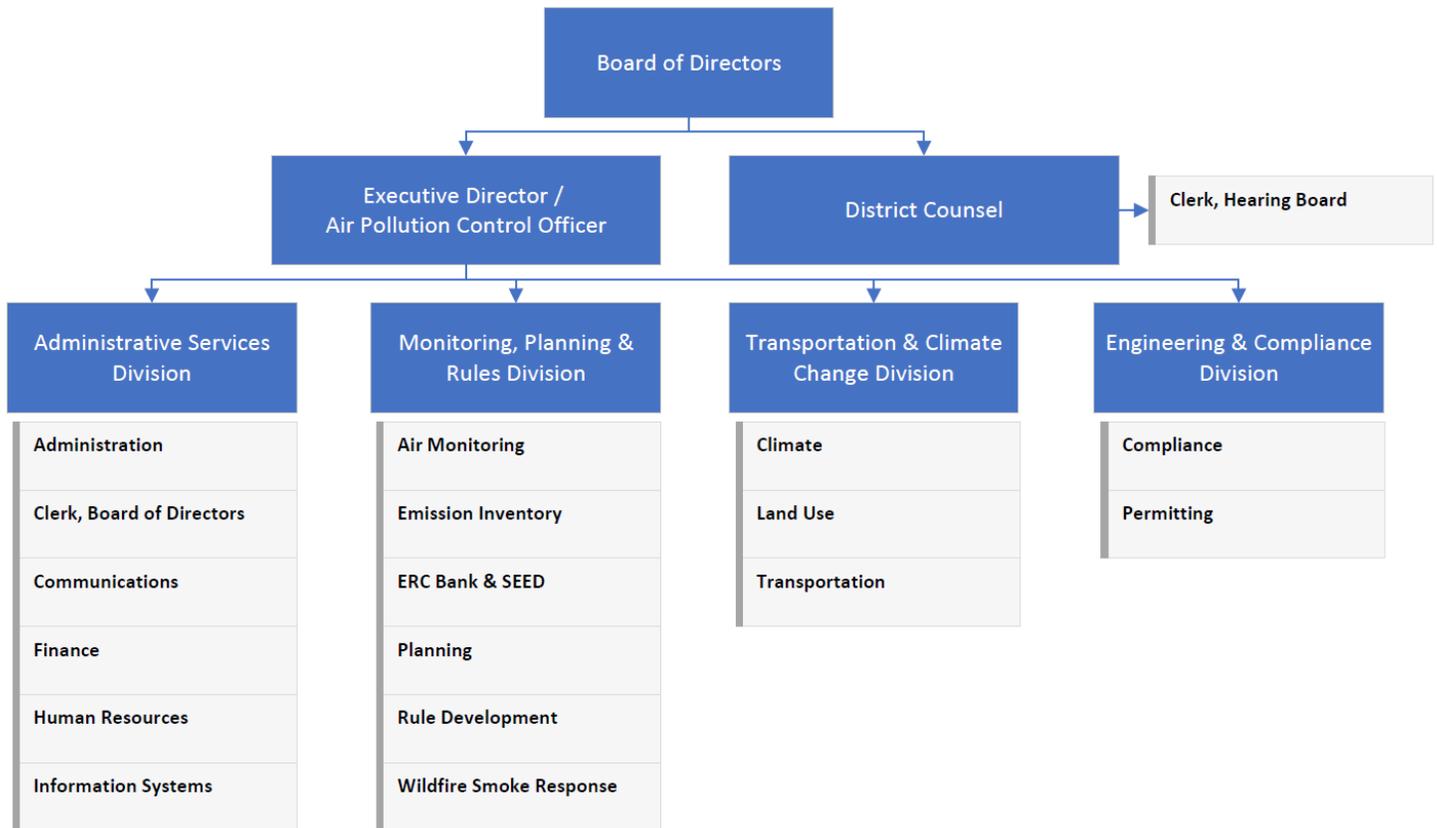
Donald Terry
Council Member
City of Rancho Cordova

Mai Vang
Mayor Pro Tem
City of Sacramento

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

District Council
Kathrine Pittard

Organization Chart



Financial Section



Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sacramento Metropolitan Air Quality Management District (District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, the District has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 96, *Subscription Based Information Technology Arrangements* for the year ended June 30, 2023. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2022, to restate beginning net position. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the schedule of changes in the net OPEB liability and related ratios, the schedule of OPEB contributions, the schedule of proportionate share of the net pension liability, and the schedule of pension contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The budgetary schedules and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the budgetary schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Sacramento, California
December 20, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the District's Annual Comprehensive Annual Financial Report provides a narrative overview and analysis of the District's financial activities for the fiscal year that ended June 30, 2023. Please read this document in conjunction with the transmittal letter located in the introductory section and the District's financial statements which follow this discussion.

Financial Highlights

- The District's overall net position at June 30, 2023 was \$73.7 million, an increase of about \$1.0 million or 1.3 percent over the prior fiscal year.
- Total government-wide liabilities increased by \$13.2 million mainly due to an increase in the net pension liability and accounts payable.
- Government-wide deferred outflows of resources increased by \$5.0 million and deferred inflows decreased by \$4.1 million primarily related to pensions
- The fiscal year 2022-23 (FY 22-23) General Fund revenues exceeded expenditures by \$0.5 million. This is mainly attributable to position vacancies and fewer professional services expenditures than expected for the year.

Overview of Financial Statements

The District's Annual Comprehensive Financial Report (ACFR) is comprised of three components: 1) government-wide financial statements 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Financial Statements

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

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

The Statement of Activities includes all current year revenues and expenses, and changes in net position, regardless of the timing of related cash flows. Thus, revenues 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. In the Statement of Activities, the air quality management functions are categorized as Business Compliance, Air Monitoring, Sustainable Land Use, Clean Transportation and Mobility Innovation, and Community Health Protection.

The District reports the Proprietary Fund as an Internal Service Fund since the main source of revenue for the fund is from an internal source rather than external sources.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

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

Other Information

In addition to the basic financial statements and accompanying notes, the District also presents certain supplementary information and a statistical section that covers revenue, expenditure, and fund balance trends for the past 10 years. Furthermore, the District presents a Schedule of Expenditures of Federal Awards (SEFA) in the Federal Award Section. The SEFA, under Uniform Guidance (2 CFR 200), is a supplemental schedule to the financial statements that a non-federal entity is required to produce when it is subject to the single audit requirement. The single audit requirement is triggered when the federal expenditures reported on the SEFA exceed \$750,000 or more over the non-federal entity's fiscal year. The District meets the single audit criteria and is responsible for arranging for the audit, preparing the appropriate financial statements, taking corrective action on audit findings (if any), and providing the auditor with access to all information required to perform the audit.

Government-wide Financial Analysis

This section provides an analysis of the government-wide financial statements including long-term and short-term information about the District's overall financial condition. The following table is a summary of the District's overall net position.

	Governmental Activities	
	2023	2022
Assets and Deferred Outflows of Resources		
Current and Other Assets	\$ 85,306	\$ 79,938
Capital and Other Non-Current Assets	4,873	5,193
Total Assets	<u>90,179</u>	<u>85,131</u>
Deferred Outflows of Resources	<u>8,563</u>	<u>3,533</u>
Liabilities and Deferred Inflows of Resources		
Current Liabilities	6,327	2,687
Non-Current Liabilities	17,445	7,839
Total Liabilities	<u>23,772</u>	<u>10,526</u>
Deferred Inflows of Resources	<u>1,244</u>	<u>5,378</u>
Net Position		
Net Investment in Capital Assets	3,351	3,243
Restricted	72,382	71,238
Unrestricted	(2,006)	(1,722)
Total Net Position	<u>\$ 73,727</u>	<u>\$ 72,759</u>

- Total assets increased by \$5.1 million or 6.0 percent over the prior year, mainly due to a \$3.8 million increase in cash. Excess funds are invested in the Local Area Investment Fund. In addition, receivables increased by \$1.7 million, primarily due to federal grant and interest receivables.
- Capital Assets decreased by \$0.2 million due to annual depreciation and amortization.
- Deferred outflows of resources increased by about \$5.0 million, primarily due to increases related to pensions.
- Total non-current liabilities increased by \$9.6 million mainly because of a \$9.1 million increase in net pension liability attributable to pension plan investment losses during the measurement year and a decrease in the CalPERS discount rate.
- Deferred inflows of resources decreased by roughly \$4.1 million from the prior year, primarily due to a \$3.9 million reduction in deferred inflows related to pensions.
- The net position of the District totaled \$73.7 million as of the end of FY 22-23 and increased approximately \$1.0 million or 1.3 percent over FY 21-22.

The largest portion of the District's net position at June 30, 2023, \$72.4 million, consists of resources subject to external restrictions on how they may be used. An additional \$3.4 million of the total net position reflects its net investment in capital assets (e.g., land, buildings, and equipment less any related debt used to acquire those assets that is still outstanding). The remaining portion of the District's net position is a deficit of \$2.0 million related mainly to the net pension liability.

The District's total net position increased by about \$1.0 million during the current fiscal year. Of this amount, \$1.1 million of the increase relates to the restricted net position, and roughly \$0.3 million is associated with a decrease in the unrestricted net position. The increase in the restricted net position is due to additional intergovernmental revenue received in the current year that will be disbursed in subsequent years. The decrease in the unrestricted net position is primarily related to an increase in pension liability. Net investment in capital assets increased slightly year-over-year mainly due to a reduction in long-term debt related to a capital asset.

The following schedule shows revenues by major source, expenses by function, and changes in net position for the fiscal years ended June 30, 2023, and June 30, 2022.

	Governmental Activities	
	2023	2022
<u>Revenues</u>		
Program revenues:		
Charges for Services	\$ 10,297	\$ 9,653
Operating Grants and Contributions	19,635	9,660
General Revenues:		
DMV	5,122	5,097
Sales tax	2,570	2,552
Grants - not restricted to specific activities	364	359
Investment income (a)	1,505	(669)
Total Revenues	39,493	26,652
<u>Expenses</u>		
Business Compliance	8,513	6,838
Air Monitoring	5,022	3,446
Sustainable Land Use	2,021	1,999
Clean Transportation and Mobility Innovation	20,885	8,071
Community Health Protection	1,992	1,834
Interest on Long-Term Debt	70	76
Unallocated Depreciation	22	41
Total Expenses	38,525	22,305
Change in Net Position	968	4,347
Beginning Net Position, as restated	72,759	68,412
Net Position - Ending Balance	\$ 73,727	\$ 72,759

(a) Investment Income includes a Fair Market Value Adjustment per GASB 31.

Revenues for total governmental activities were \$39.5 million and increased by \$12.8 million or 48.2% over the prior year primarily due to the timing of grant revenue received in the year restricted for incentive projects that will be disbursed in subsequent years and interest income. The incentive grants are generally multi-year agreements with funds received in one year and incentive disbursements made to project participants over several years resulting in significant fluctuations in year-over-year revenues and expenses.

Overall expenses for governmental activities of \$38.5 million increased by \$16.2 million mainly due to increases in special revenue fund grant disbursements of \$11.7 million attributable to the timing of clean air technology incentive program payments. In addition, employee services expense increased by \$1.2 million due to filling previously vacant positions and net pension expense was higher than the prior year by \$2.7 million.

Financial Analysis of the Governmental Funds

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

Governmental Funds

The District has two governmental funds, the General and Special Revenue Funds. Governmental funds provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financial requirements.

The General Fund is the District's chief operating fund. At the end of FY 22-23, the total fund balance of the General Fund was \$20.9 million, an increase of \$0.5 million over the prior year. The Nonspendable Fund Balance represents prepaid expenses that decreased \$44,000 from the prior year. The Restricted Fund Balance increased by \$0.5 million from the prior year mainly due to permit fees. Assigned Fund Balance increased by \$1.0 million year-over-year and is used to set aside funds for a projected budgetary deficit in FY 23-24 that is forecasted to be more than the FY 22-23 budgetary deficit. The Unassigned Fund Balance decreased by \$1.0 million from the prior year primarily due to the reclassification (increase) in the Assigned Fund balance at the end of the fiscal year.

As a measure of the General Fund's liquidity, it may be useful to compare the total fund balance to total General Fund expenditures. Overall, the total fund balance represents approximately 99.2% of the total FY 22-23 General Fund expenditures. The growth of the fund balance over the past several years has been intentional to address potential economic downturns or other unanticipated factors and to implement District priorities for which near-term structural deficits are projected in the event no new revenue is received.

The Special Revenue total fund balance as of June 30, 2023 increased by \$0.9 million over the prior year. This increase was due to grant incentive revenue received by the fund in the current year being higher than the incentive disbursements in FY 22-23. As previously noted, due to the multi-year nature of the Special Revenue fund grants, fluctuations normally occur in year-over-year revenues and expenses and the resulting net change in fund balance.

Proprietary Fund

The Proprietary Fund (Covell Building Fund) is classified as an Internal Service Fund since most of the fund's revenue is derived from rent paid by the District. The net income of the fund is included as an offset to expenses in the current year's Statement of Activities.

Net income from the Proprietary Fund increased the District's net position on June 30, 2023, by \$0.6 million, higher than the \$0.4 million increase in the prior year. The year-over-year increase was mainly due to additional rental income. Highlights for the FY 22-23 Proprietary Fund results are as follows:

- Operating revenues from the building totaled \$1.3 million and increased \$0.2 million over the prior year. These revenues represent rental and parking income.
- Operating expenses for the building were \$0.7 million for the year, consistent with the prior fiscal period.
- The District made a principal payment of \$345,000 in FY 22-23 for the Certificates of Participation. Next year, the principal payment will be \$355,000.

Budgetary Highlights

General Fund revenues were \$1.9 million less than the Approved Budget primarily due to the timing of the receipt of state grant revenues and lower federal grant revenues related to grant sub-recipients, offset by higher-than-expected permit fees and investment income.

Expenditures for the General Fund were less than planned by \$4.1 million mainly due to position vacancies, reduced spending on professional services, fewer disbursements to federal grant subrecipients, and capital project deferrals. These variances were offset by a less-than-plan administrative credit related to the Special Revenue fund incentive grants.

Capital Assets and Debt Administration

Capital Assets

At the end of FY 22-23, the District's net investment in capital assets for its governmental activities was \$3.4 million (net of accumulated depreciation and any related debt used to acquire those assets that is still outstanding). 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 \$0.2 million. Additional information on capital assets can be found in Note 5 under the Notes to the Basic Financial Statements section.

Long-term Debt

At the end of FY 22-23, the District had outstanding bonds secured by the District's administrative building. The total debt outstanding as of June 30, 2023, was \$1.5 million. Based on the current payment schedule, these bonds will be paid off by the end of 2027. Additional information on long-term liabilities can be found in Note 6 under the Notes to the Basic Financial Statements section.

Next Year's Budget

Revenues for the 2023-2024 fiscal year for the General Fund are budgeted to increase by approximately \$3.5 million, with increases expected mainly in state and federal grant revenues. The state grant revenues increase is due to the timing of the receipt of grant funds. Additionally, the increase in federal grant revenues reflects the District's administration of federal funds on behalf of other air districts in the region.

FY 23-24 expenditures for the General Fund are expected to increase by \$6.8 million over the actual amounts expended in FY 22-23. The budget anticipates an increase of \$2.1 million for salaries and benefits reflecting the District's plan to continue to fill approved open positions in FY 22-23 and a cost-of-living adjustment for overall wages. Services and Supplies are expected to increase by \$4.9 million, primarily for expenditures related to professional services, development of a software solution, and disbursements to federal grant sub-recipients. The budget anticipates an increase in capital spending of \$1.0 million mainly related to construction improvements for an air monitoring station, air monitoring equipment, and replacement vehicles for the District's fleet. Finally, interfund credits (offsets to expense) are planned to increase by \$1.2 million over the FY 22-23 actual credits. Overall, a \$2.7 million use of fund balance for the General Fund is budgeted for FY 23-24.

Economic Factors

As of June 30, 2023, foreseeable economic or political conditions that may influence the financial position of the District include cost increases for goods and services due to continued inflation, increases in retirement rates, and decreases in the CalPERS discount rate. The effects, if any, of these events are not calculable at this time. However, the recent inflationary economic environment is expected to continue to increase the cost of services and supplies in the near term.

Regarding revenues, the District is anticipating state and federal intergovernmental funding to stay relatively constant over the next few years. Measure A sales tax revenue is expected to increase by about 3.8% annually in the near term. However, it is unclear what effects inflation might have on the local economy and related impacts on government and consumer spending.

The District's multi-year forecast continues to show some significant funding gaps between revenues and expenses. The imbalance is due primarily to rising costs of doing business, such as employee services and capital expenditures outpacing revenue increases, new state mandates that are not adequately funded, and a legacy of a lack of full cost recovery for many of the District's programs. Staff will continue to work with the Board of Directors into FY 23-24 and beyond to identify additional funding strategies.

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 may be emailed to finance@airquality.org or be addressed to:

Sac Metro Air District
Attn: Finance Department
777 12th Street, Suite 300
Sacramento CA 95814

Basic Financial Statements

Sacramento Metropolitan Air Quality Management District

Statement of Net Position

June 30, 2023

	Governmental Activities
Assets	
Current Assets:	
Cash and cash equivalents	\$ 79,751,006
Restricted cash and cash equivalents	427,140
Receivables	4,957,790
Lease receivable	77,993
Prepays	92,472
Total current assets	85,306,401
Non-Current Assets:	
Capital assets	
Capital assets not being depreciated	1,200,119
Capital assets, net of accumulated depreciation	3,602,122
Right to use subscription IT assets, net of accumulated amortization	70,422
Total capital assets	4,872,663
Total non-current assets	4,872,663
Total assets	90,179,064
Deferred Outflows of Resources	
Deferred outflows related to pensions	7,402,081
Deferred outflows related to OPEB	1,161,231
Total deferred outflows of resources	8,563,312
Liabilities	
Current Liabilities:	
Accounts payable and accrued liabilities	4,459,640
Accrued wages and benefits payable	604,969
Compensated absences - due within one year	902,586
Certificates of participation - due within one year	359,908
Total current liabilities	6,327,103
Non-Current Liabilities:	
Deposits from others	23,147
Compensated absences - due in more than one year	542,999
Certificates of participation - due in more than one year	1,161,859
Net OPEB liability	1,473,540
Net pension liability	14,243,087
Total noncurrent liabilities	17,444,632
Total liabilities	23,771,735

Sacramento Metropolitan Air Quality Management District
Statement of Net Position
June 30, 2023

	Governmental Activities
Deferred Inflow of Resources	
Deferred inflows related to pensions	\$ 1,023,525
Deferred inflows related to OPEB	146,367
Deferred inflows related to leases	73,960
Total deferred inflows of resources	1,243,852
Net Position	
Net investment in capital assets	3,350,896
Restricted for:	
Debt Service	427,140
Air Quality Programs	71,954,951
Unrestricted	(2,006,198)
Total net position	\$ 73,726,789

Sacramento Metropolitan Air Quality Management District
Statement of Activities
Year Ended June 30, 2023

Functions/Programs:	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Primary government:				
Governmental activities:				
Business Compliance	\$ 8,513,026	\$ 8,842,587	\$ 231,085	\$ 560,646
Air Monitoring	5,021,842	476,524	1,834,789	(2,710,529)
Sustainable Land Use	2,021,329	261,527	-	(1,759,802)
Clean Transportation and Mobility Innovation	20,884,866	7,412	16,776,284	(4,101,170)
Community Health Protection	1,992,262	708,880	792,715	(490,667)
Interest on long-term debt	69,885	-	-	(69,885)
Unallocated depreciation	21,815	-	-	(21,815)
	<u>\$ 38,525,025</u>	<u>\$ 10,296,930</u>	<u>\$ 19,634,873</u>	<u>(8,593,222)</u>
General revenues:				
DMV				5,122,126
Sales tax				2,569,539
Grants - not restricted to specific activities				363,811
Investment income				1,505,309
				<u>9,560,785</u>
				Change in net position <u>967,563</u>
				Net Position - beginning, as restated <u>72,759,226</u>
				Net Position - ending <u>\$ 73,726,789</u>

Sacramento Metropolitan Air Quality Management District
Balance Sheet – Governmental Funds
June 30, 2023

	General	Special Revenue Fund	Total Governmental Funds
Assets			
Cash and equivalents	\$ 18,738,428	\$ 58,016,433	\$ 76,754,861
Accounts receivable	3,417,499	979,109	4,396,608
Interest receivable	111,185	440,199	551,384
Prepays	92,472	-	92,472
	<u>22,359,584</u>	<u>59,435,741</u>	<u>81,795,325</u>
Total assets	<u>\$ 22,359,584</u>	<u>\$ 59,435,741</u>	<u>\$ 81,795,325</u>
Liabilities and Fund Balance			
Liabilities			
Accounts payable and accrued liabilities	\$ 859,111	\$ 3,571,762	\$ 4,430,873
Accrued wages and benefits payable	604,969	-	604,969
	<u>1,464,080</u>	<u>3,571,762</u>	<u>5,035,842</u>
Total liabilities	<u>1,464,080</u>	<u>3,571,762</u>	<u>5,035,842</u>
Fund Balance			
Nonspendable:			
Prepays	92,472	-	92,472
Restricted for:			
Air Quality Programs	16,090,972	55,863,979	71,954,951
Assigned to:			
Projected budgetary deficit	2,727,599	-	2,727,599
Unassigned	1,984,461	-	1,984,461
	<u>20,895,504</u>	<u>55,863,979</u>	<u>76,759,483</u>
Total fund balances	<u>20,895,504</u>	<u>55,863,979</u>	<u>76,759,483</u>
Total liabilities and fund balances	<u>\$ 22,359,584</u>	<u>\$ 59,435,741</u>	<u>\$ 81,795,325</u>

Sacramento Metropolitan Air Quality Management District
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2023

Fund balances - total governmental funds \$ 76,759,483

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital assets at historical cost	\$ 3,984,135	
Accumulated depreciation	(2,621,068)	
Right to use subscription IT assets, net of accumulated amortization	<u>70,422</u>	
		<u>1,433,489</u>

Long-term liabilities that are not due and payable in the current period, and therefore, are not reported in the funds.

Net pension liability	(14,243,087)	
Net OPEB Liability	(1,473,540)	
Compensated absences payable	<u>(1,445,585)</u>	
		<u>(17,162,212)</u>

Differences between expected and actual experiences, assumption changes and net differences between projected and actual earnings and contributions subsequent to the measurement date for the postretirement benefits (pension and OPEB) are recognized as deferred outflows of resources and deferred inflows on the statement of net position.

Deferred outflows of resources relating to pensions	7,402,081	
Deferred outflows of resources relating to OPEB	1,161,231	
Deferred inflows of resources relating to pensions	(1,023,525)	
Deferred inflows of resources relating to OPEB	<u>(146,367)</u>	
		<u>7,393,420</u>

Internal service funds are used by management to charge the costs of certain activities to individual governmental funds. The assets and liabilities of the internal service fund is therefore included in governmental activities in the statement of net position.

Internal service funds		<u>5,302,609</u>
Net position of governmental activities		<u><u>\$ 73,726,789</u></u>

Sacramento Metropolitan Air Quality Management District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2023

	General	Special Revenue Fund	Total Governmental Funds
Revenues:			
Sales Tax	\$ 2,569,539	\$ -	\$ 2,569,539
Fees and Licenses	9,799,466	-	9,799,466
Intergovernmental:			
Local Government	276,582	-	276,582
State	5,709,935	15,164,301	20,874,236
Federal	2,575,872	1,499,161	4,075,033
Fines, Forfeitures, and Penalties	270,175	33,862	304,037
Other	24,015	64,374	88,389
Investment income	338,563	1,117,624	1,456,187
Total revenues	21,564,147	17,879,322	39,443,469
Expenditures:			
Current:			
Business Compliance	8,220,645	-	8,220,645
Air Monitoring	4,860,572	-	4,860,572
Sustainable Land Use	1,959,275	-	1,959,275
Clean Transportation and Mobility Innovation	3,753,483	16,975,399	20,728,882
Community Health Protection	1,941,602	-	1,941,602
Debt Service:			
Principal	110,879	-	110,879
Interest	4,291	-	4,291
Capital Outlay	221,023	-	221,023
Total expenditures	21,071,770	16,975,399	38,047,169
Net change in fund balances	492,377	903,923	1,396,300
Fund balances, July 1, 2022	20,403,127	54,960,056	75,363,183
Fund balances, June 30, 2023	<u>\$ 20,895,504</u>	<u>\$ 55,863,979</u>	<u>\$ 76,759,483</u>

Sacramento Metropolitan Air Quality Management District
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
 Funds to the Statement of Activities
 Year Ended June 30, 2023

Net change in fund balances - total governmental funds \$ 1,396,300

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/amortization
 expense. This is the amount by which depreciation expense exceeded
 capital outlays in the current period and other adjustments. (154,492)

Debt service payments for principal payments are reported as expenditure in the
 government fund, but are not reported as expenses in the statement of activities.

Subscription principal payments 110,879

Some expenses reported in the statement of activities do not require the use
 of current financial resources and, therefore, are not reported as expenditures
 in the governmental funds.

Changes in pension liabilities and related deferred outflows and inflows of
 resources (878,927)

Changes in OPEB liabilities and related deferred outflows and inflows of
 resources (72,778)

Compensated absences (63,543)

The internal service funds are used by management to charge the costs of building
 space and expenses to individual funds. The net revenue of certain activities of
 internal service funds is reported with governmental activities. 630,124

Changes in net position of governmental activities \$ 967,563

Sacramento Metropolitan Air Quality Management District

Statement of Net Position – Proprietary Funds

June 30, 2023

	Governmental Activities Internal Service Fund
Assets	
Current Assets:	
Cash and cash equivalents	\$ 2,996,145
Restricted cash and cash equivalents	427,140
Interest receivable	9,798
Lease receivable	77,993
Total current assets	3,511,076
Non-Current Assets:	
Capital assets:	
Capital assets not being depreciated	1,086,652
Capital assets being depreciated, net	2,352,522
Total capital assets	3,439,174
Total non-current assets	3,439,174
Total assets	6,950,250
Liabilities	
Current Liabilities:	
Accounts payable	28,767
Certificates of participation - due within one year	359,908
Total current liabilities	388,675
Non-Current Liabilities:	
Deposits from others	23,147
Certificates of participation - due in more than one year	1,161,859
Total noncurrent liabilities	1,185,006
Total liabilities	1,573,681
Deferred Inflows of Resources	
Lease related	73,960
Net Position	
Net investment in capital assets	1,917,407
Restricted for:	
Debt Service	427,140
Unrestricted	2,958,062
Total net position	\$ 5,302,609

Sacramento Metropolitan Air Quality Management District
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
Year Ended June 30, 2023

	Governmental Activities <u>Internal Service Fund</u>
Operating Revenues:	
Rental income	\$ 1,268,261
Parking income	<u>81,461</u>
Total operating revenue	<u>1,349,722</u>
Operating Expenses:	
Repairs and maintenance costs	71,193
Utilities, security and communications	130,618
Management fees	110,624
Parking lot operations	178,296
Depreciation expense	206,158
Other expense	<u>6,232</u>
Total operating expenses	<u>703,121</u>
Operating income	<u>646,601</u>
Non-Operating Revenues And Expenses:	
Investment income	49,117
Interest expense	<u>(65,594)</u>
Total non-operating revenues (expenses)	<u>(16,477)</u>
Change in net position	630,124
Net Position, July 1, 2022	<u>4,672,485</u>
Net Position, June 30, 2023	<u><u>\$ 5,302,609</u></u>

Sacramento Metropolitan Air Quality Management District

Statement of Cash Flows – Proprietary Funds

Year Ended June 30, 2023

	Governmental Activities
	Internal Service Fund
Cash flows from operating activities:	
Cash received from rental and parking activities	\$ 1,354,494
Cash paid for goods and services	(525,844)
Net cash provided by operating activities	828,650
Cash flows from capital and related financing activities:	
Principal paid on long-term debt	(345,001)
Purchases of capital assets	(7,387)
Interest paid on long-term debt	(70,501)
Net cash used for capital and related financing activities	(422,889)
Cash flows from investing activities:	
Investment income	41,699
Net cash provided by investing activities	41,699
Net increase in cash and cash equivalents	447,460
Beginning cash balance July 1, 2022	2,975,825
Ending cash balance June 30, 2023	\$ 3,423,285
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 646,601
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	206,158
Effects of changes in:	
(Increase) in receivables	205,203
Decrease in accounts payable	(28,881)
Decrease in deferred inflows	(200,431)
Net cash provided by operating activities	\$ 828,650
Reconciliation of cash and cash equivalents to the statement of net position:	
Cash and investments	\$ 2,996,145
Restricted cash and investments	427,140
Total cash and cash equivalents	\$ 3,423,285
Noncash investing, capital and financing activities:	
Amortization of premium on long-term debt	\$ (4,907)

Note 1 - Summary of Significant Accounting Policies**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).

Reporting Entity

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

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 function.

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

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

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

Fund financial statements

The focus of governmental fund financial statements is on major funds rather than reporting funds by activity type. The District has two major funds for reporting purposes: the General Fund and the Special Revenue Fund.

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

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

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

Basis of Accounting

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

Revenues – exchange and non-exchange transactions

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. District exchange transactions include the Proprietary Fund building rents and parking revenues and interest revenue.

Imposed non-exchange transaction revenues result from assessments imposed on nongovernmental entities, including individuals (other than assessments imposed on exchange transactions) and the revenues are recognized in the period when use of the resources is required or first permitted. District imposed non-exchange transactions include Stationary Source permit fees and renewals, Land Use Mitigation permits, planning service charges, SEED program fees, Title V permits, Agricultural Burning fees, Asbestos Plan Check fees, Air Toxics fees, variances, and settlements.

Government-mandated non-exchange transactions result from one level of government providing resources to another level of government and requiring the recipient to use the resources for a specific purpose. Voluntary non-exchange transactions result from agreements entered voluntarily by the parties thereto. Both types of non-exchange transaction revenues are treated in the same manner. Revenues are recognized when all applicable eligibility requirements are met. District transactions of both types include the Moyer program, State Subvention and Enforcement Grants, Goods Movement Emission Reduction Program (GMERP), Lower Emission School Bus Program (LESBP), Measure A Sales Tax, the DMV surcharge, 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.

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 90 days after year-end.

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.

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, deferred inflows of resources, 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 reports the following major funds:

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

The **Special Revenue Fund** accounts for the resources accumulated and payments made primarily for restricted mobile source and community air protection incentive awards.

The District also reports the following fund type:

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

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.

Prepays

Prepays represent payments for services that will benefit periods beyond June 30, 2023. The District uses the consumption method of accounting for Prepays. Under the consumption method, governments may initially report prepaid items they purchased as an asset and defer the recognition of the expenditure until the period the inventories and prepaid items are consumed or used.

Capital Assets

Capital assets are capitalized at historical cost or estimated historical cost for assets where actual historic cost is not available. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would have been paid to acquire an asset with equivalent service potential on the date of the donation. The District maintains a threshold level of \$5,000 or more for capitalizing capital assets. Federally funded assets maintain a threshold of \$5,000 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-wide financial statements but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 2 to 39 years. Land is not depreciated.

Right to use subscription IT assets are recognized at the subscription commencement date and represent the District's right to use the underlying IT asset for the subscription term. Right to use subscription IT assets are measured at the initial value of the subscription liability plus any payments made to the vendor at the commencement of the subscription term, less any subscription incentives received from the vendor at or before the commencement of the subscription term, plus any capitalizable initial implementation costs necessary to place the subscription asset into service. Right to use subscription IT assets are amortized over the shorter of the subscription term or useful lives of the underlying asset using the straight-line method or the same method amortizing the debt. The amortization period varies from 2 to 3 years.

Lease Receivables

Lease receivables are recorded by the District as the present value of future lease payments expected to be received from the lessee during the lease term, reduced by any provision for estimated uncollectible amounts. Lease receivables are subsequently reduced over the life of the lease as cash is received in the applicable reporting period. The present value of future lease payments to be received are discounted based on the interest rate the District charges the lessee.

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.

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. It is the deferred amounts related to pension and OPEB. The deferred amounts related to pension and OPEB relate differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension and OPEB related changes.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. It is the deferred amounts related to pension and OPEB. The deferred amounts related to pension and OPEB relate differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension and OPEB related changes. Deferred inflows related to leases where the District is the lessor is reported in the proprietary fund and statement of net position. The deferred inflows of resources related to leases are recognized as an inflow of resources (revenue) on the straight-line basis over the term of the lease.

Pensions

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

Other Postemployment Benefits (OPEB)

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

Fund Balance

The District reports governmental 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 items) 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. A Board resolution serves as the highest level of commitment.

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

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

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

Long-Term Liabilities

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Issuance costs, whether withheld from the actual debt proceeds received, are reported as debt service expenditures.

Subscription liabilities represent District's obligation to make subscription payments arising from the subscription contract. Subscription liabilities are recognized at the subscription commencement date based on the present value of future subscription payments expected to be made during the subscription term. The present value of subscription payments is discounted based on a borrowing rate determined by District.

Eliminations and Reclassifications

In the process of aggregating data for the government-wide statements, some amounts reported as inter-fund activity and balances in the fund financial statements, were eliminated or reclassified. Inter-fund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the government activities column. Interfund services provided and used are not eliminated in the process of consolidation.

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.

Implementation of New Governmental Accounting Standards

The Governmental Accounting Standards Board (GASB) releases new accounting and financial reporting standards which may have a significant impact on the District's financial reporting process. New standards applicable to the year ending June 30, 2023, are as follows:

GASB Statement No. 91 – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The objective of this Statement is to make financial statements more useful to end users by eliminating this diversity of practice in Conduit Debt Obligation reporting. Additionally, GASB 91 enhances financial statement note disclosures regarding issuers' commitments and the likelihood that they will fulfill them. This Statement is effective for reporting periods beginning after December 15, 2021. The District has determined this Statement did not have an impact on the financial statements.

GASB Statement No. 94 – In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement is effective for reporting periods beginning after June 15, 2022. The District has determined this Statement did not have an impact on the financial statements.

GASB Statement No. 96 – In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objective of this Statement is to establish uniform accounting and financial reporting requirements for subscription-based information technology arrangements (SBITAs); improve comparability of government's financial statements; and enhance the understandability, reliability, relevance, and consistency of information about SBITAs. This Statement is effective for reporting periods beginning after June 15, 2022. As of July 1, 2022, the District adopted GASB Statement No. 96. The effect of the implementation of this standard on beginning net position is disclosed in Note 13 and the additional disclosures required by this standard are included in Note 7.

GASB Statement No. 99 – In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in account and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements of this Statement related to the extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022. The District has determined that there was no material impact on the financial statements.

Note 2 - Cash, Cash Equivalents, and Investments

Cash and Investments

As of June 30, 2023, cash and investments were reported in the accompanying financial statements as follows:

Statement of net position:	
Cash and cash equivalents	\$ 79,751,006
Restricted cash and cash equivalents	427,140
	<u>427,140</u>
Total cash and investments	<u>\$ 80,178,146</u>

Cash and investments as of June 30, 2023, consist of the following:

Deposits	
Balance per bank	\$ 9,090,892
Less outstanding checks and deposits	(3,107,239)
Investment in Local Agency Investment Fund	73,767,353
Investments with fiscal agent	427,140
	<u>427,140</u>
Total cash and investments	<u>\$ 80,178,146</u>

Deposits

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 percent of the excess government funds on deposit. This collateral must be in the form of government-backed securities.

Investments in the Local Agency Investment Fund (LAIF)

The District is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The District reports its investment in LAIF at the fair value amount provided by LAIF. The balance is available for withdrawal on demand and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Investments in LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest.

LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. The LAIF financial statements are available at the State Treasurer's Office website at www.treasurer.ca.gov. LAIF is not registered with the Securities and Exchange Commission and is not rated by the credit rating agencies.

Investments Authorized by Debt Agreements

The District must maintain required amounts of cash and investments with fiscal agents under the terms of certain debt issues. 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. At June 30, 2023, \$427,140 was held in reserve related to the District's Certificates of Participation (COP) and is invested in a 2a-7 Money Market Mutual Fund. This type of investment primarily invests in short term U.S. Treasury, government securities (including repurchase agreements collateralized by U.S. Treasury and government agency securities), agency mortgage-backed securities, and short-term high quality municipal obligations that provide income exempt from federal and California state income tax and federal alternative minimum tax. The fund holds AAAM and Aaa-mf ratings from Standard & Poor's and Moody's, respectively.

Moneys in the COP's reserve will at all times be in the amount of the Reserve Requirement. The Reserve Requirement is defined as the lesser of (i) 10 percent 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 percent of the average annual lease payment.

Fair Value Measurement

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Deposits and withdrawals in governmental investment pools, such as LAIF, are made on the basis of \$1 and not fair value. Accordingly, the District's proportionate share in these types of investments is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input.

The valuation of the 2a-7 Money Market Mutual funds held by fiscal agent for the COP's reserve is at one-dollar net asset value (NAV) per share.

Sacramento Metropolitan Air Quality Management District

Notes to Financial Statements

June 30, 2023

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 the maximum interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maturity	Percentage of Portfolio	Investment in One Issuer
U.S. Treasury Notes & Agency Obligations	5 years	100%	N/A
Washington Supranational Obligations	5 years	30%	10%
Municipal Notes	5 years	80%	10%
Registered State Warrants	5 years	80%	10%
Bankers Acceptances	180 days	40%	10%
Commercial Paper	270 days	40%	10%
Negotiable Certificates of Deposit	180 days	30%	10%
CRA Bank Deposit/Certificates of Deposit	1 year	30%	10%
Repurchase Agreements	1 year	30%	10%
Reverse Repurchase Agreements	92 days	20%	10%
Medium-Term Corporate Notes	180 days	30%	10%
Collateralized Mortgage Obligations	180 days	20%	10%
Local Agency Investment Fund (LAIF)	N/A	\$75 million	10%
Money Market Mutual Funds	N/A	20%	10%

Note 3 - Receivables

Receivables consisted of the following as of June 30, 2023:

Governmental Funds:	
Sales/Use Tax	\$ 369,120
Intergovernmental:	
State	1,378,383
Federal	2,438,497
Interest Receivable	561,182
Miscellaneous	210,608
Total	\$ 4,957,790

Sacramento Metropolitan Air Quality Management District

Notes to Financial Statements

June 30, 2023

Note 4 - Leases

The District as lessor leases office space to tenants on a fixed monthly fee. Substantially all of the assets classified as capital assets in the proprietary fund are for the purpose of rental or related use.

The District has accrued a receivable for one office space lease. The remaining receivable for this lease was \$77,993 for the year ended June 30, 2023. Deferred inflows related to this lease was \$73,960 as of June 30, 2023. Interest revenue recognized on this lease was \$4,450 for the year ended June 30, 2023. Principal receipts of \$128,463 was recognized during the fiscal year. The interest rate on the lease was 3.00%. Final receipt is expected in fiscal year 2023-24.

Note 5 - Capital Assets

Capital asset activity for the year ended June 30, 2023, was as follows:

	Balance July 1, 2022	Additions	Transfers	Balance June 30, 2023
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$ 1,086,652	\$ -	\$ -	\$ 1,086,652
Construction in process	93,885	19,582	-	113,467
Total capital assets, not being depreciated	1,180,537	19,582	-	1,200,119
Capital assets, being depreciated				
Building	5,540,610	7,388	-	5,547,998
Equipment	3,681,855	201,442	(12,629)	3,870,668
Total capital assets, being depreciated	9,222,465	208,830	(12,629)	9,418,666
Less accumulated depreciation:				
Building	(2,989,318)	(206,158)	-	(3,195,476)
Equipment	(2,298,637)	(335,060)	12,629	(2,621,068)
Total accumulated depreciation	(5,287,955)	(541,218)	12,629	(5,816,544)
Total capital assets, being depreciated, net	3,934,510	(332,388)	-	3,602,122
Governmental activities capital assets, net	\$ 5,115,047	\$ (312,806)	\$ -	\$ 4,802,241

Sacramento Metropolitan Air Quality Management District

Notes to Financial Statements

June 30, 2023

	(Restated) Balance July 1, 2022	Additions	Transfers	Balance June 30, 2023
Governmental Activities:				
Right to use Subscription IT Assets being amortized	\$ 184,026	\$ -	\$ -	\$ 184,026
Less Accumulated Amortization	-	(113,604)	-	(113,604)
Governmental activities right to use subscription IT assets, net	<u>\$ 184,026</u>	<u>\$ (113,604)</u>	<u>\$ -</u>	<u>\$ 70,422</u>

Depreciation/amortization expense was charged to the functions/programs of the governmental activities as follows:

Governmental Activities:

Air Monitoring	\$ 426,849
Internal Service Fund	206,158
Unallocated	21,815
Total depreciation/amortization expense	<u>\$ 654,822</u>

Depreciation/amortization expense held by the District's internal service fund is charged to various functions and programs based on their usage of the related assets.

Note 6 - Long-Term Liabilities

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2023, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities:					
Certificates of Participation	\$ 1,850,000	\$ -	\$ (345,000)	\$ 1,505,000	\$ 355,000
Premium	21,674	-	(4,907)	16,767	4,908
Compensated Absences	1,382,042	1,181,667	(1,118,124)	1,445,585	902,586
Total	<u>\$ 3,253,716</u>	<u>\$ 1,181,667</u>	<u>\$ (1,468,031)</u>	<u>\$ 2,967,352</u>	<u>\$ 1,262,494</u>

Sacramento Metropolitan Air Quality Management District

Notes to Financial Statements

June 30, 2023

Certificates of Participation

In March 2012, the District refunded the 2002 certificates with the 2012 certificates in the amount of \$4,350,000, with interest rates ranging from 3.00 percent to 4.00 percent. As of June 30, 2023, the principal balance outstanding was \$1,505,000. Proceeds included a bond premium of \$72,382, which will be amortized over the life of the COPs. The agreement includes a provision that in the event of a default or breach, the trustee may declare all lease payments then remaining unpaid be immediately due and owing, without further demand.

The certificates mature as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2024	\$ 355,000	\$ 53,100	\$ 408,100
2025	370,000	38,600	408,600
2026	385,000	23,500	408,500
2027	395,000	7,900	402,900
Total	1,505,000	123,100	1,628,100
Unamortized Premium	16,767	-	16,767
Total	<u>\$ 1,521,767</u>	<u>\$ 123,100</u>	<u>\$ 1,644,867</u>

For the year ended June 30, 2023, total interest expense for the COPs was \$65,594, and principal paid on the COPs was \$345,000. The COP's activity is recorded in the Internal Service Fund.

Note 7 - Subscription-Based Information Technology Arrangements (SBITAs)

The District has entered into two SBITA contracts for ERP software and Microsoft Office 365 software. The District is required to make annual principal and interest payments. The final annual subscription payment was made in March 2023 for the period of March 2023 through February 2024. The subscription liability was valued using a discount rate of 3.87% and 3.5% based on the District's incremental borrowing rate at the inception of the subscriptions.

A summary of the changes in subscription IT liabilities during the year ended June 30, 2023 is as follows:

	(Restated) Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities:					
Subscription IT liabilities	\$ 110,879	\$ -	\$ (110,879)	\$ -	\$ -
Total	<u>\$ 110,879</u>	<u>\$ -</u>	<u>\$ (110,879)</u>	<u>\$ -</u>	<u>\$ -</u>

Note 8 - Risk Management/Claims Liabilities

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

There have been no significant changes in insurance coverage and the District did not have any settlements that exceeded insurance coverage in any of the past three years.

During the fiscal year ended June 30, 2023, the District insured with the Special District Risk Management Authority (SDRMA) for general liability, errors and omissions, workers' compensation, and a variety of comprehensive coverage (See Note 9). The District also provides a selection of health insurance coverage and elective options for additional health related insurance coverage.

Note 9 - Jointly Governed Organization

The District is a member of the Special District Risk Management Authority (SDMRA), 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. SDRMA is governed by a seven-member Board of Directors. Directors are elected at-large from the membership to serve four-year terms. The board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in SDRMA.

Condensed audited financial information of SDRMA for the year ended June 30, 2023, is as follows:

Total Assets	\$ 146,574,993
Deferred Outflows of Resources	1,664,198
Total Liabilities	76,343,471
Deferred Inflows of Resources	<u>374,517</u>
Net Position	<u><u>\$ 71,521,203</u></u>
Total Revenues	\$ 100,884,445
Total Expenses	<u>96,706,371</u>
Net Income (Loss)	<u><u>\$ 4,178,074</u></u>

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

Sacramento Metropolitan Air Quality Management District

Notes to Financial Statements

June 30, 2023

Nature of Participation

Program	Deductible per Occurrence	Annual Coverage Limit
General Liability	\$ 500	\$5,000,000 Per Occurrence
Public Officials and Employees Errors and Omissions	\$ -	\$5,000,000 Per Occurrence/Annual Aggregate
Elected Officials Personal Liability	\$ 500	\$500,000 Per Occurrence/Annual Aggregate per each elected /appointed Board Member/Director
Employment Practices Liability	\$ -	\$5,000,000 Per Occurrence/General Aggregate
Employee Benefits Liability	\$ -	\$5,000,000 Per Occurrence/General Aggregate
Employee and Public Officials Dishonesty Coverage	\$ -	\$1,000,000 Per Occurrence
Auto Liability	\$ 1,000	\$5,000,000 Per Occurrence
Uninsured/Underinsured Motorist	\$ -	\$5,000,000 Each Accident
Property Coverage	\$ 1,000	\$800,000,000 Each Occurrence
Boiler and Machinery Coverage	\$ 1,000	\$100,000,000 Each Occurrence
Statutory Workers' Comp	\$ -	Statutory Per Occurrence
Cyber Coverage	\$ 50,000	\$750,000 - \$2,000,000 Annual Aggregate
Pollution Coverage	\$ 50,000	\$2,000,000 Blanket Limit per Pollution Condition

Note 10 - Commitments and Contingencies

State and Federal Allowances, Awards, and Grants

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

Note 11 - Employee Retirement Systems**CalPERS***Plan Description*

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

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

Benefits Provided

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

The Plan's provisions and benefits in effect at June 30, 2023, are summarized as follows:

	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
Hire date:		
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50	52
Monthly benefits, as a % of eligible compensation	1.4% to 2.4%	1.0% to 2.5%
Required employee contribution rates	7.00%	6.25%
Required employer contribution rates	10.32%	7.47%
Final Compensation	36 months	36 months

Sacramento Metropolitan Air Quality Management District

Notes to Financial Statements

June 30, 2023

Funding Policy

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by an actuary and shall be effective on July 1st following the notice of a change in rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30th by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The District's employer contributions to the Plan for the year ended June 30, 2023, were \$2,024,793.

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

As of June 30, 2023, the District reported a net pension liability for its proportionate share of the net pension liability of the Plan in the amount of \$14,243,087.

The District's net pension liability for the Plan is measured as of June 30, 2022 (the measurement date), and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2023, was as follows:

	<u>Miscellaneous CLASSIC/PEPRA</u>
Proportion - June 30, 2022	0.2699%
Proportion - June 30, 2023	<u>0.3044%</u>
Change - Increase (Decrease)	<u><u>0.0346%</u></u>

For the year ended June 30, 2023, the District recognized pension expense of \$2,903,720. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 1,459,502	\$ -
Differences between expected and actual experience	286,029	191,570
Net difference between projected and actual investment earnings	2,608,955	-
Difference between employer's contributions and proportionate share of contributions	-	831,955
Change in employer's proportion	1,022,802	-
Pension contributions made subsequent to measurement date	<u>2,024,793</u>	<u>-</u>
Total	<u><u>\$ 7,402,081</u></u>	<u><u>\$ 1,023,525</u></u>

\$2,024,793 reported as deferred outflows of resources relate to contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

Sacramento Metropolitan Air Quality Management District

Notes to Financial Statements

June 30, 2023

Other amounts reported as deferred outflows/(inflows) of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,	
2024	\$ 1,191,474
2025	1,015,957
2026	550,606
2027	1,595,726
Total	\$ 4,353,763

Actuarial assumptions

For the measurement period ending June 30, 2022 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2021, total pension liability. The June 30, 2022, total pension liability was based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Investment Rate of Return	6.90%
Projected Salary Increase	Varies by entry age and service
Mortality rate table	Derived using CalPERS' membership data for all funds (1)

(1) The mortality table used was developed based on CalPERS-specific data. The table includes generational mortality improvements using Society of Actuaries Scale 80% of scale MP 2020 based on the November 2021 experience study report (based on CalPERS demographic data from 2001 to 2019) that can be found on the CalPERS website.

Change of Assumptions - The discount rate of 6.90 percent used for the June 30, 2022, measurement date was decreased from 7.15 percent used for the June 30, 2021 measurement date.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

Sacramento Metropolitan Air Quality Management District

Notes to Financial Statements

June 30, 2023

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Real Return(a)(b)</u>
Global Equity - Cap-weighted	30.00%	4.54%
Global Equity - Non-Cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Estate	15.00%	3.21%
Leverage	-5.00%	-0.59%
Total	<u>100%</u>	

(a) an expected inflation of 2.30% is used for this period.

(b) figures are based on the 2021 Asset Liability Management study.

Discount Rate - The discount rate used to measure the total pension liability was 6.90 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and the contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.90 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Discount Rate 5.90%	Current Discount Rate 6.90%	Discount Rate 7.90%
Net Pension Liability	<u>\$ 23,299,617</u>	<u>\$ 14,243,087</u>	<u>\$ 6,791,810</u>

Pension Plan Fiduciary Net Position – Detailed information about the Plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Note 12 - Other Postemployment Benefits (OPEB)**General Information about the OPEB Plan**

Plan Description. The District participates in an agent multi-employer defined benefit medical plan administered by the California Public Employees' Retirement System (CalPERS). The plan provides postemployment healthcare benefits to eligible retirees by contributing the minimum employer contributions (MEC) \$149 in calendar year 2023. An additional \$150 is contributed towards retiree health care costs based upon a Board approved employee contract. This coverage is available for employees who retire with the District on reaching normal retirement age. At June 30, 2022, the District had 28 retirees participating in the plan.

The District has established an irrevocable trust to fund the OPEB Plan with the California Employers' Retiree Benefit Trust (CERBT).

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

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

Employees covered by benefit terms. At June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	28
Active employees	88
	<hr/>
Total	<u>116</u>

Contributions. The contribution rate is determined on an annual basis by an independent actuary. Employees are not required to contribute to the plan. The District's employer contributions to the Plan for the year ended June 30, 2023, were \$233,501.

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2021.

Sacramento Metropolitan Air Quality Management District

Notes to Financial Statements

June 30, 2023

Actuarial assumptions: Total OPEB liability in the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	2.75% per annum
Investment rate of return	5% per annum
Medical trend rates	6.25% in 2022, decreasing 0.25% per year to an ultimate rate of 4.5% for 2031 and later years

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major class included in the OPEB plan's target asset allocation as of June 30, 2022, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (a)</u>
CERBT		
Global Equity	23%	N/A
Global Debt Securities	51%	N/A
Inflation assets	9%	N/A
Commodities	3%	N/A
REITs	14%	N/A
Total	<u>100%</u>	5.00%

(a) Consistent with the information provided as of the measurement date. Long-term expected real rate of return is not provided by asset class and therefore shown as N/A here.

Discount rate. The discount rate used to measure the total OPEB liability was 5.0 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates through the CERBT under its investment allocation strategy 3. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sacramento Metropolitan Air Quality Management District

Notes to Financial Statements

June 30, 2023

Changes in the Net OPEB Liability

Change in the net OPEB liability for the measurement date June 30, 2022, is as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at June 30, 2022	\$ 3,805,960	\$ 3,129,348	\$ 676,612
Changes for the year:			
Service cost	137,220	-	137,220
Interest	231,526	-	231,526
Changes in assumptions	514,719	-	514,719
Differences between expected and actual experience	(96,220)	-	(96,220)
Contributions - employer	-	327,336	(327,336)
Net investment income	-	(336,224)	336,224
Benefit payments	(171,333)	(171,333)	-
Administrative expense	-	(795)	795
	615,912	(181,016)	796,928
Net changes	615,912	(181,016)	796,928
Balances at June 30, 2023	\$ 4,421,872	\$ 2,948,332	\$ 1,473,540

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

	1% Decrease (4.00%)	Discount Rate (5.00%)	1% Increase (6.00%)
Net OPEB liability	\$ 2,095,645	\$ 1,473,540	\$ 958,819

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.25% for HMO and PPO decreasing to 3.5%) or 1-percentage-point higher (7.25% for HMO and PPO decreasing to 5.5%) than the current healthcare cost trend rates:

	1% Decrease (5.25% HMO / 5.25% PPO decreasing to 3.5% HMO / 3.5% PPO)	Healthcare Cost Trend Rates (6.25% HMO / 6.25% PPO decreasing to 4.5% HMO / 4.5% PPO)	1% Increase (7.25% HMO / 7.25% PPO decreasing to 5.5% HMO / 5.5% PPO)
Net OPEB liability	\$ 959,867	\$ 1,473,540	\$ 2,123,877

Sacramento Metropolitan Air Quality Management District

Notes to Financial Statements

June 30, 2023

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

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

For the year ended June 30, 2023, the District recognized OPEB expense of \$366,602. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actuarial experience	\$ 110,951	\$ 144,645
Changes of assumptions	514,969	1,722
Net difference between projected and actual earnings on OPEB plan investments	301,810	-
Contributions subsequent to measurement date	233,501	-
Total	\$ 1,161,231	\$ 146,367

Contributions made subsequent to the measurement date of \$233,501 that are recorded as a deferred outflow of resources will be recognized as a reduction of the net OPEB liability during the year ended June 30, 2024.

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

Year Ending June 30,	
2024	\$ 183,923
2025	188,209
2026	104,698
2027	143,160
2028	37,447
Thereafter	123,926
Total	\$ 781,363

Note 13 - Adoption of New Standard

As of July 1, 2022, the District adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs). The implementation of this standard establishes that a SBITA results in a right to use subscription IT asset – an intangible asset – and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The Statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were recognized as outflows of resources based on the payment provisions of the contract. Beginning net position was restated to retroactively adopt the provisions of GASB Statement No. 96 as follows:

	<u>Governmental Activities</u>
Net position at June 30, 2022, as previously reported	\$ 72,759,226
Recognition of right to use subscription IT assets	184,026
Reversal of prepaid asset related to IT assets	(73,147)
Recognition of subscription IT liabilities	<u>(110,879)</u>
Net position at July 1, 2022, as restated	<u><u>\$ 72,759,226</u></u>

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Required Supplementary Information
June 30, 2023

Sacramento Metropolitan Air Quality Management District

Sacramento Metropolitan Air Quality Management District
Schedule of Revenues, Expenditures and Changes in Fund Balance
General Fund – Budget to Actual
Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Sales Tax	\$ 2,582,403	\$ 2,582,403	\$ 2,569,539	\$ (12,864)
Fees and Licenses	9,420,389	9,420,389	9,799,466	379,077
Local Government	448,459	448,459	276,582	(171,877)
State	6,995,434	6,995,434	5,709,935	(1,285,499)
Federal	3,634,219	3,634,219	2,575,872	(1,058,347)
Fines, Forfeitures, and Penalties	350,000	350,000	270,175	(79,825)
Other	9,176	9,176	24,015	14,839
Interest Income	42,472	42,472	338,563	296,091
	23,482,552	23,482,552	21,564,147	(1,918,405)
Total revenues				
Expenditures:				
Current:				
Business Compliance	9,037,127	9,037,127	8,220,645	816,482
Air Monitoring	7,832,221	7,832,221	4,860,572	2,971,649
Sustainable Land Use	2,134,288	2,134,288	1,959,275	175,013
Clean Transportation and Mobility Innovation	3,077,669	3,077,669	3,753,483	(675,814)
Community Health Protection	2,496,425	2,496,425	1,941,602	554,823
Debt Service:				
Principal	-	-	110,879	(110,879)
Interest	-	-	4,291	(4,291)
Capital Outlay	601,000	601,000	221,023	379,977
	25,178,731	25,178,731	21,071,770	4,106,961
Total expenditures				
Excess/(deficiency) of revenues over (under) expenditures	\$ (1,696,179)	\$ (1,696,179)	\$ 492,377	\$ 2,188,556

Sacramento Metropolitan Air Quality Management District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Special Revenue Fund – Budget to Actual
Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
State	\$ 28,606,551	\$ 28,606,551	\$ 15,164,301	\$ (13,442,250)
Federal	4,400,000	4,400,000	1,499,161	(2,900,839)
Fines, Forfeitures, and Penalties	-	-	33,862	33,862
Other	169,812	169,812	64,374	(105,438)
Interest Income	203,034	203,034	1,117,624	914,590
Total revenues	<u>33,379,397</u>	<u>33,379,397</u>	<u>17,879,322</u>	<u>(15,500,075)</u>
Expenditures:				
Current:				
Clean Transportation and Mobility Innovation	<u>50,040,489</u>	<u>50,040,489</u>	<u>16,975,399</u>	<u>33,065,090</u>
Excess/(deficiency) of revenues over (under) expenditures	<u>\$ (16,661,092)</u>	<u>\$ (16,661,092)</u>	<u>\$ 903,923</u>	<u>\$ 17,565,015</u>

Sacramento Metropolitan Air Quality Management District
Schedule of Changes in the Net OPEB Liability and Related Ratios
Year Ended June 30, 2023

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Total OPEB Liability			
Service cost	\$ 127,662	\$ 135,322	\$ 139,382
Interest	151,691	162,804	173,500
Differences between expected and actual experience	-	-	332,851
Changes in assumptions	-	-	172,321
Benefit payments, including refunds of member contributions	<u>(87,179)</u>	<u>(116,408)</u>	<u>(131,420)</u>
Net change in total OPEB liability	192,174	181,718	686,634
Total OPEB liability – beginning	<u>2,444,108</u>	<u>2,636,282</u>	<u>2,818,000</u>
Total OPEB liability – ending (a)	<u>\$ 2,636,282</u>	<u>\$ 2,818,000</u>	<u>\$ 3,504,634</u>
Plan fiduciary net position			
Contributions – employer	\$ 246,101	\$ 248,588	\$ 262,652
Net investment income	64,728	84,654	146,377
Benefit payments, including refunds of member contributions	(87,179)	(116,408)	(131,420)
Administrative expense	(822)	(939)	(435)
Other expense	<u>-</u>	<u>(2,386)</u>	<u>-</u>
Net change in plan fiduciary net position	222,828	213,509	277,174
Plan fiduciary net position – beginning	<u>1,580,888</u>	<u>1,803,716</u>	<u>2,017,225</u>
Plan fiduciary net position – ending (b)	<u>1,803,716</u>	<u>2,017,225</u>	<u>2,294,399</u>
District’s net OPEB liability – ending (a) – (b)	<u>\$ 832,566</u>	<u>\$ 800,775</u>	<u>\$ 1,210,235</u>
Plan fiduciary net position as a percentage of the total OPEB liability	68.42%	71.58%	65.47%
Covered-employee payroll	\$ 9,196,130	\$ 9,373,544	\$ 9,708,765
District’s net OPEB liability as a percentage of covered-employee payroll	9.05%	8.54%	12.47%
Measurement Date	June 30, 2017	June 30, 2018	June 30, 2019

* Fiscal year 2018 was the first year of implementation; therefore, only six years are shown.

Sacramento Metropolitan Air Quality Management District
Schedule of Changes in the Net OPEB Liability and Related Ratios
Year Ended June 30, 2023

<u>2021</u>	<u>2022</u>	<u>2023</u>
\$ 135,587	\$ 138,934	\$ 137,220
213,797	223,724	231,526
(22,785)	(56,477)	(96,220)
-	(2,214)	514,719
<u>(156,158)</u>	<u>(173,082)</u>	<u>(171,333)</u>
170,441	130,885	615,912
<u>3,504,634</u>	<u>3,675,075</u>	<u>3,805,960</u>
<u>\$ 3,675,075</u>	<u>\$ 3,805,960</u>	<u>\$ 4,421,872</u>
\$ 323,364	\$ 343,173	\$ 327,336
145,998	353,713	(336,224)
(156,158)	(173,082)	(171,333)
(1,139)	(920)	(795)
-	-	-
<u>312,065</u>	<u>522,884</u>	<u>(181,016)</u>
<u>2,294,399</u>	<u>2,606,464</u>	<u>3,129,348</u>
<u>2,606,464</u>	<u>3,129,348</u>	<u>2,948,332</u>
<u>\$ 1,068,611</u>	<u>\$ 676,612</u>	<u>\$ 1,473,540</u>
70.92%	82.22%	66.68%
\$ 9,827,349	\$ 10,257,608	\$ 10,453,736
10.87%	6.60%	14.10%
June 30, 2020	June 30, 2021	June 30, 2022

Sacramento Metropolitan Air Quality Management District
Schedule of the District's OPEB Contributions
Year Ended June 30, 2023

	2018	2019	2020
Actuarially determined contribution	\$ 221,719	\$ 221,414	\$ 262,674
Contributions in relation to the actuarially required contribution	<u>(248,588)</u>	<u>(221,414)</u>	<u>(262,674)</u>
Contribution deficiency (excess)	<u>\$ (26,869)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 9,373,544	\$ 9,708,765	\$ 9,827,349
Contributions as a percentage of covered-employee payroll	2.65%	2.28%	2.67%

* Fiscal year 2018 was the first year of implementation; therefore, only six years are shown.

Method and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level-percentage of payroll
Amortization period	10 years
Inflation	2.5% per annum
Healthcare cost trend rates	Actual 6.25%, decreasing by 0.25% per year to 4.5%
Salary increases	2.75% per annum, plus merit scale
Investment rate of return	5.0% per annum

Sacramento Metropolitan Air Quality Management District
Schedule of the District's OPEB Contributions
Year Ended June 30, 2023

2021	2022	2023
\$ 269,898	\$ 267,013	\$ 233,501
(269,898)	(267,013)	(233,501)
\$ -	\$ -	\$ -
\$ 10,257,608	\$ 10,453,736	\$ 11,129,538
2.63%	2.55%	2.10%

Sacramento Metropolitan Air Quality Management District
Schedule of Proportionate Share of the Net Pension Liability
Year Ended June 30, 2023

	2015	2016	2017	2018
District's proportion of the net pension liability	0.1043%	0.2381%	0.2454%	0.2552%
District's proportionate share of the net pension liability (asset)	\$ 6,489,889	\$ 6,533,370	\$ 8,524,599	\$ 10,060,590
District's covered payroll	\$ 8,908,245	\$ 10,332,821	\$ 9,422,478	\$ 9,196,130
District's proportionate share of the net pension liability as percentage of covered payroll	72.85%	63.23%	90.47%	109.40%
Plan fiduciary net position as a percentage of the total pension liability	79.90%	79.89%	75.87%	75.39%
Measurement date	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017

Changes in assumptions: The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. In 2021, the discount rate was changed from 7.15 percent to 6.90 percent. In 2021, the demographic assumptions and inflation rate changed from 2.50 percent to 2.30 percent.

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

Sacramento Metropolitan Air Quality Management District
Schedule of Proportionate Share of the Net Pension Liability
Year Ended June 30, 2023

2019	2020	2021	2022	2023
0.2574%	0.2673%	0.2789%	0.2699%	0.3044%
\$ 9,699,002	\$ 10,703,922	\$ 11,764,861	\$ 5,123,901	\$ 14,243,087
\$ 9,373,544	\$ 9,708,765	\$ 9,827,349	\$ 10,257,608	\$ 10,453,736
103.47%	110.25%	119.72%	49.95%	136.25%
75.26%	75.26%	75.10%	88.29%	76.68%
June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022

Sacramento Metropolitan Air Quality Management District
Schedule of Pension Contributions
Year Ended June 30, 2023

	2015	2016	2017	2018
Actuarially Determined Contribution	\$ 1,066,362	\$ 1,190,341	\$ 1,132,308	\$ 1,354,429
Contributions in relation to the actuarially determined contributions	<u>1,068,331</u>	<u>1,190,341</u>	<u>1,257,850</u>	<u>1,286,471</u>
Contribution deficiency (excess)	<u>\$ (1,969)</u>	<u>\$ -</u>	<u>\$ (125,542)</u>	<u>\$ 67,958</u>
Covered payroll	\$ 10,332,821	\$ 9,422,478	\$ 9,196,130	\$ 9,373,544
Contributions as a percentage of covered payroll	11.99%	11.52%	12.02%	14.59%

* Fiscal year 2015 was the first year of implementation; therefore, only nine years are shown.

Sacramento Metropolitan Air Quality Management District
Schedule of Pension Contributions
Year Ended June 30, 2023

2019	2020	2021	2022	2023
\$ 1,443,386	\$ 1,670,845	\$ 1,882,196	\$ 1,828,366	\$ 2,024,793
<u>1,443,386</u>	<u>1,670,845</u>	<u>1,882,196</u>	<u>1,828,366</u>	<u>2,024,793</u>
<u>\$ -</u>				
\$ 9,708,765	\$ 9,827,349	\$ 10,257,608	\$ 10,453,736	\$ 11,129,538
14.87%	17.00%	18.35%	17.49%	18.19%

Note 1 - Budgetary Comparison Schedule

Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The legal level of budgetary control is the classification level.

On or before the last day in February of each year, all divisions of the District submit budget packages to the Administrative Services Division Manager so that a budget may be prepared. The District notices and holds two public meetings as part of the Sacramento Metropolitan Air Quality Management District Board of Directors meetings in April and May. As required by air pollution control laws, noticing is done 30 days prior to the public hearing. The Board holds public hearings, and a final budget or continuing budget resolution must be prepared and adopted no later than June 30th.

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



Supplementary Information
June 30, 2023

Sacramento Metropolitan Air Quality Management District

Sacramento Metropolitan Air Quality Management District
 Budgetary Schedules at Legal Level of Budgetary Control – General Fund
 Year Ended June 30, 2023

	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:				
State	\$ 1,466,000	\$ 1,466,000	\$ 228,773	\$ (1,237,227)
ARB Subvention	359,315	359,315	359,036	(279)
DMV	5,170,119	5,170,119	5,122,126	(47,993)
Federal	3,634,219	3,634,219	2,575,872	(1,058,347)
Fees & Licenses (Other)	837,909	837,909	1,167,489	329,580
Fees & Licenses (Rule 301)	8,582,480	8,582,480	8,631,977	49,497
Local Government	448,459	448,459	276,582	(171,877)
Sales Use Tax	2,582,403	2,582,403	2,569,539	(12,864)
Fines/Forfeitures/Penalties	350,000	350,000	270,175	(79,825)
Interest Income	42,472	42,472	338,563	296,091
Other	9,176	9,176	24,015	14,839
Total revenues	23,482,552	23,482,552	21,564,147	(1,918,405)
Expenditures:				
Employee Services	17,886,807	17,886,807	16,325,362	1,561,445
Services and Supplies	8,808,754	8,808,754	5,435,112	3,373,642
Capital Projects	601,000	601,000	221,024	379,976
Transfers	(2,117,830)	(2,117,830)	(909,728)	(1,208,102)
Total expenditures	25,178,731	25,178,731	21,071,770	4,106,961
Excess /(deficiency) of revenues over(under) expenditures	\$ (1,696,179)	\$ (1,696,179)	\$ 492,377	\$ 2,188,556

Sacramento Metropolitan Air Quality Management District
 Budgetary Schedules at Legal Level of Budgetary Control – Special Revenue Fund
 Year Ended June 30, 2023

	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:				
State	\$ 26,021,491	\$ 26,021,491	\$ 12,603,238	\$ (13,418,253)
DMV	2,585,060	2,585,060	2,561,063	(23,997)
Federal Grants	4,400,000	4,400,000	1,499,161	(2,900,839)
Fines, Forfeitures, and Penalties	-	-	33,862	33,862
Interest Income	203,034	203,034	1,117,624	914,590
Other	169,812	169,812	64,374	(105,438)
Total revenues	<u>33,379,397</u>	<u>33,379,397</u>	<u>17,879,322</u>	<u>(15,500,075)</u>
Expenditures:				
Services and Supplies	47,922,659	47,922,659	16,065,669	31,856,990
Transfers	2,117,830	2,117,830	909,730	1,208,100
Total expenditures	<u>50,040,489</u>	<u>50,040,489</u>	<u>16,975,399</u>	<u>33,065,090</u>
Excess /(deficiency) of revenues over(under) expenditures	<u>\$ (16,661,092)</u>	<u>\$ (16,661,092)</u>	<u>\$ 903,923</u>	<u>\$ 17,565,015</u>

Statistical Section
June 30, 2023



Sacramento Metropolitan Air Quality Management District

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

Please note that the District made changes to the activity types in Fiscal Year 2019. As a result, some schedules will show five years of history with the previous activity types and a second schedule will contain five years of data with the new activity types for a total of 10 years of historical data. It was not feasible to restate prior years. In addition, it was determined in Fiscal Year 2019 that the Proprietary Fund was more properly classified as an Internal Service Fund; in previous years the fund was shown as an Enterprise fund. Prior years have not been restated for this change in fund classification.

Financial Trends

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

- Schedule 1 – Net Position by Component – Last Ten Fiscal Years
- Schedule 2 – Changes in Net Position – Last Ten Fiscal Years
- Schedule 3 – Fund Balances of Governmental Funds – Last Ten Fiscal Years
- Schedule 4 – Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years
- Schedule 5 – General Fund Expenditures by Major Object (Budgetary) – Last Ten Fiscal Years
- Schedule 6 – General Fund Expenditures by Major Object (Actual) – Last Ten Fiscal Years

Revenue Capacity

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

- Schedule 7 – General Government Revenues by Source – Last Ten Fiscal Years
- Schedule 8 – Own Source Government Revenue – Last Ten Fiscal Years

Operating Information

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

- Schedule 9 – Demographic Information – Last Ten Years
- Schedule 10 – DMV Registrations (Autos & Trucks) – Last Ten Years
- Schedule 11 – Principal Employers – Current Year and Ten Years Ago
- Schedule 12 – District Staff Position List – Last Ten Fiscal Years
- Schedule 13 – Ratios of Outstanding Debt by Type – Last Ten Fiscal Years
- Schedule 14 – Capital Assets by Function/Program – Last Ten Fiscal Years

Sacramento Metropolitan Air Quality Management District

Schedule 1 – Net Position by Component –

Last Ten Fiscal Years

(accrual basis of accounting)

(unaudited)

Year Ended June 30, 2023

	2014	2015	2016	2017
Governmental Activities				
Net investment in capital assets	\$ 764,943	\$ 792,677	\$ 1,111,788	\$ 1,196,123
Restricted	18,732,929	14,705,749	19,374,392	18,788,183
Unrestricted	792,734	(900,807)	(157,287)	605,026
Total governmental activities net position	20,290,606	14,597,619	20,328,893	20,589,332
Business-type Activities				
Net investment in capital assets	93,109	232,801	613,133	820,602
Restricted	416,293	418,340	416,382	416,575
Unrestricted	1,274,390	1,331,412	1,190,967	1,142,715
Total business-type activities net position	1,783,792	1,982,553	2,220,482	2,379,892
Primary government				
Net investment in capital assets	858,052	1,025,478	1,724,921	2,016,725
Restricted	19,149,222	15,124,089	19,790,774	19,204,758
Unrestricted	2,067,124	430,605	1,033,680	1,747,741
Total primary government net position	\$ 22,074,398	\$ 16,580,172	\$ 22,549,375	\$ 22,969,224

Notes:

(a) Reflects the new accounting treatment for pension and health liability

(b) The Proprietary Fund was more properly classified as an Internal Service Fund for FY 2019 and is included in Governmental Activities component for FY2019 forward.

Source : Annual Comprehensive Financial Report-Statement of Net Position

Sacramento Metropolitan Air Quality Management District

Schedule 1 – Net Position by Component (continued) –

Last Ten Fiscal Years

(accrual basis of accounting)

(unaudited)

Year Ended June 30, 2023

2018 (a)	2019 (b)	2020	2021	2022	2023
\$ 1,170,111	\$ 2,245,913	\$ 2,745,363	\$ 3,151,636	\$ 3,243,373	\$ 3,350,896
30,250,374	36,909,801	51,881,357	69,562,558	71,438,107	72,382,091
(5,625,047)	(3,921,835)	(2,768,037)	(4,302,216)	(1,922,255)	(2,006,198)
<u>25,795,438</u>	<u>35,233,879</u>	<u>51,858,683</u>	<u>68,411,978</u>	<u>72,759,225</u>	<u>73,726,789</u>
984,226	-	-	-	-	-
420,495	-	-	-	-	-
1,575,033	-	-	-	-	-
<u>2,979,754</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
2,154,337	2,245,913	2,745,363	3,151,636	3,243,373	3,350,896
30,670,869	36,909,801	51,881,357	69,562,558	71,438,107	72,382,091
(4,050,014)	(3,921,835)	(2,768,037)	(4,302,216)	(1,922,255)	(2,006,198)
<u>\$ 28,775,192</u>	<u>\$ 35,233,879</u>	<u>\$ 51,858,683</u>	<u>\$ 68,411,978</u>	<u>\$ 72,759,225</u>	<u>\$ 73,726,789</u>

Sacramento Metropolitan Air Quality Management District

Schedule 2 – Changes in Net Position –

Last Ten Fiscal Years (a)

(accrual basis of accounting)

(unaudited)

Year Ended June 30, 2023

	2014	2015	2016	2017	2018
Expenses					
Governmental Activities					
Stationary source activities	\$ 5,747,748	\$ 5,918,050	\$ 6,162,041	\$ 6,222,368	\$ 7,496,314
Mobile source activities	11,478,921	14,884,085	11,207,276	11,561,366	8,427,228
Program coordination activities	3,836,739	3,883,548	4,359,691	4,381,093	4,901,319
Strategic planning activities	3,772,415	3,877,953	4,380,829	3,937,606	5,183,744
Depreciation expense-unallocated	148,389	211,551	209,891	237,940	226,521
Total governmental activities	\$ 24,984,212	\$ 28,775,187	\$ 26,319,728	\$ 26,340,373	\$ 26,235,126
Business-type activities					
Building operations and obligations	\$ 641,654	\$ 697,804	\$ 715,125	\$ 877,284	\$ 454,367
Total primary government expenses	\$ 25,625,866	\$ 29,472,991	\$ 27,034,853	\$ 27,217,657	\$ 26,689,493
Program Revenues					
Governmental Activities					
Charges for services					
Stationary source activities	\$ 5,867,492	\$ 6,440,801	\$ 6,692,235	\$ 7,235,968	\$ 8,140,016
Mobile source activities	996,018	106,376	153,178	156,288	155,097
Program coordination activities	68,314	265,185	89,163	60,341	154,767
Strategic planning activities	408,808	140,712	242,084	310,430	315,248
Operating grants and contributions					
Stationary source activities	-	-	-	-	-
Mobile source activities	9,141,087	13,910,787	15,076,802	8,932,391	13,690,540
Program coordination activities	1,446,883	1,442,936	1,438,170	1,438,170	1,596,487
Strategic planning activities	643,422	643,422	643,422	643,422	643,422
Total governmental activities	\$ 18,572,024	\$ 22,950,219	\$ 24,335,054	\$ 18,777,010	\$ 24,695,577
Business-type activities					
Building operations and obligations	\$ 795,771	\$ 888,592	\$ 943,891	\$ 1,018,795	\$ 1,025,568
Total primary government program revenues	\$ 19,367,795	\$ 23,838,811	\$ 25,278,945	\$ 19,795,805	\$ 25,721,145
Net (Expense) Revenue					
Government activities	\$ (6,412,188)	\$ (5,824,968)	\$ (1,984,674)	\$ (7,563,363)	\$ (1,539,549)
Business-type activities	154,117	190,788	228,766	141,511	571,201
Total primary government net (expenses) revenue	\$ (6,258,071)	\$ (5,634,180)	\$ (1,755,908)	\$ (7,421,852)	\$ (968,348)
General revenues					
Governmental activities					
Grants and subventions	\$ 6,614,984	\$ 6,808,183	\$ 7,087,643	\$ 7,347,831	\$ 6,995,834
Interest	18,965	25,241	5,438	81,700	116,467
Gain on sale of capital assets	-	16,270	-	-	-
Penalties/Settlements	397,037	569,708	622,868	394,272	496,575
Transfers	-	-	-	-	-
Total governmental activities	\$ 7,030,986	\$ 7,419,402	\$ 7,715,949	\$ 7,823,803	\$ 7,608,876
Business-type activities					
Interest	\$ 6,083	\$ 7,973	\$ 9,163	\$ 17,899	\$ 28,661
Transfers	-	-	-	-	-
Total business-type activities	6,083	7,973	9,163	17,899	28,661
Total Primary government revenue	\$ 7,037,069	\$ 7,427,375	\$ 7,725,112	\$ 7,841,702	\$ 7,637,537
Change in net position					
Government activities	\$ 618,798	\$ 1,594,434	\$ 5,731,275	\$ 260,439	\$ 6,069,327
Business-type activities	160,200	198,761	237,929	159,410	599,862
Total Primary government	\$ 778,998	\$ 1,793,195	\$ 5,969,204	\$ 419,849	\$ 6,669,189

Note:

(a) For the fiscal year ending 6/30/2019 activity categories were redefined. Therefore, this page includes the five-year period ending 6/30/2018.

See next page for fiscal years subsequent to 6/30/2018

Source : Annual Comprehensive Financial Report-Statement of Activities

Sacramento Metropolitan Air Quality Management District
Schedule 2 – Changes in Net Position (continued) –
Last Ten Fiscal Years (a)
(accrual basis of accounting)
(unaudited)
Year Ended June 30, 2023

	2019	2020	2021	2022	2023
Expenses					
Governmental Activities					
Business Compliance	\$ 6,762,504	\$ 6,863,473	\$ 7,542,903	\$ 6,838,518	\$ 8,513,026
Air Monitoring	3,649,645	4,099,677	3,961,441	3,445,578	5,021,842
Sustainable Land Use	2,344,711	2,459,163	2,625,410	1,998,722	2,021,329
Clean Transportation and Mobility Innovation	18,821,767	18,993,969	14,136,285	8,071,082	20,884,866
Community Health Protection	2,065,860	2,249,228	2,177,038	1,833,853	1,992,262
Interest on long-term debt	103,843	94,544	85,350	75,931	69,885
Unallocated Depreciation	101,626	72,812	63,474	40,921	21,815
Total primary government	\$ 33,849,956	\$ 34,832,866	\$ 30,591,901	\$ 22,304,605	\$ 38,525,025
Program Revenues					
Governmental Activities					
Charges for services					
Business Compliance	\$ 7,553,612	\$ 8,268,370	\$ 7,783,865	\$ 8,366,030	\$ 8,842,587
Air Monitoring	486,231	506,363	207,691	320,017	476,524
Sustainable Land Use	72,934	153,625	75,977	263,316	261,527
Clean Transportation and Mobility Innovation	-	15,312	2	703	7,412
Community Health Protection	618,738	838,971	810,063	702,919	708,880
Operating grants and contributions					
Business Compliance	247,581	98,128	106,339	38,539	231,085
Air Monitoring	1,634,076	3,965,427	1,200,745	2,531,593	1,834,789
Sustainable Land Use	277,370	481,535	615,674	561,434	
Clean Transportation and Mobility Innovation	20,182,390	27,888,607	27,650,746	5,762,695	16,776,284
Community Health Protection	829,551	827,702	734,325	938,774	792,715
Total primary government	\$ 31,902,483	\$ 43,044,040	\$ 39,185,427	\$ 19,486,020	\$ 29,931,803
Net (Expense) Revenue					
Total primary government	\$ (1,947,473)	\$ 8,211,174	\$ 8,593,526	\$ (2,818,585)	\$ (8,593,222)
General revenues					
Grants and subventions	\$ 7,308,273	\$ 7,413,413	\$ 7,858,435	\$ 7,835,266	\$ 8,055,476
Interest	730,405	1,007,653	98,516	(669,433)	1,505,309
Gain (loss) on disposal of capital assets	-	(7,436)	2,818	-	-
Total general revenue	\$ 8,038,678	\$ 8,413,630	\$ 7,959,769	\$ 7,165,833	\$ 9,560,785
Change in net position for the period	\$ 6,091,205	\$ 16,624,804	\$ 16,553,295	\$ 4,347,248	\$ 967,563

Note:

(a) For the fiscal year ending 6/30/2019 activity categories were redefined. Therefore, this page includes the five-year period after 6/30/2018. See prior page for fiscal years previous to 6/30/2019.

Source: Annual Comprehensive Financial Report-Statement of Activities

Sacramento Metropolitan Air Quality Management District

Schedule 3 – Fund Balances of Governmental Funds –

Last Ten Fiscal Years

(modified accrual basis of accounting)

(unaudited)

Year Ended June 30, 2023

	2014	2015 (a)	2016	2017	2018
General Fund					
Nonspendable	\$ -	\$ 155,110	\$ 171,675	\$ 190,202	\$ 402,380
Restricted	10,998,388	10,287,274	8,796,696	8,061,391	7,811,623
Assigned	320,000	320,000	320,000	320,000	320,000
Unrestricted	792,734	1,395,878	1,798,521	1,737,137	2,043,980
Total General Fund	\$ 12,111,122	\$ 12,158,262	\$ 11,086,892	\$ 10,308,730	\$ 10,577,983
Special Revenue Fund (b)					
Restricted	\$ 8,277,548	\$ 9,549,952	\$ 15,185,241	\$ 14,623,422	\$ 22,438,751
Total Special Revenue Fund	\$ 8,277,548	\$ 9,549,952	\$ 15,185,241	\$ 14,623,422	\$ 22,438,751

Notes:

(a) GASB Statement 54 replaced the categories that previously had been used to classify fund balance. This schedule reclassifies nonspendable from restricted per that statement.

(b) The Special Revenue Fund was previously referred to as the Emission Technology Fund

Source: Annual Comprehensive Financial Report- Balance Sheet - Governmental Funds

Sacramento Metropolitan Air Quality Management District
 Schedule 3 – Fund Balances of Governmental Funds (continued) –
 Last Ten Fiscal Years
 (modified accrual basis of accounting)
 (unaudited)
 Year Ended June 30, 2023

2019	2020	2021	2022	2023
\$ 152,580	\$ 98,462	\$ 131,192	\$ 136,174	\$ 92,472
9,572,931	12,588,465	13,459,160	15,861,714	16,090,972
2,607,673	1,737,431	3,013,705	1,696,179	2,727,599
-	2,298,950	1,059,724	2,709,060	1,984,461
<u>\$ 12,333,184</u>	<u>\$ 16,723,308</u>	<u>\$ 17,663,781</u>	<u>\$ 20,403,127</u>	<u>\$ 20,895,504</u>
<u>\$ 26,130,091</u>	<u>\$ 39,377,251</u>	<u>\$ 55,633,856</u>	<u>\$ 54,960,056</u>	<u>\$ 55,863,979</u>
<u>\$ 26,130,091</u>	<u>\$ 39,377,251</u>	<u>\$ 55,633,856</u>	<u>\$ 54,960,056</u>	<u>\$ 55,863,979</u>

Sacramento Metropolitan Air Quality Management District
Schedule 4 – Changes in Fund Balances of Governmental Funds –
Last Ten Fiscal Years (a)
(modified accrual basis of accounting)
(unaudited)
Year Ended June 30, 2023

	2014	2015	2016	2017	2018
REVENUES					
Taxes	\$ 8,334,914	\$ 8,533,576	\$ 8,990,702	\$ 9,141,145	\$ 9,185,904
Intergovernmental	10,507,331	14,342,930	15,445,047	9,232,418	13,718,592
Licenses/Permits	6,741,800	7,416,470	7,646,441	8,001,079	8,395,134
Use of Money/Property	18,965	60,372	(31,188)	226,170	1,004,824
Total Revenue	\$ 25,603,010	\$ 30,353,348	\$ 32,051,002	\$ 26,600,812	\$ 32,304,454
EXPENDITURES					
Current:					
Stationary Sources	\$ 5,741,059	\$ 6,016,226	\$ 6,501,339	\$ 6,799,202	\$ 6,725,548
Mobile Source	11,475,645	14,932,141	11,367,756	11,916,194	8,048,476
Program Coordination	3,832,332	3,943,621	4,571,752	4,734,782	4,384,116
Strategic Planning	3,770,076	3,918,802	4,517,235	4,168,340	4,861,221
Debt Service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital Outlay	259,652	239,283	529,002	322,275	200,510
Total Expenditures	\$ 25,078,764	\$ 29,050,073	\$ 27,487,084	\$ 27,940,793	\$ 24,219,871
Excess (Deficiency) of Revenue over Expenditures	\$ 524,246	\$ 1,303,275	\$ 4,563,918	\$ (1,339,981)	\$ 8,084,583
OTHER FINANCING SOURCES (USES)					
Gain on sale of capital assets	-	16,270	-	-	-
Net change in fund balances	\$ 524,246	\$ 1,319,545	\$ 4,563,918	\$ (1,339,981)	\$ 8,084,583

Note:

(a) For the fiscal year ending 6/30/2019 activity categories were redefined. Therefore, this page includes the five-year period ending 6/30/2018.
See next page for fiscal years subsequent to 6/30/2018

Source : Annual Comprehensive Financial Report-Changes in Fund Balances of Governmental Funds

Sacramento Metropolitan Air Quality Management District
Schedule 4 – Changes in Fund Balances of Governmental Funds (continued) –
Last Ten Fiscal Years (a)
(modified accrual basis of accounting)
(unaudited)
Year Ended June 30, 2023

	2019	2020	2021	2022	2023
REVENUES					
Sales Tax	\$ 1,940,485	\$ 1,938,341	\$ 2,264,451	\$ 2,551,772	\$ 2,569,539
Intergovernmental	27,729,654	39,318,096	36,193,700	15,288,362	25,225,851
Fees and Licenses	8,109,883	8,823,399	8,484,401	8,765,312	9,799,466
Use of Money/Property	1,340,691	1,844,719	421,100	106,174	1,848,613
Total Revenue	\$ 39,120,713	\$ 51,924,555	\$47,363,652	\$26,711,620	\$39,443,469
EXPENDITURES					
Current:					
Business Compliance	\$ 6,771,994	\$ 6,579,044	\$ 7,334,384	\$ 7,868,485	\$ 8,220,645
Air Monitoring	3,545,919	3,798,537	3,698,370	3,687,463	4,860,572
Sustainable Land Use	2,347,083	2,383,320	2,571,041	2,226,768	1,959,275
Clean Transportation and Mobility Innovation	18,826,749	18,820,962	14,022,933	8,615,440	20,728,882
Community Health Protection	2,067,758	2,198,364	2,142,385	1,993,961	1,941,602
Debt Service:					
Principal	-	-	-	-	110,879
Interest	-	-	-	-	4,291
Capital Outlay	114,569	507,044	397,461	253,957	221,023
Total Expenditures	\$ 33,674,072	\$ 34,287,271	\$30,166,574	\$24,646,074	\$38,047,169
Net change in fund balances	\$ 5,446,641	\$ 17,637,284	\$17,197,078	\$ 2,065,546	\$ 1,396,300

Note:

(a) For the fiscal year ending 6/30/2019 activity categories were redefined. Therefore, this page includes the five-year period after 6/30/2018.

See prior page for fiscal years previous to 6/30/2019.

Source : Annual Comprehensive Financial Report-Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

Sacramento Metropolitan Air Quality Management District
 Schedule 5 – General Fund Expenditures by Major Object (Budgetary) –
 Last Ten Fiscal Years (a)
 (budgetary basis)
 (unaudited)
 Year Ended June 30, 2023

Fiscal Year	Salaries & Benefits	Services & Supplies	Equipment/ Capital Assets	Interfund Charges	Total
13-14	\$ 12,472,301	\$ 5,939,276	\$ 180,532	\$ -	\$ 18,592,109
14-15	13,018,613	6,742,313	564,532	-	20,325,458
15-16	13,396,624	7,157,659	798,332	-	21,352,615
16-17	13,898,555	7,327,432	1,747,000	-	22,972,987
17-18	14,969,998	6,493,742	881,800	-	22,345,540
18-19	15,811,786	6,728,496	1,164,200	(1,947,586)	21,756,896
19-20	16,688,251	6,489,409	1,905,500	(2,116,371)	22,966,789
20-21	16,378,640	6,795,570	984,500	(1,721,108)	22,437,602
21-22	16,681,622	7,649,772	1,127,000	(1,332,812)	24,125,582
22-23	17,886,807	8,808,754	601,000	(2,117,830)	25,178,731

Note:

(a) The budgeted expenditures represent the adopted budget adjusted for Board approved amendments, if applicable, based on new or modified expenditures.

Source: Approved Budget General Fund 100-Summary of Revenues, Expenditures and Budgeted Fund Balances

Sacramento Metropolitan Air Quality Management District
 Schedule 6 – General Fund Expenditures by Major Object (Actual) –
 Last Ten Fiscal Years
 (unaudited)
 Year Ended June 30, 2023

Fiscal Year	Salaries & Benefits	Services & Supplies	Equipment/ Capital Assets	Interfund Charges	Total
13-14	\$ 12,011,320	\$ 4,217,453	\$ 259,652	\$ -	\$ 16,488,425
14-15	12,112,938	4,858,855	239,283	-	17,211,076
15-16	12,959,077	5,584,127	529,002	-	19,072,206
16-17	13,199,676	5,541,055	322,275	-	19,063,006
17-18	13,660,805	5,236,263	200,510	-	19,097,578
18-19	13,619,667	4,836,842	114,569	(1,513,730)	17,057,348
19-20	14,518,535	4,604,776	507,044	(1,249,271)	18,381,084
20-21	14,924,266	4,830,240	394,643	(1,420,507)	18,728,642
21-22	15,231,426	4,710,878	253,957	(1,442,924)	18,753,337
22-23	16,325,362	5,435,115	221,023	(909,730)	21,071,770

Source: Annual Comprehensive Financial Report- Budgetary Schedules at Legal Level of Budgetary Control - General Fund

Sacramento Metropolitan Air Quality Management District

Schedule 7 – General Fund Revenues by Source –

Last Ten Fiscal Years

(unaudited)

Year Ended June 30, 2023

Fiscal Year	Taxes (a)	Intergovernmental (a)	Licenses/ Permits	Use of Money & Property	Other	Total
13-14	\$ 6,095,314	\$ 4,082,326	\$ 6,741,800	\$ 9,934	\$ -	\$ 16,929,374
14-15	6,283,412	3,516,824	7,416,470	25,241	-	17,241,947
15-16	6,609,429	3,739,523	7,779,365	5,438	-	18,133,755
16-17	6,764,376	3,437,689	8,001,079	81,700	-	18,284,844
17-18	6,859,462	3,336,946	9,016,456	153,968	-	19,366,832
18-19	1,940,485	8,238,416	8,281,069	257,341	95,238	18,812,549
19-20	1,938,341	11,097,630	8,823,399	853,233	58,605	22,771,208
20-21	2,264,451	8,678,334	8,484,401	195,224	49,530	19,671,940
21-22	2,551,772	9,591,877	8,765,312	540,764	42,958	21,492,683
22-23	2,569,539	8,562,389	9,799,466	608,738	24,015	21,564,147

Note:

(a) Prior to FY 2019, the DMV surcharge was included in the Taxes revenue category. Starting in FY 2019, the DMV surcharge is more appropriately classified as Intergovernmental revenue

Source: Annual Comprehensive Financial Report - Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (General Fund)

Sacramento Metropolitan Air Quality Management District

Schedule 8 – Own Source Government Revenue Base –

Last Ten Fiscal Years

(unaudited)

Year Ended June 30, 2023

Year	Active Permits (a)	Actual Revenue (b)
2014	4,331	\$ 4,465,746
2015	4,346	5,059,167
2016	4,344	5,098,778
2017	4,397	5,622,626
2018	4,411	6,393,690
2019	4,461	6,197,766
2020	4,437	7,231,406
2021	4,434	6,977,427
2022	4,446	7,045,970
2023	4,425	7,975,746

Notes:

(a) Stationary Source Data Base as of June 30. Active permits are Annual Renewal only.

(b) Annual permit revenue from Annual Report Working Trial Balance for FY 2014-2018.

Annual permit revenue from Revenue by Payment Type report from Tyler NW system for FY 2019 forward.

NW Report on Receipts by Payment Code Report for the reporting FY with the following Status: Posted;

Report Detail: Summary; Selected Payment Code(s): RNW (Air Toxics, Permit, Reinspection, Source Test & Title V)

Source: Sacramento Metropolitan Air Quality Management District

Sacramento Metropolitan Air Quality Management District

Schedule 9 – Demographic Information –

Last Ten Fiscal Years (a)

(unaudited)

Year Ended June 30, 2023

Year	County Population	County Total Personal Income	County Per Capita Income	County Unemployment Rate
2013	1,447,000	\$ 59,775,785	\$ 41,303	10.5%
2014	1,460,000	61,654,690	42,229	8.9%
2015	1,478,000	65,486,553	44,303	7.3%
2016	1,497,000	70,110,138	46,845	6.0%
2017	1,514,000	72,878,458	48,122	5.4%
2018	1,531,000	76,832,120	50,197	4.6%
2019	1,541,000	80,969,087	52,544	3.8%
2020	1,552,000	85,775,621	55,266	3.7%
2021	1,559,000	90,908,707	58,307	9.3%
2022	1,589,000	98,241,828	61,829	7.0%

Notes:

(a) Most recent information available

Source:

County of Sacramento Annual Comprehensive Financial Report

Sacramento Metropolitan Air Quality Management District

Schedule 10 – DMV Registrations (Autos & Trucks) –

Last Ten Years (a)

(unaudited)

Year Ended June 30, 2023

Year	Vehicles Registered (As of December 31)
2013	1,179,656
2014	1,208,025
2015	1,274,248
2016	1,313,152
2017	1,300,939
2018	1,317,994
2019	1,357,361
2020	1,358,137
2021	1,374,965
2022	1,342,137

Notes:

(a) Most recent information available

Source: California Department of Motor Vehicles

<https://www.dmv.ca.gov/portal/dmv-research-reports/>

[Research & Development Data Dashboards](#) --> Vehicles

Registered By County

<https://www.dmv.ca.gov/portal/dmv-research-reports/research-development-data-dashboards/vehicles-registered-by-county/>

Sacramento Metropolitan Air Quality Management District

Schedule 11 – Principal Employers –

Current Year and Ten Years Ago

(unaudited)

Year Ended June 30, 2023

Employer	2013			2023		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Private Industry	647,900	1	73.2%	841,100	1	76.0%
State Government	110,600	2	12.5%	133,200	2	12.0%
Local Government	102,300	3	11.6%	109,100	3	9.9%
Federal Government	13,500	4	1.5%	14,400	4	1.3%
Farm	10,500	5	1.2%	9,600	5	0.9%
Total All Industries	884,800		100%	1,107,400		100%

Source: <https://www.labormarketinfo.edd.ca.gov/data/employment-by-industry.html>

Employment by Industry Data

Geographical Areas-Sacramento MSA

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Sacramento Metropolitan Air Quality Management District

Schedule 12 – District Staff Position List–

Last Ten Fiscal Years

Year Ended June 30, 2023

Classification	Full-Time Equivalent Employees as of June 30				
	2014	2015	2016	2017	2018
Accountant I/II	-	-	-	-	-
Administrative Assistant I/II	2.0	2.0	2.0	2.0	-
Administrative Specialist I/II	-	-	-	-	2.0
Administrative Supervisor/Clerk of the Board	-	-	-	-	1.0
Air Pollution Control Officer /Executive Director	1.0	1.0	1.0	1.0	1.0
Air Quality Engineer	19.5	19.5	20.5	20.5	20.5
Air Quality Engineer/Specialist/Planner	-	-	-	-	-
Air Quality Instrument Specialist I/II	3.0	3.0	3.0	3.0	3.0
Air Quality Planner/Analyst	10.0	10.0	11.0	11.0	10.0
Air Quality Specialist	18.6	18.6	18.6	18.6	19.6
Assistant Air Pollution Control Officer	-	-	-	1.0	1.0
Clerical Services Supervisor	1.0	1.0	1.0	1.0	-
Communications & Marketing Specialist	1.9	1.9	1.9	1.9	1.9
Controller	1.0	1.0	1.0	1.0	1.0
District Counsel	1.0	1.0	1.0	1.0	1.0
Division Manager	3.0	4.0	4.0	4.0	4.0
Executive Assistant/Clerk to the Board	1.0	1.0	1.0	1.0	-
Financial Analyst	1.0	1.0	1.0	1.0	1.0
Fiscal Assistant I/II	1.0	1.0	1.0	1.0	1.0
Human Resource Assistant I/II	2.0	2.0	2.0	2.0	-
Human Resource Technician I/II	-	-	-	-	2.0
Human Resources Officer	1.0	1.0	1.0	1.0	1.0
Information Systems Administrator	1.0	1.0	1.0	-	-
Information Systems Analyst	2.0	2.0	2.0	2.0	3.0
Information Systems Manager	-	-	-	1.0	1.0
Legal Assistant I/II	1.0	1.0	1.0	1.0	1.0
Office Assistant I/II	2.0	2.0	2.0	2.0	3.0
Program Coordinator	12.0	12.0	12.0	12.0	-
Program Manager	-	-	-	-	5.0
Program Supervisor	5.0	5.0	5.0	5.0	12.0
Senior Accountant	1.0	1.0	1.0	1.0	1.0
Statistician	1.0	1.0	1.0	1.0	1.0
Subtotal Funded Positions	93.0	94.0	96.0	97.0	98.0
Administrative/Legal Analyst	1.0	1.0	1.0	1.0	1.0
Air Quality Engineer	2.0	2.0	1.0	1.0	1.0
Air Quality Engineer/Specialist/Planner	-	-	-	-	-
Air Quality Planner/Analyst	1.0	1.0	-	-	1.0
Air Quality Specialist	2.0	2.0	2.0	1.0	1.0
Communication & Marketing Specialist	-	-	-	-	-
Division Manager	1.0	-	-	-	-
Human Resource Technician I/II	-	-	-	-	-
Information Systems Analyst	-	-	-	-	-
Office Assistant I/II	1.0	1.0	1.0	1.0	-
Program Coordinator	1.0	1.0	1.0	-	-
Program Supervisor	-	-	-	1.0	1.0
Subtotal Unfunded Positions	9.0	8.0	6.0	5.0	5.0
Total Funded + Unfunded Positions	102.0	102.0	102.0	102.0	103.0
Source: Approved/Amended Budget					
The Positions by Classification and Positions by Operating Division tables previously included unfunded positions. Beginning with this budget cycle, FY22/23, only funded positions are included in the budget.					

Sacramento Metropolitan Air Quality Management District

Schedule 12 – District Staff Position List–

Last Ten Fiscal Years

Year Ended June 30, 2023

Full-Time Equivalent Employees as of June 30				
2019	2020	2021	2022	2023
-	-	-	-	-
-	-	-	-	-
2.0	2.0	3.0	3.0	4.0
1.0	1.0	1.0	1.0	1.0
1.0	1.0	1.0	1.0	1.0
19.5	19.5	15.5	16.5	19.0
5.5	5.5	5.0	3.0	3.0
3.0	3.0	3.0	3.0	3.0
10.0	10.0	10.0	10.0	10.0
18.6	18.6	18.6	19.6	19.6
-	-	-	-	-
-	-	-	-	-
1.9	1.9	1.0	1.0	1.0
1.0	1.0	1.0	1.0	1.0
1.0	1.0	1.0	1.0	1.0
4.0	4.0	4.0	4.0	4.0
-	-	-	-	-
1.0	1.0	1.0	1.0	1.0
1.0	1.0	-	-	-
-	-	-	-	-
1.0	1.0	1.0	1.0	1.0
1.0	1.0	1.0	1.0	1.0
-	-	-	-	-
3.0	3.0	3.0	3.0	3.0
1.0	1.0	1.0	1.0	1.0
1.0	1.0	1.0	1.0	1.0
3.0	3.0	3.0	3.0	3.0
-	-	-	-	-
5.0	5.0	5.0	5.0	5.0
12.0	12.0	12.0	12.0	12.0
1.0	1.0	1.0	1.0	1.0
1.0	1.0	1.0	1.0	1.0
99.5	99.5	94.1	94.1	97.6
-	-	-	-	-
1.0	1.0	5.0	4.0	-
-	-	0.5	-	-
-	-	-	-	-
1.0	1.0	1.0	2.0	-
-	-	1.0	1.0	-
-	-	-	-	-
1.0	1.0	1.0	1.0	-
-	-	-	1.0	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
3.0	3.0	8.5	9.0	-
102.5	102.5	102.6	103.1	97.6

Sacramento Metropolitan Air Quality Management District

Schedule 13 – Ratios of Outstanding Debt by Type –

Last Ten Fiscal Years

(unaudited)

Internal Service Fund

Year Ended June 30, 2023

<u>Fiscal Year</u>	<u>Certificate of Participation</u>	<u>Bond Premium</u>	<u>Total Primary Government</u>	<u>Total Debt as a Percentage of Sacramento County Personal Income (a)</u>	<u>Total Debt Per Capita for Sacramento County (a)</u>
2014	\$ 4,250,000	\$ 60,933	\$ 4,310,933	7%	2.95
2015	3,980,000	56,026	4,036,026	6%	2.73
2016	3,705,000	51,118	3,756,118	5%	2.51
2017	3,420,000	46,210	3,466,210	5%	2.29
2018	3,125,000	41,305	3,166,305	4%	2.07
2019	2,820,000	36,396	2,856,396	4%	1.85
2020	2,505,000	31,489	2,536,489	3%	1.63
2021	2,180,000	26,581	2,206,581	2%	1.42
2022	1,850,000	21,674	1,871,674	2%	1.18
2023	1,505,000	16,767	1,521,767	(b)	(b)

Notes

(a) See Schedule 9 (Demographic Information- Last Ten Years) for personal income and population data

(b) Not yet available

Sacramento Metropolitan Air Quality Management District
 Schedule 14 – Capital Assets by Function/Program –
 Last Ten Fiscal Years
 (unaudited)
 Year Ended June 30, 2023

Function/Program	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Monitoring Air Quality										
Number of air monitoring stations (a)	11	11	11	9	9	8	7	7	6	6
Number of air monitoring instruments installed in the air monitoring stations to measure air quality (b)	89	89	88	82	82	75	74	74	69	69
Vehicles	19	19	23	23	23	23	22	21	21	21

Notes:

(a) In addition to the stations noted above, the District owns and operates an AB 617 portable air monitoring lab

(b) Currently, the AB617 lab is running 14 air monitoring instruments

Source: Program Supervisor - Program Coordination Division



Federal Award Section
June 30, 2023

Sacramento Metropolitan Air Quality Management District



Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sacramento Metropolitan Air Quality Management District (District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements and have issued our report thereon dated December 20, 2023. Our report includes an emphasis of matter related to the District’s adoption of the provisions of Government Accounting Standards Board (GASB) Statement No. 96, *Subscription Based Information Technology Arrangements*, for the year ended June 30, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Sacramento, California
December 20, 2023



Independent Auditor’s Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

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

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Sacramento Metropolitan Air Quality Management District’s (District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the District’s major federal program for the year ended June 30, 2023. The District’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the District’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District’s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Sacramento, California

December 20, 2023

Sacramento Metropolitan Air Quality Management District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-through Entity Identifying Number	Expenditures	Amounts Passed-Through to Subrecipients
U.S Environmental Protection Agency				
Direct Programs				
Air Pollution Control Program Support -10/01/2022 - 09/30/2023	66.001	A 00903123	\$ 1,138,908	\$ -
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act - 04/1/2022 - 03/31/2023	66.034	PM 98T04201	19,719	-
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act - 04/1/2023 - 03/31/2024	66.034	PM 98T60001	23,176	-
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act - 04/1/2022 - 03/31/2023	66.034	0P98T38401	71,500	-
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act: Community Scale Air Toxics Ambient Monitoring - 10/1/2020 - 12/31/2024	66.034	XA 98T17601	50,252	-
Total Assistance Listing No. 66.034			<u>164,647</u>	<u>-</u>
Targeted Airshed Grant Program - 4/15/2021 - 4/30/2026	66.956	TA98T10501	52,193	50,149
Targeted Airshed Grant Program - 5/1/2022 - 4/30/2027	66.956	TA98T36001	60,693	59,619
Total Assistance Listing No. 66.956			<u>112,886</u>	<u>109,768</u>
Total U.S Environmental Protection Agency			<u>1,416,441</u>	<u>109,768</u>
U.S Department of Transportation				
Passed through the California Department of Transportation				
Highway Planning and Construction - Spare The Air	20.205	CML -6236 (019)	757,035	-
Highway Planning and Construction - Spare The Air	20.205	CML -6236 (021)	58	-
Highway Planning and Construction - SECAT Phase III	20.205	CML -6236 (016)	1,495,350	-
Highway Planning and Construction - SECAT Phase III	20.205	CML -6236 (020)	3,811	-
Total Assistance Listing No. 20.205			<u>2,256,254</u>	<u>-</u>
Total U.S Department of Transportation			<u>2,256,254</u>	<u>-</u>
Total Federal Financial Assistance			<u>\$ 3,672,695</u>	<u>\$ 109,768</u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, except for subrecipient expenditures, which are recorded on the cash basis. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Indirect Cost Rate

The District has not elected to use the 10-percent de minimis indirect cost rate.

Note 4 - Pass-Through Entities' Identifying Number

When federal awards were received from a pass-through entity, the Schedule will show, if available, the identifying number assigned by the pass-through entity. When no identifying number is shown, the District has determined that no identifying number is assigned for the program, or the District was unable to obtain an identifying number from the pass-through entity.

Findings and Questioned Costs

Sacramento Metropolitan Air Quality Management District
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2023

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No

Identification of major programs:

Name of Federal Program or Cluster	Federal Financial Assistance Listing
Highway Planning and Construction	20.205
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

Sacramento Metropolitan Air Quality Management District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Section II – Financial Statement Findings

None reported.

Sacramento Metropolitan Air Quality Management District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

Section III – Federal Award Findings and Questioned Costs

None reported.

Sacramento Metropolitan Air Quality Management District
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2023

None reported.