

**SACRAMENTO METROPOLITAN AIR
QUALITY MANAGEMENT DISTRICT**
Sacramento, California

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended
June 30, 2025



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

Division Director
Megan Shepard

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SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

Annual Comprehensive Financial Report

For the Year Ended June 30, 2025

Table of Contents

INTRODUCTORY SECTION

Letter of Transmittal iv
GFOA Certificate of Achievement for Excellence in Financial Reporting x
Board of Directors..... xi
Organizational Chart..... xii

FINANCIAL SECTION

Independent Auditor’s Report..... 3
Management’s Discussion and Analysis (Required Supplementary Information) 6

Basic Financial Statements

Government-Wide Financial Statements:

Statement of Net Position..... 16
Statement of Activities 17

Fund Financial Statements:

Governmental Funds:

Balance Sheets — Governmental Funds 18
Reconciliation of the Governmental Funds Balance Sheets to the
Government-Wide Statement of Net Position..... 19
Statements of Revenues, Expenditures, and Changes in Fund Balances —
Governmental Funds 20
Reconciliation of the Statements of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Government-Wide Statement
of Activities — Governmental Activities..... 21

Proprietary Funds:

Statement of Net Position..... 22
Statement of Revenues, Expenses and Changes in Fund Net Position..... 23
Statement of Cash Flows..... 24

Notes to the Basic Financial Statements 26

Required Supplementary Information:

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget
and Actual – General Fund..... 51
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget
and Actual – Special Revenue Fund..... 52
Schedule of Changes in the Net OPEB Liability and Related Ratios
(Unaudited)..... 53
Schedule of Contributions to the OPEB Plan (Unaudited)..... 54
Schedule of the Proportionate Share of the Net Pension Liability and Schedule
of Contributions to the Pension Plan (Unaudited)..... 55
Notes to Required Supplementary Information 56

STATISTICAL SECTION

Statistical Section Overview..... 58
Financial Trends
Schedule 1 - Net position by component..... 59
Schedule 2 - Changes in net position..... 60
Schedule 3 - Fund balances of governmental funds 62

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

Annual Comprehensive Financial Report

For the Year Ended June 30, 2025

Table of Contents

Schedule 4 - Changes in fund balances of governmental funds	63
Schedule 5 - General Government Expenditures by Major Object (Budgetary).....	65
Schedule 6 - General Government Expenditures by Major Object (Actual).....	66
Revenue Capacity	
Schedule 7 - General Government Revenues by Source.....	67
Schedule 8 - Own Source Government Revenue Base	68
Debt Capacity	
Schedule 9 – Ratios of Outstanding Debt by Type	69
Demographic Information	
Schedule 10 – Demographic Information	70
Schedule 11 – Principal Employers.....	71
Operating Information	
Schedule 12 – DMV Registration (Autos and Trucks)	72
Schedule 13 – District Staff Position List	73
Schedule 14 – Capital Assets by Function/Program	74
Federal Awards Section	
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 <i>Government Auditing Standards</i>	77
Independent Auditor’s Report on Compliance for the Major Federal Programs and Report on Internal Control over Compliance Required by the Uniform Guidance.....	79
Schedule of Expenditures of Federal Awards	82
Notes to the Schedule of Expenditures of Federal Awards.....	83
Schedule of Findings and Questioned Costs	84

INTRODUCTORY SECTION

January 21, 2026

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 (Sac Metro Air District) for the year ending on June 30, 2025, which includes an independent auditor's report. This 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 Sac Metro Air District assumes full responsibility for the completeness and accuracy of the information presented in this report, based upon comprehensive internal controls that were 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 Sac Metro Air District asserts to the best of its knowledge and belief that this financial report is complete and reliable in all material respects.

Our financial statements have been audited by Richardson & Company LLP, Certified Public Accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the agency for the fiscal year ended June 30, 2025, are free of material misstatement. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified (clean) opinion that our financial statements for the fiscal year ended June 30, 2025, 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.

This 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. The Federal Award Section can be found in the last section of this report.

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 we invite you to read the MD&A in conjunction with the Letter of Transmittal.

Profile of the Sac Metro Air District

We are a public health agency and one of five large air quality management districts representing California's major population centers. We are responsible for monitoring air pollution in the Sacramento

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AirQuality.org

region and for a portfolio of programs aiming to reduce ambient air and climate pollution to meet health-based ambient air quality standards established by the state and federal governments. The Sac Metro Air District also actively pursues actions to reduce greenhouse gas emissions to meet local, state, and federal decarbonization commitments. The U.S. Environmental Protection Agency (EPA) has designated our agency as a part of the Sacramento Federal Nonattainment Area (SFNA) for ozone, which comprises 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. The SFNA includes four other local air districts. Roughly 63% of the SFNA’s population falls within the Sac Metro Air 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	158,826	189,079	84%	6.3%
Placer	407,694	416,014	98%	16.2%
Sacramento	1,583,935	1,583,935	100%	63.0%
Solano	138,579	447,028	31%	5.5%
Sutter	3,002	100,071	3%	0.1%
Yolo	222,326	222,326	100%	8.8%
Total	2,514,362	2,958,453	-	100.0%

¹ The county population data is based on the 2024 California Department of Finance Population Estimates and Components of Change by County (Table E-6) <https://dof.ca.gov/Forecasting/Demographics/Estimates/E-6/>. It represents the population estimate as of July 2024.

² The SFNA/County population percentages are based on the 2020 Census Data, which was downloaded from: <https://www.census.gov/programs-surveys/decennial-census/decade/2020/2020-census-results.html> on 3/19/2025.

³ Percentage values are rounded to one decimal point.

Air quality in the SFNA is designated in nonattainment for some of the federal National Ambient Air Quality Standards (NAAQS) for ozone. The region is also administratively designated nonattainment for some of the particulate matter NAAQS, although technically the short-term PM2.5 and PM10 standards have been met and maintained. A redesignation to attainment is expected once the requirement for a maintenance plan for each standard is completed. Currently, the EPA is considering whether to adopt a new, more stringent annual PM2.5 standard or keep the existing standard. Thus, like other regions around the country, the Sac Metro Air District has begun some of the anticipated analysis necessary for the designation process.

A combination of many active sources of smog-precursor emissions, poor atmospheric ventilation, a capping temperature inversion, bordering mountains, and plenty of sunny days acts to enhance smog formation and effectively trap pollutants in the Sacramento Valley Basin. Climate change is exacerbating pollution formation. The Sac Metro Air District Board of Directors approved a regional State Implementation Plan (SIP) for the 2008 ozone NAAQS that was approved by the EPA and led to a recent determination of attainment, a monumental achievement for the SFNA. But the NAAQS are not static. A new ozone NAAQS is already in effect. Thus, the Sac Metro Air District is again leading the development of a new SIP for the 2015 ozone NAAQS. The plan was submitted to the EPA in November 2023.

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 for fleet modernization, will help reduce pollution emissions, improve our air quality in the region, and help comply with the standards. However, much of this is up in the air, and the current EPA affirms new priorities and a different direction for achieving emission reductions.

But the overarching mandate and need to achieve cleaner air continue. To accomplish its mission, the Sac Metro Air District implements a broad range of programs and strategies to combat pollution. 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 our financial planning and controls. The Governing Board is required to adopt an annual budget by July 1st 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 the 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.

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

Factors Affecting Financial Condition

The District's economic condition is affected by several external factors, including the local economy, long-term financial commitments, planning needs, and the activation of major initiatives. These all have a significant impact on revenues and expenditures.

Local Economy

The Sacramento regional economy continues to show moderate economic growth in 2025, supported by public-sector stability, strong healthcare demand, and emerging investments in clean technology and advanced manufacturing. According to the Bureau of Labor Statistics Sacramento Area Economic Summary, the unemployment rate for Sacramento County was 5.3% in September 2025, an increase from 4.6% in September 2024. Average annual wages for the second quarter of 2025 were about \$81,000. Total nonfarm employment was up slightly from September 2024. A relatively high rate of home building, modest population growth, and expanding job opportunities result in a positive outlook over the next five years.

Sacramento County's population was approximately 1.6 million at the end of 2024. According to the California Department of Transportation (DOT) Economic Forecast for Sacramento, the county is expected to expand at an average rate of 0.43% per year through 2028. This growth is mainly attributable to new residents, many from the Bay Area, primarily attracted to the area due to affordable housing and job opportunities.

The Greater Sacramento Economic Council notes that Sacramento County has become an emerging hub for top industries such as Clean Tech, agri-food tech, life science, precision manufacturing, semi-conductors and technology, which have a prominent presence in the region, including Bosch, Siemens, Intel, Samsung, and Qualcomm, to name a few. Employment in the manufacturing and transportation industries has grown consistently since 2015; moderate growth in these industries is forecast over the next five years. According to the DOT forecast for the region, the professional and business services sector will create a major share of future jobs in Sacramento County, with an expected annual growth rate of 2.2%. Finally, the three largest sectors of the job market - government, education, and healthcare - are also projected to show gains through 2028.

Overall, according to the DOT forecast, the outlook for the Sacramento region is for continued moderate growth. Unemployment will likely move slowly, and the population growth will be under 1% per year. The key risks and downsides to this economic forecast include tightening of federal, state, and local budgets, increased inflation, and changes in federal/state policy.

The economic outlook for Sacramento County implies relative stability in revenue from permits and other fees for the District; with Board approval, however, continued growth in fee revenue is anticipated because of Consumer Price Index adjustments to the fees 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 pressures that could affect revenues and expenditures. This forecast identifies a funding gap between revenues and expenditures, which will require attention by the Board of Directors. The imbalance is primarily due to rising business costs, including employee services and capital expenditures that outpace current revenue increases, new state mandates that are not adequately funded, and a historical lack of full cost recovery for many of the District's programs.

To address the projected funding gap, in recent years our agency streamlined operations, scaled back some activities, held vacancies open, and "right-sized" funding for professional services and collaborations, resulting in a net increase in our General Fund reserves. In the future, we will continue to closely manage vacancies and projects that increase costs without additional revenues. However, we anticipate the need to identify new funding sources necessary to attain full cost recovery, ensure the integrity of our clean air efforts, and enable the region to remain eligible for federal transportation funding. Fortunately, strong financial reserves in the General Fund will help us bridge support for near-term operations with a long-term funding strategy.

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 private and public entities with equipment or operations that emit air pollution at certain levels); 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 inform a full-cost recovery policy and address the ongoing issue of unfunded mandates, a fee study will be initiated to guide a potential permit fee increase. In addition, an increase in the ceiling for administrative costs for the Carl Moyer vehicle incentives program and the AB 617 Community Air Protection (CAP) program for several air districts was recently approved. These increases will provide additional funds to implement both programs more effectively, support applicants, and select projects that have the highest impact and/or offer the highest emission reductions. Staff will continue to advocate for measures that can bring additional funding to the region for clean air projects.

Expenditures for the General Fund are expected to gradually increase due to 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 regulatory ambient air monitoring stations. The ambient air quality monitoring network is critical infrastructure and a part of a national network. Improvements are required for various monitoring stations over the next few years to remain in compliance with applicable federal requirements. The network is also important for additional monitoring under the AB 617 CAP program, 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 stable fund. The headquarters building is about 38,000 square feet, and a portion of the building was previously leased to a third-party tenant. The District's tenant vacated the building when their lease agreements expired in fiscal year 2023/2024 (FY23/24). Given the tenant vacancy along with the anticipated changing needs for the use of space due to a new hybrid (remote and onsite) work model, we conducted a comprehensive building assessment of several alternatives. With Board support, we plan to sell the current headquarters and lease or purchase a smaller headquarters facility, which is better suited for our hybrid-work arrangement. And in the interim, we will pursue a new tenant.

Special Revenue Fund

The Special Revenue Fund serves to track restricted revenue sources, primarily various emission technology and community air protection incentive grants from state programs like Carl Moyer and CAP. While these programs have been long-standing state priorities and are supported with special funds rather than general funds, these programs tend to fluctuate with the state budget. Thus, given the significant and expected multi-year state budget deficits, funding for these programs is a yearly process of advocacy. In the near term, the programs are stable due to encumbered funds in previous fiscal years. Long-term, the state budget woes and the general economic trends will impact the amount of available incentives. Furthermore, these grants do not cover the full cost of program implementation, forcing our agency to use other funds. There are no capital expenditures associated with this fund.

No significant reduction in State grant disbursements for District programs is anticipated in the fiscal year 2025/2026 (FY25/26); however, future reductions are possible given the constraints described above.

Major Initiatives

The FY25/26 District Budget was approved in July 2025 and includes funding for mission-critical programs such as attainment of all NAAQS, advancing the region's decarbonization efforts, and the CAP program. The AB 617 CAP effort transitioned the South Sacramento-Florin community to a Community Emission Reduction Program (CERP) in late 2024. The District will work in partnership with the Community Steering Committee to implement the CERP strategies in the coming year.

The Sac Metro Air District is committed to advancing clean energy projects, working collaboratively with many regional partners. Key projects include the advancement of hydrogen and biomass utilization projects, supporting the development of mobility hubs, promoting electric vehicle and e-bike ownership through the Clean Cars 4 All program, and expansion of the lawn and garden equipment program to improve air quality in our parks and green spaces.

The budget continues to fund the implementation of our enterprise-level software solution, AiriA, to replace legacy applications for permitting, compliance, and transportation incentives. AiriA will improve efficiency, accuracy, customer service, and streamline our digital online services platform. Project development began in 2022 and continues to date. While initial software development and implementation expenses are non-recurring, there will be ongoing annual costs for maintenance.

Other important initiatives include expanding regional partnerships, increasing asbestos oversight with on-the-ground field inspections of projects where asbestos is present, and enhancing performance management in the hybrid work environment.

Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded us the Certificate of Achievement for Excellence in Financial Reporting for the FY23/24 Annual Report. In addition to receiving the award for the Annual Report, we also received the Distinguished Budget Presentation Award for our FY24/25 Budget Book. These are prestigious national awards 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 the 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 our Administrative Services Division (ASD). ASD staff have our sincere appreciation for their contributions to the work and preparation of this report.

Respectfully submitted,



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



Megan Shepard
Director, Administrative Services Division



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, 2024

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Sacramento County Board of Supervisors

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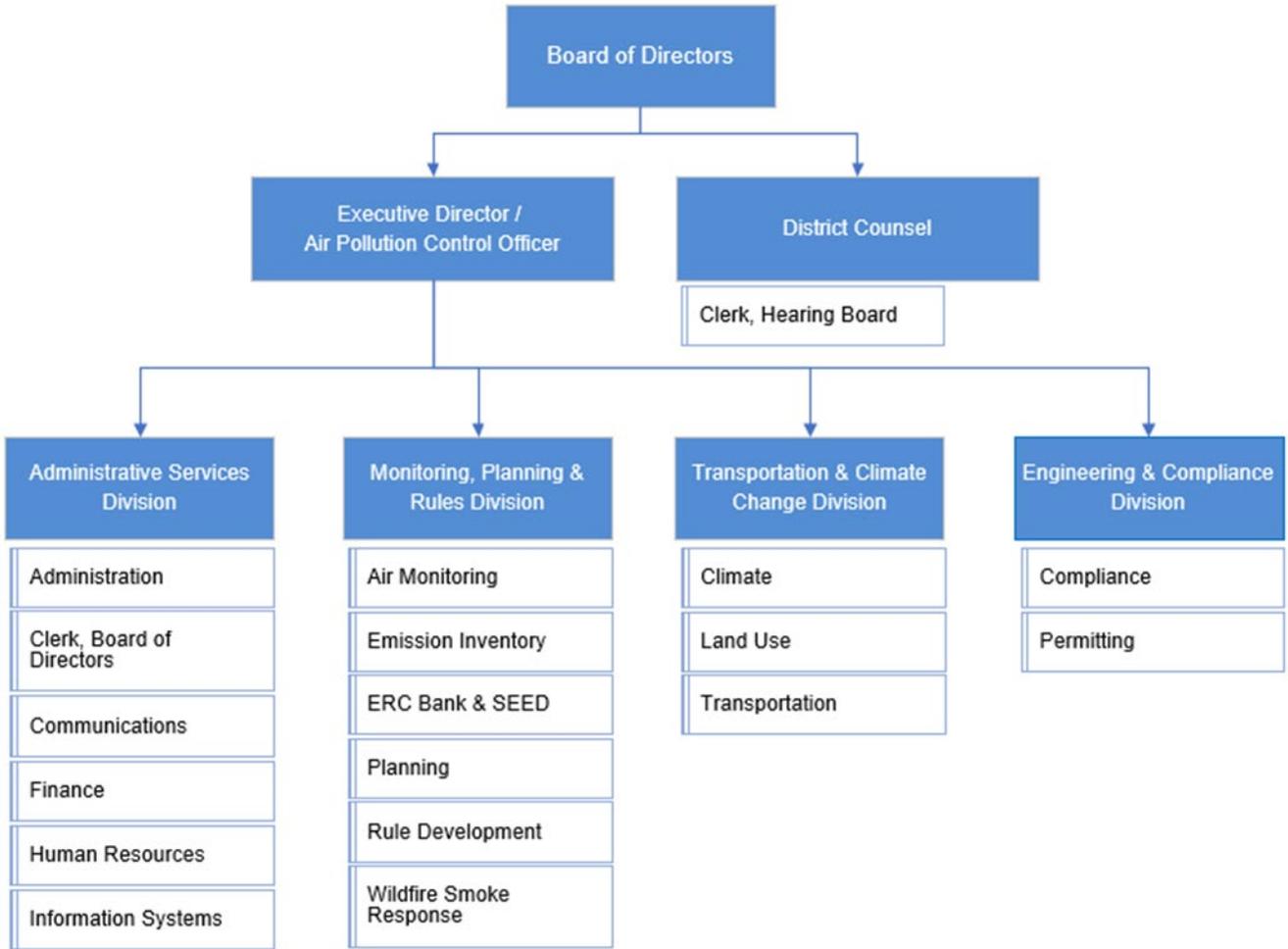
Phil Serna

Supervisor
Sacramento County Board of Supervisors

Mai Vang

Council Member
City of Sacramento

ORGANIZATIONAL CHART



FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Sacramento Metropolitan Air Quality Management District (District) as of and for the year ended June 30, 2025, 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 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, 2025 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 as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special Districts. 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.

Emphasis of Matter

As discussed in Note I to the financial statements, the District implemented Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*. Our opinion is 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.

To the Board of Directors
Sacramento Metropolitan Air Quality Management District

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 generally accepted auditing standards 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 generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement 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 judgement, 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, budgetary comparison information, schedule of changes in the net OPEB liability and related ratios, schedule of contributions to the OPEB plan, schedule of proportionate share of the net pension liability, and schedule of contributions to the pension plan 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

To the Board of Directors
Sacramento Metropolitan Air Quality Management District

operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 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*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related 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 procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is 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 sections 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 January 21, 2026 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 and 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.

Richardson & Company, LLP

January 21, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the District's Annual Comprehensive Financial Report (ACFR) provides a narrative overview and analysis of the District's financial activities for the fiscal year (FY) that ended June 30, 2025. 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 as of June 30, 2025, was \$99.4 million, representing a decrease of approximately \$1.8 million, or 1.8 percent, from the prior fiscal year.
- Government-wide assets increased by \$3.4 million, primarily due to an increase in grant-related accounts receivable.
- Total government-wide liabilities increased by \$3.2 million, largely attributable to higher accounts payable and accrued liabilities, as well as an increase in compensated absences resulting from a change in accounting principle in accordance with GASB Statement No. 101. The beginning net position for FY 2024/2025 (FY24/25) was restated to reflect this change.
- Government-wide deferred outflows of resources decreased by approximately \$1.9 million, primarily related to pension activity, while deferred inflows of resources remained consistent with the prior year.
- The government-wide change in net position was \$142,000 for the year.

Overview of Financial Statements

The District's ACFR is comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) footnotes and required supplementary information.

Government-wide Financial Statements

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

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

The Statement of Activities includes all current year revenues and expenses regardless of the timing of related cash flows. Thus, 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. All of the District's funds can be divided into two categories: governmental funds and proprietary funds.

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

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

Other Information

In addition to the basic financial statements and accompanying notes, the District also presents certain supplementary information 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.

Condensed Statement of Net Position				
(in thousands)				
	Governmental Activities		Change	
	2025	2024	\$	%
<u>Assets and Deferred Outflows of Resources</u>				
Current Assets	\$ 114,219	\$ 110,658	\$ 3,561	3.2%
Capital Assets	4,885	5,074	(189)	-3.7%
Total Assets	119,104	115,732	3,371	2.9%
Deferred Outflows of Resources	6,699	8,609	(1,910)	-22.2%
<u>Liabilities and Deferred Inflows of Resources</u>				
Current Liabilities	7,380	3,664	3,716	101.4%
Noncurrent Liabilities	18,084	18,597	(514)	-2.8%
Total Liabilities	25,464	22,261	3,203	14.4%
Deferred Inflows of Resources	965	912	52	5.7%
<u>Net Position</u>				
Net investment in capital assets	4,025	3,770	255	6.8%
Restricted for:				
Debt service	426	429	(2)	-0.5%
Air quality programs	100,637	99,211	1,426	1.4%
Unrestricted	(5,713)	(2,243)	(3,470)	154.7%
Total Net Position	\$ 99,375	\$ 101,167	\$ (1,791)	-1.8%

- Total assets increased by \$3.4 million or 2.9 percent over the prior year, mainly due to a \$2.8 million increase in accounts receivable. The increase in accounts receivable relates primarily to the timing of invoicing and payments for federal and state grant revenues.
- Capital assets decreased by \$189,000 primarily due to annual depreciation expense.

- Deferred outflows of resources decreased by about \$1.9 million, primarily related to pensions.
- Total liabilities increased by \$3.2 million mainly because of a \$2.0 million increase in accounts payable and accrued liabilities and an increase of \$2.3 million in compensated absences, offset by a decrease of \$726,000 in net pension liability. Accounts payable and accrued liabilities increased due to normal variation in the timing of amounts due to grant participants and subrecipients at year-end. The increase in the compensated absences liability is due to the implementation of GASB 101 in FY24/25.
- Deferred inflows of resources increased by roughly \$52,000 from the prior year, primarily due to deferred inflows related to pensions, offset by a reduction in OPEB deferred inflows.
- The net position of the District totaled \$99.4 million as of the end of FY24/25 and decreased approximately \$1.8 million or 1.8 percent over FY 2023/2024 (FY23/24). Most of this reduction is attributable to a \$1.9 million restatement to the beginning net position for a change in accounting principle. This change in accounting principle is related to the implementation of GASB 101 – *Compensated Absences*.

The largest portion of the District's net position at June 30, 2025, \$100.6 million, consists of resources subject to external restrictions on how they may be used. An additional \$4.0 million of the total net position reflects the 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 unrestricted portion of the District's net position is a deficit of \$5.7 million related mainly to the net pension liability.

As noted above, the District's total net position decreased by about \$1.8 million during the current fiscal year. Of this amount, \$1.9 million relates to the GASB 101 restatement of beginning net position. The restricted net position increased by roughly \$1.4 million. The increase in the restricted net position is due to additional intergovernmental grant revenue received in the current year that will be disbursed in subsequent years. Net investment in capital assets increased by roughly \$255,000 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, 2025, and June 30, 2024.

Condensed Statement of Net Activities				
(in thousands)				
	Governmental Activities		Change	
	2025	2024	\$	%
Revenues				
Charges for Services	\$ 11,934	\$ 10,616	\$ 1,318	12.4%
Operating Grants and Contributions	32,454	54,171	(21,717)	-40.1%
General Revenues	8,168	7,973	195	2.5%
Investment Income (a)	4,726	3,893	832	21.4%
Total Revenues	57,282	76,653	(19,370)	-25.3%
Expenses				
Business Compliance	10,863	9,709	1,154	11.9%
Air Monitoring	7,025	8,171	(1,146)	-14.0%
Sustainable Land Use	1,738	1,863	(125)	-6.7%
Clean Transportation and Mobility Innovation	35,408	27,336	8,072	29.5%
Community Health Protection	2,044	2,059	(15)	-0.7%
Interest on long-term debt	44	55	(11)	-20.6%
Unallocated depreciation	18	19	(1)	-5.4%
Total Expenses	57,140	49,213	7,927	16.1%
Change in Net Position	142	27,440	(27,298)	-99.5%
Net position, beginning of year - as previously reported	101,167	73,727	27,440	37.2%
Restatement for change in accounting principle	(1,934)	-	(1,934)	n/a
Net position, beginning of year - as restated.	99,233	73,727	25,506	34.6%
Net Position - End of Year	\$ 99,375	\$ 101,167	\$ (1,791)	-1.8%
(a) Investment Income includes a Fair Value Adjustment per GASB 31				

Revenues for total governmental activities were \$57.3 million and decreased by \$19.4 million or 25.3% from the prior year, primarily due to a \$21.7 million decrease in grant revenue related to the timing of grant revenue received in the prior year, restricted for air quality projects, offset by increases in charges for services and investment income. The grants are generally multi-year agreements with funds received in one year and project disbursements made over several years, often resulting in significant fluctuations in year-over-year revenues and expenses. The increase in charges for services primarily relates to higher permit fees, violation penalties, and emission reduction credit loan fees.

Overall expenses for governmental activities totaled \$57.1 million, an increase of \$7.9 million compared to the prior year. The primary driver of this increase was a \$7.8 million rise in special revenue fund grant disbursements, attributable to the timing of Clean Air Technology Incentive Program payments. Employee services expenses also increased by \$1.7 million, reflecting the

filling of previously vacant positions, a 2.5% cost-of-living adjustment, and higher retirement and health insurance costs. These increases were partially offset by a \$1.9 million decrease in federal grant pass-through expenditures to subrecipients. These federal grants are multi-year in nature, and the reduction in FY24/25 represents normal annual spending variability.

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 FY24/25, the total fund balance of the General Fund was \$29.7 million, an increase of \$1.9 million over the prior year. The Nonspendable Fund Balance represents prepaid expenses that increased by roughly \$38,000 from the prior year. The Restricted Fund Balance increased by \$2.6 million from the prior year. The increase in this fund balance from the prior year is primarily attributable to DMV fees that will be used in subsequent years, a large one-time penalty, and a significant emission reduction credit loan fee. Assigned Fund Balance decreased by \$305,000 year-over-year and is used to set aside funds for a projected budgetary deficit in FY 2025/2026 (FY25/26). The Unassigned Fund Balance decreased by \$442,000 from the prior year.

As a measure of the General Fund's liquidity, it is useful to compare the total fund balance to fiscal year expenditures. Overall, the total fund balance represents approximately 119.5% of total FY24/25 General Fund expenditures.

The Special Revenue total fund balance as of June 30, 2025, decreased by \$1.2 million from the prior year. This decrease was due to grant incentive disbursements being higher than the revenue received by the fund in the current year. 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 almost all 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.

The change in net position of the Proprietary Fund increased the District's net position on June 30, 2025, by about \$425,000, which was \$200,000 less than in the prior year. Highlights for the FY24/25 Proprietary Fund results are as follows:

- Operating revenues from the building totaled \$1.1 million and decreased \$215,000 from the prior year, mainly due to the District paying rent only for the square footage it occupies;

a third-party tenant vacated a portion of the building at the end of their lease term. The operating revenues represent rental and parking income.

- Operating expenses for the building were \$682,000 for the year, up slightly from the prior fiscal period.
- The District made a principal payment of \$370,000 in FY24/25 for the Certificates of Participation. Next year, the principal payment will be \$385,000.

Budgetary Highlights

General Fund revenues were \$223,000 less than the final FY24/25 budget, primarily due to lower-than-expected revenues on multi-year pass-through federal grants offset by a one-time large emission credit loan, a significant non-recurring mutual settlement penalty payment, and higher investment income.

Expenditures for the General Fund were less than planned by \$5.2 million, mainly due to position vacancies, reduced spending on professional services, and below-budget pass-through amounts to federal grant sub-recipients.

Capital Assets and Debt Administration

Capital Assets

At the end of FY24/25, the District's net investment in capital assets for its governmental activities was \$4.0 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, a building, office equipment, laboratory equipment, vehicles, software, and air monitoring stations. The total investment in capital assets for the current fiscal year was \$493,000. Additional information on capital assets can be found in Note C under the Notes to the Basic Financial Statements section.

Long-term Debt

At the end of FY24/25, the District had outstanding bonds secured by the District's administrative building. The total debt outstanding as of June 30, 2025, was \$787,000. Based on the current payment schedule, these bonds will be paid off by the end of FY 2026-2027. Additional information on long-term liabilities can be found in Note D under the Notes to the Basic Financial Statements section.

Next Year's Budget

General Fund revenues for FY25/26 are budgeted to decrease by approximately \$742,000 compared to actual FY24/25 revenues. The projected decline is primarily due to lower fines and penalties and reduced investment income, partially offset by an increase in federal grant subrecipient pass-through reimbursements. The decrease in fines and penalties reflects a significant one-time penalty received in FY24/25 that is not expected to recur. The reduction in investment income is the result of a conservative FY25/26 budgeting approach, while the increase in federal grant revenue represents normal timing differences in grant expenditures and reimbursements.

General Fund expenditures for FY25/26 are projected to increase by \$4.0 million compared to actual expenditures in FY24/25. The budget includes a \$1.5 million increase in salaries and benefits, reflecting the assumption that select vacant positions will be filled during FY25/26, a 2.5% cost-of-living adjustment, and higher pension and group insurance costs in the upcoming year. Services and supplies expenditures are expected to increase by \$1.9 million, primarily due to higher professional services costs, a rise in IS software-as-a-service expenditures, and increased disbursements to federal grant subrecipients.

The budget anticipates a modest increase in capital spending of \$81,000. Interfund grant administrative credits, which offset expenditures, are projected to decrease by \$593,000 compared to actual FY24/25 credits. These credits fluctuate from year to year based on the level of grant activity and the availability of remaining administrative funds. Overall, the General Fund budget includes a planned use of fund balance totaling \$2.8 million for FY25/26.

Economic Factors

As of June 30, 2025, 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 may 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 2.0% 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 forecast for the FY25/26 California State budget deficit is significant. The District proactively manages grant revenues to reduce the potential for funding gaps and ensure emission reductions are achieved as quickly as possible. While no significant reduction in State grant disbursements for District programs is anticipated in FY25/26, future reductions are possible. Finally, at the federal level, a reduction in grant funding could occur in the future because of policy changes in the new administration.

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 historical lack of full cost recovery for many of the District's programs. Staff will continue to work with the Board of Directors into FY25/26 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 addressed to:

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

BASIC FINANCIAL STATEMENTS

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SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT
Statement of Net Position
June 30, 2025

	Governmental Activities
ASSETS	
Current Assets:	
Cash and investments	\$ 105,861,229
Restricted cash and investments	426,169
Accounts receivable	6,941,550
Interest receivable	806,350
Prepays	183,906
Total current assets	114,219,204
Noncurrent Assets:	
Capital assets:	
Not being depreciated	1,409,525
Depreciable, net	3,475,874
Total capital assets, net	4,885,399
TOTAL ASSETS	119,104,603
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to OPEB	993,114
Deferred outflows related to pensions	5,706,105
TOTAL DEFERRED OUTFLOWS OF RESOURCES	6,699,219
 LIABILITIES	
Current Liabilities:	
Accounts payable and accrued liabilities	3,520,242
Wages and benefits payable	742,805
Certificates of participation - due within one year	385,000
Subscription liability - due within one year	72,847
Compensated absences - due within one year	2,659,361
Total current liabilities	7,380,255
Noncurrent Liabilities:	
Deposits from others	500
Certificates of participation - due in more than one year	401,952
Compensated absences - due in more than one year	1,137,820
Net OPEB liability	817,766
Net pension liability	15,725,742
Total noncurrent liabilities	18,083,780
TOTAL LIABILITIES	25,464,035
 DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to OPEB	572,633
Deferred inflows related to pensions	391,973
TOTAL DEFERRED INFLOWS OF RESOURCES	964,606
 NET POSITION	
Net investment in capital assets	4,025,600
Restricted for:	
Debt service	426,169
Air quality programs	100,636,893
Unrestricted	(5,713,481)
TOTAL NET POSITION	\$ 99,375,181

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

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

Statement of Activities

For the Year Ended June 30, 2025

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	\$ 10,863,072	\$ 10,546,156	\$ 239,888	\$ (77,028)
Air Monitoring	7,025,089	232,687	4,463,953	(2,328,449)
Sustainable Land Use	1,737,807	83,874	31,344	(1,622,589)
Clean Transportation and Mobility Innovation	35,408,231	14,514	27,703,040	(7,690,677)
Community Health Protection	2,044,314	1,057,370	15,682	(971,262)
Interest on long-term debt	43,829	-	-	(43,829)
Unallocated depreciation	17,981	-	-	(17,981)
Total governmental activities	57,140,323	11,934,601	32,453,907	(12,751,815)
Total primary government	\$ 57,140,323	\$ 11,934,601	\$ 32,453,907	(12,751,815)
General Revenues:				
Department of Motor Vehicles fees				5,213,673
Sales tax				2,580,039
Grants - not restricted to specific activities				363,697
Investment earnings				4,725,823
Gain on disposal of capital assets				10,680
Total general revenues				12,893,912
Change in net position				142,097
Net position, beginning of year - as previously reported				101,166,587
Restatement for change in accounting principle				(1,933,503)
Net position, beginning of year - as restated				99,233,084
			NET POSITION, END OF YEAR	\$ 99,375,181

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

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT
Balance Sheets
Governmental Funds
June 30, 2025

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and equivalents	\$ 27,458,718	\$ 74,830,412	\$ 102,289,130
Accounts receivable	3,186,197	3,755,353	6,941,550
Interest receivable	193,427	597,418	790,845
Prepays	183,906	-	183,906
TOTAL ASSETS	\$ 31,022,248	\$ 79,183,183	\$ 110,205,431
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued liabilities	\$ 615,951	\$ 2,884,941	\$ 3,500,892
Accrued wages and benefits payable	742,805	-	742,805
TOTAL LIABILITIES	1,358,756	2,884,941	4,243,697
 DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues	7,203	687,349	694,552
 FUND BALANCES			
Nonspendable			
Prepays	183,906	-	183,906
Restricted for air quality programs	25,026,000	75,610,893	100,636,893
Assigned to project budgetary deficit	2,772,607	-	2,772,607
Unassigned	1,673,776	-	1,673,776
TOTAL FUND BALANCES	29,656,289	75,610,893	105,267,182
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 31,022,248	\$ 79,183,183	\$ 110,205,431

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

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT
Reconciliation of the Governmental Funds Balance Sheets to the Statement of Net Position
For the Year Ended June 30, 2025

Fund Balance - total governmental funds	\$ 105,267,182
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 current financial resources and, therefore, are not reported in the governmental funds.	
Capital assets, net (excludes Internal Service Fund capital assets)	1,735,278
Certain amounts and intergovernmental receivables are not available to pay for current expenditures and, therefore, are reflected as deferred inflows of resources in the governmental funds.	
	694,552
Long-term liabilities that are not due and payable in the current period and, therefore, are not reported in the governmental funds. Amounts below represent long-term liabilities with the exception of long-term liabilities in the Internal Service Fund.	
Subscription liability	(72,847)
Compensated absences	(3,797,181)
Net OPEB liability	(817,766)
Net pension liability	(15,725,742)
Deferred inflows and outflows of resources related to the pension and OPEB plans are not reported in the governmental fund statements.	
Deferred outflows of resources relation to OPEB	993,114
Deferred outflows of resources relating to pensions	5,706,105
Deferred inflows of resources relating to OPEB	(572,633)
Deferred inflows of resources relating to pensions	(391,973)
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 are, therefore, included in governmental activities in the statement of net position. This amount represents the net position of the Internal Service Fund.	
	<u>6,357,092</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	
IN THE STATEMENT OF NET POSITION	
	<u>\$ 99,375,181</u>

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

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT
 Statements of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2025

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Sales tax	\$ 2,580,039	-	\$ 2,580,039
Fees and licenses	10,872,283	-	10,872,283
Intergovernmental:			
Local government	154,503	-	154,503
State	7,551,379	23,780,530	31,331,909
Federal	3,731,337	2,551,175	6,282,512
Fines, forfeitures, and penalties	744,976	500	745,476
Other	42,567	40,270	82,837
Investment earnings	1,042,275	3,590,401	4,632,676
TOTAL REVENUES	26,719,359	29,962,876	56,682,235
EXPENDITURES			
Current:			
Business Compliance	10,240,895	-	10,240,895
Air Monitoring	6,398,350	-	6,398,350
Sustainable Land Use	1,657,177	-	1,657,177
Clean Transportation and Mobility Innovation	3,954,387	31,168,738	35,123,125
Community Health Protection	1,996,327	-	1,996,327
Debt service:			
Principal	69,790	-	69,790
Interest	5,229	-	5,229
Capital outlay	485,202	-	485,202
TOTAL EXPENDITURES	24,807,357	31,168,738	55,976,095
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,912,002	(1,205,862)	706,140
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of assets	10,680	-	10,680
Total other financing sources (uses)	10,680	-	10,680
NET CHANGE IN FUND BALANCE	1,922,682	(1,205,862)	716,820
Fund balance, beginning of year	27,733,607	76,816,755	104,550,362
FUND BALANCE, END OF YEAR	\$ 29,656,289	\$ 75,610,893	\$ 105,267,182

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

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT
Reconciliation of the Statements of Revenues, Expenditures and Charges in Fund Balances to the
Government-Wide Statement of Activities - Governmental Activities
For the Year Ended June 30, 2025

Net change in fund balance - total governmental funds \$ 716,820

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, not including Internal Service Fund capital assets.

Capital outlay	485,202
Depreciation and amortization expense	(530,948)

Revenues that are measurable but not available are deferred in the governmental funds under the modified accrual basis of accounting. 503,558

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

Debt service principal	69,790
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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 compensated absences	(351,647)
Changes in OPEB liability and related deferred outflows and inflows of resources	15,616
Changes in pension liability and related deferred outflows and inflows of resources	(1,191,521)

The Internal Service Fund is used by management to charge the costs of building space and expenses to individual funds. The net revenue of certain activities of the Internal Service Fund is reported with governmental activities.

425,227

Change in net position of governmental activities	<u><u>\$ 142,097</u></u>
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The accompanying notes are an integral part of these financial statements.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT
Statement of Net Position
Proprietary Funds
June 30, 2025

		Governmental Activities
		<u>Internal Service Fund</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$	3,572,099
Restricted cash and cash equivalents		426,169
Interest receivable		15,505
	Total current assets	<u>4,013,773</u>
Noncurrent Assets:		
Capital assets:		
Not being depreciated		1,086,652
Depreciable, net		2,063,469
	Total capital assets, net	<u>3,150,121</u>
	TOTAL ASSETS	<u><u>7,163,894</u></u>
LIABILITIES		
Current Liabilities:		
Accounts payable		19,350
Certificates of participation - due within one year		385,000
	Total current liabilities	<u>404,350</u>
Noncurrent Liabilities:		
Deposits from others		500
Certificates of participation - due within one year		401,952
	Total noncurrent liabilities	<u>402,452</u>
	TOTAL LIABILITIES	<u><u>806,802</u></u>
NET POSITION		
Net investment in capital assets		2,363,169
Restricted for debt service		426,169
Unrestricted		3,567,754
	TOTAL NET POSITION	<u><u>\$ 6,357,092</u></u>

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

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2025

	Governmental Activities
	Internal Service Fund
OPERATING REVENUES	
Rental income	\$ 988,374
Parking income	56,809
Other	7,833
TOTAL OPERATING REVENUES	1,053,016
OPERATING EXPENSES	
Repairs and maintenance costs	103,711
Utilities, security and communications	128,184
Management fees	95,600
Parking lot operations	192,106
Depreciation expense	151,121
Other expense	11,614
TOTAL OPERATING EXPENSES	682,336
OPERATING INCOME	370,680
NON-OPERATING REVENUES (EXPENSES)	
Investment earnings	93,147
Interest expense	(38,600)
TOTAL NON-OPERATING REVENUES (EXPENSES)	54,547
CHANGE IN NET POSITION	425,227
Net position, beginning of year	5,931,865
NET POSITION, END OF YEAR	\$ 6,357,092

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

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2025

	Governmental Activities
	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from rental and parking activities	\$ 1,053,016
Cash paid for goods and services	(542,726)
NET CASH PROVIDED BY OPERATING ACTIVITIES	510,290
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Principal paid on long-term debt	(370,000)
Purchases of capital assets	(7,833)
Interest paid on long-term debt	(43,507)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(421,340)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment income	92,807
INCREASE IN CASH AND CASH EQUIVALENTS	181,757
Cash and cash equivalents, beginning of year	3,816,511
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 3,998,268
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:	
Cash and investments	\$ 3,572,099
Restricted cash and investments	426,169
CASH AND INVESTMENTS	\$ 3,998,268
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 370,680
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	151,121
Increase (decrease) in accounts payable	(11,511)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 510,290
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:	
Amortization of premium on certificates of participation	\$ 4,907
Change in unrealized (gain) loss on investments	\$ (6,577)

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

NOTES TO BASIC FINANCIAL STATEMENTS

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2025

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: The Sacramento Air Pollution Control District was formed by the Sacramento County Board of Supervisors in December 1959. In July of 1996, the Sacramento Metropolitan Air Quality Management District (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.

The District is designated by Environmental Protection Agency as part of the Sacramento Federal Ozone Nonattainment Area (SFNA), which is comprised of all of Sacramento and Yolo Counties, the eastern portion of Solano County, the southern portion of Sutter County, the western slopes of El Dorado and Placer Counties up to the Sierra crest, and includes four other local air districts.

Sac Metro Air District is responsible for monitoring air pollution within the Basin and for developing and administering programs to reduce air pollution levels below the health-based standards set by the state and federal governments.

Basis of Presentation—Government-wide Statements: The statement of net position and statement of activities display information about the primary government. These statements include the financial activities of the District as a whole. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. These statements distinguish between the governmental and business-type activities of the District. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties. The District only reports governmental activities.

The statement of activities demonstrates the degree to which the program expenses of a given function or program are offset by program revenues. Program expenses include direct expenses, which are clearly identifiable with a specific function. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented instead as general revenues.

Basis of Presentation—Fund Financial Statements: The fund financial statements provide information about the District's funds. Separate statements for each fund category — governmental and proprietary — are presented, as applicable. The emphasis of fund financial statements is on major governmental and proprietary funds, each displayed in a separate column. All remaining governmental and proprietary funds are separately aggregated and reported as non-major funds. Internal service funds are always reported as non-major funds.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. All revenues and expenses not meeting the definition of operating revenues and expenses are reported as nonoperating.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2025

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District reports the following major governmental funds:

- The General Fund is the general operating fund of the District. It is used to account for all financial resources and transactions except those required to be accounted for in another fund. It includes certain special accounts that are used to accumulate resources for designated purposes.
- The Special Revenue Fund is used to account for the resources accumulated and payments made primarily for restricted mobile source and community air protection incentive grants from the California Air Resources Board, Motor Vehicle Registration fees collected according to Assembly Bill 2766 to reduce air pollution and for related planning, monitoring, enforcement, and technical studies for the implementation of the Clean Air Act of 1988, and Highway Planning and Construction Grants from the U.S. Department of Transportation.

The District reports the following nonmajor proprietary fund:

- The Internal Service Fund is used to account for the ownership and operational revenue and expenses of the District's building along with the related long-term debt obligations.

Basis of Accounting: The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The government-wide and proprietary fund (e.g. Internal Service Fund) financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available ("susceptible to accrual"). The District considers all revenues reported in the governmental funds to be measurable and available if the revenues are collected within ninety days after the end of the accounting period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, are recognized when the related exchange takes place. Exchange transactions include the Internal Service Fund building rents, parking revenues and interest revenue.

Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, are recognized when all eligibility requirements are met. District imposed nonexchange 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. 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

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2025

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

grants, Congestion Mitigation in Air Quality (CMAQ) grants, State Implementation Plan (Spare the Air), Targeted Air Shed and Climate Pollution Reduction grant, Community Air Protection incentive grants, and various agreements with Yolo/Solano Counties, El Dorado County and Placer County. Sales taxes are recognized when the sale occurs.

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

Cash and Cash Equivalents: The statement of cash flows include cash and cash equivalents. Cash equivalents are defined as all cash and investments with original maturities of 90 days or less, which includes the District’s investment in the California Local Agency Investment Fund (LAIF) and California Asset Management Program (CAMP) and money market mutual funds.

Restricted Assets: Certain resources set aside for repayment of certificates of participation payable are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

Prepays: Prepays represent payments for services that will benefit periods beyond the current year-end. The District uses the consumption method of accounting for prepaids. 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.

Accounts Receivable, Unearned Revenue and Unavailable Revenue: Accounts receivable consisted of the following at June 30, 2025:

Governmental Funds:	
Sales/use tax	\$ 156,450
Intergovernmental:	
State	3,096,003
Federal	3,649,844
Local	29,729
Miscellaneous	9,524
	<hr/>
Total	<u>\$ 6,941,550</u>

Unearned revenues arise when the District receives resources before it has a legal claim to them. In subsequent periods, when the District has a legal claim to the resources, the unearned revenue is removed from the financial statements and revenue is recognized. The District also reports unavailable revenues on its governmental fund financial statements, which arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Revenue is recognized when both revenue recognition criteria are met.

Capital Assets: Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 and a useful life of one year or more, including federally funded assets.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2025

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets acquired by the governmental funds are accounted for as capital outlay expenditures of those funds and capitalized and recorded as assets in the government-wide financial statements. Costs of assets sold or retired (and related amounts of accumulated depreciation) are eliminated from the accounts in the year of sale or retirement and the resulting gain or loss is included in the operating statement of the related fund. In governmental funds, the sale of general capital assets is included in the statement of revenues, expenditures, and changes in fund balances as proceeds from sale.

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements that significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

Depreciation and amortization is recorded using the straight-line method over the estimated useful lives of the capital assets. The range of estimated useful lives by type of asset is as follows:

Buildings and improvements	5-39 years
Subscription assets	2-3 years
Lease assets - vehicles	3-5 years
Equipment	2-10 years

Subscription assets are recognized at the subscription commencement date and represent the District's right to use the underlying subscription asset for the subscription term. Right to use subscription 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. Subscription 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.

Lease assets are recognized at the lease commencement date and represent the District's right to use an underlying asset for the lease term. Lease assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the lease asset into service. Lease assets are amortized over the shorter of the lease term or useful lives of the underlying asset using the straight-line method. The District does not recognize short-term leases or subscriptions with a maximum possible term of 12 months or less.

Compensated Absences: GASB Statement No. 101 requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability is recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise be paid in cash or settle through noncash means. Compensated absences are comprised of unpaid vacation, sick leave, and compensated time-off for certain employees in lieu of overtime compensation and/or working on holidays per bargaining agreements. Sick leave that adds to the creditable service period of the pension plan is included as part of the net pension liability and is excluded from the compensated absences liability. The compensated absences liability is recognized in the government-wide statements.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2025

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-term Obligations: In the government-wide financial statements and proprietary financial statements, long-term debt and other long-term obligations are reported as liabilities, net of any related discounts. Issuance costs are expensed when incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

Lease and Subscription Liabilities: Lease liabilities represent the District's obligation to make lease payments arising from leases. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The lease payments are discounted at the rate inherent in the lease agreement or, if not determinable, at an estimated incremental borrowing rate.

Subscription liabilities represent the District's obligation to make subscription-based information technology arrangement payments arising from subscription contracts. Subscription liabilities are recognized at the subscription commencement date based on the present value of the future subscription payments expected to be made during the subscription term. The subscription payments are discounted at the rate inherent in the subscription agreement or, if not determinable, at an estimated incremental borrowing rate.

Other Postemployment Benefits (OPEB) Plan: For purposes of measuring the net OPEB liability, deferred outflows of resources, deferred inflows of resources and OPEB expense, information about the fiduciary net position of the plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. Plan investments are reported at fair value. The General Fund is used to liquidate the net OPEB liability.

Pension Plan: For purposes of measuring the net pension liability and deferred outflows/inflows of resources and pension expense related to the pension plan, information about the fiduciary net position of the District's pension plan (the Plan) 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 General Fund is used to liquidate the net pension liability.

Net Position/Fund Balances: The governmental activities and proprietary fund financial statements report net position. Net position is categorized as the net investment in capital assets, restricted and unrestricted. These categories are described as follows:

- *Net Investment in Capital Assets* — This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt and other payables that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2025

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- *Restricted Net Position* — This category represents net position that is subject to constraints either (1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation. The District's restrictions are listed on the face of the statements of net position.
- *Unrestricted Net Position* — This category represents net position of the District, not restricted for any project or other purpose.

When both restricted and unrestricted net position are available, unrestricted resources are used only after the restricted resources are depleted.

In the Governmental Fund Statements, the following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *Nonspendable fund balance* — amounts that cannot be spent because they are either not spendable in form or legally or contractually required to remain intact, including prepaids and long-term assets.
- *Restricted fund balance* — amounts with constraints placed on their use by those external to the District, including creditors, grantors, contributors or laws and regulations of other governments. It also includes constraints imposed by law through constitutional provisions or enabling legislation.
- *Committed fund balance* — amounts that can only be used for specific purposes determined by a resolution of the District's highest level of decision-making authority (the Board of Directors) and that remain binding unless removed with another resolution. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- *Assigned fund balance* — amounts that are constrained by the District's intent to be used for specific purposes. The intent can be established at either the highest level of decision making or by a body or an official designated for that purpose. Under the District's adopted policy, only the Board of Directors is allowed to assign or unassign amounts for specific purposes.
- *Unassigned fund balance* — the residual classification that includes amounts not contained in the other classifications. The General Fund is the only fund that reports positive unassigned fund balance while negative fund balance may be reported as unassigned fund balance if expenditures incurred for specific purposes exceed the amounts that are restricted, committed or assigned for those purposes. The District's reserve policy requires it to make every effort to maintain a General Fund Operating Reserve equivalent to a minimum of 120 days, but no less than 60 days, of General Fund expenditures.

The District's Board establishes, modifies or rescinds fund balance commitments and assignments by passage of a resolution. When restricted and unrestricted fund balance is available for use, it is the District's policy to use restricted resources first, followed by the unrestricted committed, assigned and unassigned resources as they are needed. The District's committed, assigned, or unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Use of Estimates: The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that 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 expenses during the reporting period. Actual results could differ from those estimates.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2025

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Pronouncements: In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This statement requires that liabilities for compensated absences be recognized for leave that has not been used that is attributable to services already rendered, accumulates and is more likely than not to be used for time off or paid in cash or settled through noncash means and leave that has been used but not paid in cash or settled through noncash means. Leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in the liability for compensated absences. This Statement requires that a liability for certain types of compensated absences, including parental leave, military leave and jury duty leave, not be recognized until the leave commences. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources. Governments are allowed to disclose the net change in the liability if identified as such in the footnotes to the financial statements. The provisions of this Statement were implemented during the year ended June 30, 2025, as described in Note I to the financial statements.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes a primary government, or reporting unit that reports a liability for revenue debt, vulnerable to the risk of a substantial impact and to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to occur within 12 months of the date the financial statements are issued. If the criteria in the Statement have been met for a concentration or constraint, the government should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. The provisions of this Statement were implemented during the year ended June 30, 2025 and it had no effect on the financial statements.

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This Statement improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability, including 1) certain topics and disclosures in Management's Discussion and Analysis; 2) requiring the display of inflows and outflows of unusual and infrequent items to be reported separately as the last presented flow(s) of resources prior to the net change in resources flows in the government-wide, governmental fund, and proprietary fund statement of resources flows; 3) changing the definition of proprietary fund nonoperating revenues and expenses to include subsidies received and provided, contributions to permanent and term endowments, revenues and expenses related to financing, resources from the disposal of capital assets and inventory and investment income and expenses and defines operating revenues and expenses as revenue and expenses other than nonoperating revenue and expenses; 4) requires major component units to be presented separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements; and 5) requires budgetary comparison schedules to be reported as Required Supplementary Information (RSI), requires the presentation of variances between original and final budget amounts and final budget and actual amounts in the RSI and requires the explanation of significant variances to be reported in notes to the RSI. The provisions of this Statement are effective for years beginning after June 15, 2025.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2025

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In April 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. This Statement requires lease assets recognized in accordance with GASB Statement No. 87, *Leases*, right-to-use assets recognized in accordance with GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, subscription assets recognized in accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, and other intangible assets to be disclosed separately in capital assets footnote disclosures. This Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should disclose the ending historical cost and accumulated depreciation by major class of asset and the carrying amount of debt for which the assets are pledged as collateral by major class of asset held for sale under this Statement. The provisions of this Statement are effective for fiscal years beginning after June 15, 2025.

The District is currently analyzing the impact of the required implementation of these new statements.

NOTE B – CASH AND INVESTMENTS

Cash and investments are classified in the accompanying financial statements as follows at June 30, 2025:

Cash and investments	\$ 105,861,229
Restricted cash and investments	<u>426,169</u>
Total	<u>\$ 106,287,398</u>

The District's total cash and investments at fair value were as follows at June 30, 2025:

Cash:	
Deposits in financial institutions	\$ 4,170,574
Investments:	
Investment in Local Agency Investment Fund (LAIF)	57,379,967
Investment in California Asset Management Program (CAMP)	44,310,688
Investments with fiscal agent:	
Money market mutual funds	<u>426,169</u>
Total investments	<u>102,116,824</u>
Total	<u>\$ 106,287,398</u>

Investment policy: Investments are reported at fair value. California statutes authorize governments to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 – Financial Affairs. The table below identifies the investment types that are authorized by the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. The District's permissible investments included the following instruments:

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2025

NOTE B – CASH AND INVESTMENTS (Continued)

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Treasury notes and agency obligations	5 years	100%	None
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 deposits/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%
California Local Agency Investment Fund (LAIF)	N/A	\$75 million	100%
California Asset Management Program (CAMP)	N/A	100%	100%
Money market mutual funds	N/A	20%	10%

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, 2025, \$426,169 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.

Credit Risk: Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the District’s investment policy, or debt agreements, and the actual rating as of year-end for each investment type at June 30, 2025:

	Total	Minimum Legal Rating	AAAM	Not Rated
Investment in LAIF	\$ 57,379,967	N/A	\$ -	\$ 57,379,967
Investment in CAMP	44,310,688	N/A	44,310,688	-
Investments with fiscal agent:				
Money market mutual funds	426,169	A	426,169	-
Total	\$ 102,116,824		\$ 44,736,857	\$ 57,379,967

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2025

NOTE B – CASH AND INVESTMENTS (Continued)

Custodial Credit Risk: For investments and deposits held with fiscal agents, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or deposits that are in the possession of an outside party. At year end, the District's fiscal agent cash and investments were held by the same broker-dealer (counterparty) that was used by the District to buy the investments.

Custodial Credit Risk of Cash Deposits: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code requires that a financial institution secure the District's cash deposits by pledging securities in an undivided collateral pool held by a depository regulated under state law. The fair value of pledged securities in the collateral pool must equal at least 110% of the District's cash deposits. California law also allows institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total cash deposits.

At June 30, 2025, the carrying amount of the District's deposits was \$4,170,574. The deposits were collateralized by the Federal Deposit Insurance Corporation in the amount of \$250,000 for each bank. At June 30, 2025, the District had \$4,338,294 in deposits at banks above the federally insured limit, which are collateralized by securities pledged by the financial institution, but not in the name of the District.

Concentration of Credit Risk: The District had no investment policy limiting the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. At June 30, 2025, the District had no investments in one issuer (other government pools) that represented 5% or more of total District investments.

Interest Rate Risk: Interest rate risk is the risk in the market rate changes that could adversely affect the fair values of an investment. In general, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways the District manages its exposure to interest rate risk is by purchasing a combination of shorter- and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. All of the District's investments at June 30, 2025 mature in less than one year.

Local Government Investment Pools: 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. The average maturity of LAIF at June 30, 2025, was 248 days.

The District also maintains an investment in the California Asset Management Program (CAMP) a California JPA established in 1989 by the treasurers and finance directors of several California agencies. It was created to provide professional investment services to California public agencies at a reasonable

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2025

NOTE B – CASH AND INVESTMENTS (Continued)

cost. The investment is maintained in the "Camp Pool", which is a short-term money market portfolio, which seeks to preserve principal, provide daily liquidity and earn a high level of income, consistent with its objectives of preserving principal. The District's Investment with CAMP as of June 30, 2025, was \$44,310,688, which was reported at fair value. The average maturity of CAMP at June 30, 2025, was 41 days.

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 and CAMP, 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.

NOTE C – CAPITAL ASSETS

Capital assets consisted of the following at June 30, 2025:

	Balance at June 30, 2024	Additions	Deletions	Balance at June 30, 2025
<u>Governmental Activities</u>				
Capital assets, not being depreciated:				
Land	\$ 1,086,652	\$ -	\$ -	\$ 1,086,652
Construction in process	156,337	166,536	-	322,873
Total capital assets, not being depreciated	1,242,989	166,536	-	1,409,525
Capital assets, being depreciated:				
Buildings	5,577,968	7,834	-	5,585,802
Subscription assets	218,674	-	-	218,674
Lease assets - vehicles	340,284	178,956	-	519,240
Equipment	4,003,975	139,710	(118,134)	4,025,551
Total capital assets, being depreciated	10,140,901	326,500	(118,134)	10,349,267
Less accumulated depreciation for:				
Buildings	(3,371,211)	(151,122)	-	(3,522,333)
Subscription assets	(25,346)	(74,974)	-	(100,320)
Lease assets - vehicles	(51,043)	(100,866)	-	(151,909)
Equipment	(2,861,858)	(355,107)	118,134	(3,098,831)
Total accumulated depreciation	(6,309,458)	(682,069)	118,134	(6,873,393)
Capital assets being depreciated, net	3,831,443	(355,569)	-	3,475,874
CAPITAL ASSETS, NET	\$ 5,074,432	\$ (189,033)	\$ -	\$ 4,885,399

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2025

NOTE C – CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
Business Compliance	\$ 147,114
Air Monitoring	408,719
Sustainable Land Use	20,580
Clean Transportation and Mobility Innovation	71,382
Community Health Protection	16,293
Unallocated	<u>17,981</u>
Total	<u>\$ 682,069</u>

NOTE D – LONG-TERM LIABILITIES

Changes to long-term liabilities during the year ended June 30, 2025 were as follows:

	Balance June 30, 2024 (as Restated)	Additions	Retirements	Balance June 30, 2025	Due Within One Year
Governmental Activities:					
Direct borrowing:					
Certificates of Participation	\$ 1,150,000	\$ -	\$ (370,000)	\$ 780,000	\$ 385,000
Premium	11,859	-	(4,907)	6,952	-
Total notes and bonds	<u>1,161,859</u>	<u>-</u>	<u>(374,907)</u>	<u>786,952</u>	<u>385,000</u>
Subscription liability	142,637	-	(69,790)	72,847	72,847
Compensated absences	3,445,534	351,647 *	-	3,797,181	2,659,361
Net OPEB liability	1,543,385	-	(725,619)	817,766	-
Net pension liability	<u>15,786,034</u>	<u>-</u>	<u>(60,292)</u>	<u>15,725,742</u>	<u>-</u>
Total long-term liabilities	<u>\$ 22,079,449</u>	<u>\$ 351,647</u>	<u>\$(1,230,608)</u>	<u>\$ 21,200,488</u>	<u>\$ 3,117,208</u>

* Change in compensated absences represents the net change.

Certificates of Participation

In March 2012, the District refunded the 2002 certificates used to purchase a building with Certificates of Participation (Refunding Project Series 2012) (COPs) in the amount of \$4,350,000, with interest rates ranging from 3.00% to 4.00%. Proceeds included a bond premium which is being 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 at June 30, 2025:

Year Ending June 30:	Governmental Activities		
	Principal	Interest	Total
2026	\$ 385,000	\$ 23,500	\$ 408,500
2027	<u>395,000</u>	<u>7,900</u>	<u>402,900</u>
Totals	<u>\$ 780,000</u>	<u>\$ 31,400</u>	<u>\$ 811,400</u>

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2025

NOTE D – LONG-TERM LIABILITIES (Continued)

Subscription Based Information Technology Arrangement (SBITA)

The District has entered into a SBITA contract for Microsoft Office 365 software. The District is required to make one final annual principal and interest payment of \$74,974 in March 2026. The subscription liability was valued using a discount rate of 4.38% based on the District’s incremental borrowing rate at the inception of the subscription agreement. The total cost of the subscription asset, and the related accumulated amortization was \$218,674 and \$100,320 as of June 30, 2025, respectively.

Remaining principal and interest payments on subscriptions are as follows:

Year Ending June 30:	Governmental Activities		
	Principal	Interest	Total
2026	\$ 72,847	\$ 2,127	\$ 74,974
Totals	\$ 72,847	\$ 2,127	\$ 74,974

Leases

The District has entered into several lease agreements as lessee for the use of vehicles. As of June 30, 2025, no lease liability was recognized as the District made additional principal payments substantially equal to the total payments due under the lease agreements and the remaining balance outstanding for all leases combined is immaterial. The leases have been discounted at an interest rate of 5%. The total amount of right to use leased assets, and the related accumulated amortization on right to use leased assets was \$519,240 and \$151,909, respectively, as of June 30, 2025.

NOTE E – OTHER POSTEMPLOYMENT BENEFITS PLAN

Plan Description: The District’s defined benefit OPEB Plan (the Plan) is an agent multiple-employer defined benefit plan that provides OPEB benefits to retirees that meet eligibility requirements. The District’s Board of Directors has the authority to establish and amend the benefit terms of the Plan according to the Memorandum of Understanding with the labor units. The Plan participates in the CalPERS California Employers' Retiree Benefit Trust (CERBT) Fund, which is a Section 115 trust fund administered by CalPERS. The CERBT issues a publicly available financial statements that may be obtained from CalPERS at www.calpers.ca.gov.

Benefits Provided: The plan provides postemployment healthcare benefits to eligible retirees and their dependents by contributing the minimum required employer contributions (MRC). The MRC were \$158 and \$157 in calendar years 2025 and 2024, respectively. 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 upon reaching the normal retirement age. Benefits are provided through a third-party insurer, and the full cost of the benefits described above is covered by the Plan.

Employees Covered by Benefit Terms: At the June 30, 2024 measurement date, the following employees were covered by the benefit terms:

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2025

NOTE E – OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)

Inactive employees or beneficiaries currently receiving benefit payments	35
Active employees	<u>98</u>
Total	<u><u>133</u></u>

Contributions: The District’s Board of Directors has the authority to establish and amend the contribution requirements of the District and employees with powers granted to it under the California Government Code, subject to the Memorandums of Understanding with employee bargaining units.

Employees are not required to contribute to the Plan. During the fiscal year ended June 30, 2025, the District’s direct payments of insurance premiums were \$129,150 and cash contributions to the trust were \$270,451, resulting in total contributions of \$399,601. The District makes contributions to the CERBT, which is administered by CalPERS.

Net OPEB Liability: The District's net OPEB liabilities were measured as of June 30, 2024, and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by actuarial valuations as of July 1, 2023.

Actuarial Assumptions: The total OPEB liabilities at the measurement date were determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	July 1, 2023
Measurement date	June 30, 2024
Actuarial cost method	Entry-age normal cost method
Actuarial assumptions:	
Discount rate	5.80%
Salary increases	2.80%
Investment rate of return	5.80%
Mortality rates	Society of Actuary Pub-2010 using scale MP-2021
Pre-retirement turnover	Derived using CalPERS membership data
Healthcare trend rate	8.00% grading down to 4.50% in 2039

The healthcare trend shown above was developed using valuation software developed by Winklevoss Technologies LLC. Mortality information was developed from the Society of Actuaries Mortality Improvement Scale MP-2021 Report and the demographic assumptions were from the CalPERS 2021 aging factors.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2025

NOTE E – OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)

The pre-retirement turnover information was developed based on CalPERS’ specific data. For more details, please refer to the December 2021 Experience Study Report. The Experience Study Report may be accessed on the CalPERS website at <http://www.calpers.ca.gov/> under Forms and Publications.

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.

The District has elected the CERBT Strategy 3 portfolio. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Rate of Return (a)
Global equity	23.00%	N/A
Fixed income	51.00%	N/A
Real estate investment trusts (REITs)	14.00%	N/A
Treasury inflation protected securities (TIPS)	9.00%	N/A
Commodities	3.00%	N/A
Total	100.00%	5.80%

(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 is shown as not applicable (N/A) here.

Discount Rate: The discount rate used to measure the total OPEB liabilities for the year ended June 30, 2025 was 5.80%. The District’s discount rate was increased from 5.00% to 5.80%, from the previous measurement date, which represents a change in assumptions. The projection of cash flows used to determine the discount rate assumed that District’s contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the Plan’s fiduciary net position were 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 liabilities.

Changes in the Net OPEB Liability: Changes in the net OPEB liability were as follows during the year ended June 30, 2025:

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2025

NOTE E – OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
Balance at June 30, 2024	\$ 4,651,117	\$ 3,107,732	\$ 1,543,385
Changes in the year:			
Service cost	219,403	-	219,403
Interest	238,614	-	238,614
Changes in assumptions	(386,745)	-	(386,745)
Difference between expected and actual experience	(105,318)	-	(105,318)
Changes in benefit terms	-	-	-
Contributions - employer	-	499,105	(499,105)
Net investment income	-	193,464	(193,464)
Benefit payments	(198,908)	(198,908)	-
Administrative expenses	-	(996)	996
Net changes	<u>(232,954)</u>	<u>492,665</u>	<u>(725,619)</u>
Balance at June 30, 2025	<u>\$ 4,418,163</u>	<u>\$ 3,600,397</u>	<u>\$ 817,766</u>

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 or 1 percentage point higher than the current discount rate:

	Current		
	1% Decrease 4.80%	Discount Rate 5.80%	1% Increase 6.80%
Net OPEB liability	\$ 1,353,555	\$ 817,766	\$ 364,565

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 or 1 percentage point higher than the current healthcare cost trend rates:

	Current		
	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Net OPEB liability	\$ 346,174	\$ 817,766	\$ 1,405,131

OPEB Plan Fiduciary Net Position: Detailed information about the District's Plan's fiduciary net position is available in the separately issued CERBT financial report at www.calpers.ca.gov.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2025

NOTE E – OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources: For the year ended June 30, 2025, the District recognized OPEB expense of \$433,985.

At June 30, 2025, 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
OPEB contributions subsequent to measurement date	\$ 399,601	\$ -
Differences between actual and expected experience	-	(219,818)
Changes in assumptions	382,619	(352,815)
Net differences between projected and actual earnings on plan investments	210,894	-
Total	<u>\$ 993,114</u>	<u>\$ (572,633)</u>

The amount reported as deferred outflows of resources related to contributions after the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. 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 Ended June 30	
2026	\$ 77,285
2027	115,747
2028	10,034
2029	(10,789)
2030	(2,125)
Thereafter	<u>(169,272)</u>
	<u>\$ 20,880</u>

Payable to the OPEB Plan: At June 30, 2025, there were no significant payables to the OPEB plans.

NOTE F – PENSION PLAN AND DEFERRED COMPENSATION PLAN

Pension Plan

Plan Description: All qualified regular employees are eligible to participate in the District’s cost-sharing multiple employer defined benefit pension plan (the Plan) administered by the California Public Employees’ Retirement System (CalPERS). The District participates in the Miscellaneous Risk Pool and the following rate plans:

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2025

NOTE F – PENSION PLAN AND DEFERRED COMPENSATION PLAN (Continued)

- Miscellaneous Plan First Tier
- PEPRA Miscellaneous Plan

Benefit provisions under the Plan are established by State statute and Board resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at www.calpers.ca.gov.

Benefits Provided: 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 five years of total service are eligible to retire at age 50 (52 for PEPRA Miscellaneous Plan) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each rate plan are applied as specified by the Public Employees’ Retirement Law. Plan provisions and benefits in effect were as follows for the year ended June 30, 2025:

The Plan provisions and benefits in effect at June 30, 2025, are summarized as follows:

Hire date	Tier 1	Tier 2
	(Prior to January 1, 2013)	(On or after January 1, 2013)
Benefit formula (at full retirement)	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Final Compensation	36 months	36 months
Retirement age	50 - 62	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7.00%	7.75%
Required employer contribution rates	11.88%	7.87%

In addition to the contribution rates above, the District made a payment of \$1,161,405 to its unfunded actuarial liability during the year ended June 30, 2025. The first-tier rate plan is closed to all new participants.

Contributions: 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 the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the year ended June 30, 2025, the employer contributions to the Plan (all rate plans combined) were \$2,468,017.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2025

NOTE F – PENSION PLAN AND DEFERRED COMPENSATION PLAN (Continued)

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources: As of June 30, 2025, the District reported a net pension liability for its proportionate share of the net pension liability of the Plan (all rate plans combined) of \$15,725,742.

The District’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan as of June 30, 2025 is measured as of June 30, 2024, 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, 2023 rolled forward to June 30, 2024 using standard update procedures as required by GASB Statement No. 68. 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 was as follows at June 30, 2025:

Proportion - June 30, 2023	0.31569%
Proportion - June 30, 2024	<u>0.32514%</u>
Change - Increase (Decrease)	0.00945%

For the year ended June 30, 2025, the District reported pension expense of \$3,659,539. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 2,468,017	\$ -
Changes in assumptions	404,184	-
Change in employer's proportion	568,958	-
Differences between the employer's contributions and the employer's proportionate share of contributions	-	(338,921)
Net differences between projected and actual earnings on plan investments	905,312	-
Differences between actual and expected experience	<u>1,359,634</u>	<u>(53,052)</u>
Total	<u>\$ 5,706,105</u>	<u>\$ (391,973)</u>

The amount in the table above reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as net deferred outflows (inflows) of resources related to pensions will be recognized as pension expense as follows:

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2025

NOTE F – PENSION PLAN AND DEFERRED COMPENSATION PLAN (Continued)

Fiscal Year Ended	
<u>June 30</u>	
2026	\$ 1,017,142
2027	2,076,290
2028	62,923
2029	<u>(310,240)</u>
	<u>\$ 2,846,115</u>

Actuarial Assumptions: The total pension liabilities for each of the rate plans were determined using the following actuarial assumptions for the year ended June 30, 2025:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Investment Rate of Return/Discount Rate	6.90%
Projected Salary Increases	Varies by entry age and service
Mortality	Derived using CalPERS' membership for all funds

The mortality table used was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details on this table, please refer to the 2021 Experience Study report that can be found on the CalPERS website. The Experience Study Report can be found on CalPERS' website under Forms and Publications.

Discount Rate: The discount rates used by CalPERS to measure the total pension liability was 6.90% at June 30, 2025. The projection of cash flows used for the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that 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.

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 returns (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (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

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2025

NOTE F – PENSION PLAN AND DEFERRED COMPENSATION PLAN (Continued)

return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects the long-term expected real rate of return by asset class for each of the rate plans as of the measurement date of June 30, 2024. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (1,2)
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 assets	15.00%	3.21%
Leverage	-5.00%	-0.59%
Total	100.00%	

- (1) An expected inflation of 2.30% used for this period.
- (2) Figures are based on the 2021-22 Asset Liability Mangement Study

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 for the Plan, calculated using the discount rate for the Plan, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

1% Decrease	5.90%
Net Pension Liability	\$ 25,873,590
Current Discount Rate	6.90%
Net Pension Liability	\$ 15,725,742
1% Increase	7.90%
Net Pension Liability	\$ 7,372,568

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

Payable to the Pension Plan: At June 30, 2025 the District’s contributions payable to the Plan were \$50,634.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2025

NOTE F – PENSION PLAN AND DEFERRED COMPENSATION PLAN (Continued)

Deferred Compensation Plan

The District participates in an Internal Revenue Code (IRC) Section 457 Deferred Compensation Plan (457 Plan), which is administered by CalPERS. All employees who work half-time or more are eligible to participate in the 457 Plan. Benefit terms, including contribution requirements and withdrawals for the 457 Plan are established and may be amended by the Board of Directors and are subject to limitations imposed by the IRC. Employees are permitted to make contributions to the 457 Plan, up to the applicable IRC limits. The District matches up to \$35 per pay period for eligible participants beginning at the date of hire. All participant and employer contributions vest immediately. Plan member and District contributions totaled \$927,531 and \$89,290 respectively, during the year ended June 30, 2025

NOTE G – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the District participates in the Special District Risk Management Authority (SDRMA) Property and Liability Insurance Program for risk of loss. The program provides general liability, property, commercial auto, boiler and machinery, employment practices, employee dishonesty coverage, employment benefits liability, public official errors and omissions (E&O) and public officials personal liability insurance coverage.

SDRMA is composed of California public entities and is organized under a joint powers agreement pursuant to California Government Code Section 6500 et seq. The purpose of SDRMA is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group-purchased insurance and administrative services. Liabilities of the District are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. The District considers claims incurred and reported, as well as claims incurred but not reported, to be immaterial and has not accrued an estimate of such claims payable. The District's maximum general liability coverage as of June 30, 2025 consisted of \$5 million for bodily injury, property damage, employee benefits, public officials E&O and employment practices liability and auto bodily injury and property damage, and \$500,000 for public officials personal liability. The District has property, mobile equipment and catastrophic loss coverage of \$1.25 billion, boiler and machinery coverage of \$100 million and pollution coverage of \$2 million. Workers' compensation coverage includes \$5,000,000 for employer's liability and the statutory limit for workers' compensation.

There have been no significant reductions in insurance coverage and settlements have not exceeded insurance coverage in the past three years.

NOTE H – COMMITMENTS AND CONTINGENCIES

Grant Contingency: Amounts received or receivable under grant agreements are subject to audit and adjustment by grantor agencies, principally the federal and state government. Any disallowed claims, including amounts already collected, could possibly need to be returned to the granting agency. The amount, if any, of expenditures that may be disallowed by the grantors cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2025

NOTE H – COMMITMENTS AND CONTINGENCIES (Continued)

Legal Contingencies: Various claims and suits are filed against the District in the normal course of business. Although the outcome of these claims is not presently determinable, in the opinion of the District's management, after consultation with legal counsel, the resolution of any claims outstanding will not have a material adverse effect on the financial condition of the District.

Purchase Commitments: In December 2024, the District entered into a Memorandum of Understanding for the development of a hydrogen fuel cell locomotive. As of June 30, 2025, the District has committed \$9,249,000 for the project, of which \$3,474,000 had not yet been spent. The District has been awarded funding totaling \$15,646,000 for this project from the State of California Department of Transportation.

NOTE I – RESTATEMENT TO IMPLEMENT GASB STATEMENT NO. 101

The District implemented GASB Statement No. 101, Compensated Absences, during the year ended June 30, 2025, which resulted in additional sick leave payable being accrued for unused sick leave expected to be used for time off for illnesses in addition to expected payments made at separation as previously recognized as part of the compensated absences liability. As a result of this change of accounting principle, the compensated absences liability and net position increased as of July 1, 2024 as follows:

	June 30, 2024 As previously Reported	Change in Accounting Principle for GASB 101	July 1, 2024 As Restated
Compensated absences liability	<u>\$ 1,512,031</u>	<u>\$ 1,933,503</u>	<u>\$ 3,445,534</u>
Net Position	<u>\$ 101,166,587</u>	<u>\$ (1,933,503)</u>	<u>\$ 99,233,084</u>

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REQUIRED SUPPLEMENTARY INFORMATION

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended June 30, 2025

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Sales tax	\$ 2,584,321	\$ 2,584,321	\$ 2,580,039	\$ (4,282)
Fees and licenses	9,953,047	9,953,047	10,872,283	919,236
Intergovernmental				
Local government	121,851	121,851	154,503	32,652
State	7,295,528	7,295,528	7,551,379	255,851
Federal	6,468,833	6,468,833	3,731,337	(2,737,496)
Fines, forfeitures, and penalties	250,000	250,000	744,976	494,976
Other revenues	18,524	18,524	42,567	24,043
Investment earnings	250,000	250,000	1,042,275	792,275
TOTAL REVENUES	<u>26,942,104</u>	<u>26,942,104</u>	<u>26,719,359</u>	<u>(222,745)</u>
EXPENDITURES				
Current:				
Business compliance	10,012,076	10,012,076	10,240,895	(228,819)
Air monitoring	10,077,070	10,077,070	6,398,350	3,678,720
Sustainable land use	1,932,368	1,932,368	1,657,177	275,191
Clean transportation and mobility innovation	4,490,160	4,490,160	3,954,387	535,773
Community health protection	2,540,525	2,540,525	1,996,327	544,198
Debt service:				
Principal	-	-	69,790	(69,790)
Interest	-	-	5,229	(5,229)
Capital outlay	968,000	968,000	485,202	482,798
TOTAL EXPENDITURES	<u>30,020,199</u>	<u>30,020,199</u>	<u>24,807,357</u>	<u>5,212,842</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(3,078,095)</u>	<u>(3,078,095)</u>	<u>1,912,002</u>	<u>4,990,097</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	-	-	10,680	10,680
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>10,680</u>	<u>10,680</u>
NET CHANGE IN FUND BALANCE	(3,078,095)	(3,078,095)	1,922,682	5,000,777
Fund balance, beginning of year	<u>27,733,607</u>	<u>27,733,607</u>	<u>27,733,607</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 24,655,512</u>	<u>\$ 24,655,512</u>	<u>\$ 29,656,289</u>	<u>\$ 5,000,777</u>

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Special Revenue Fund
For the Year Ended June 30, 2025

	Budget Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental:				
State	\$ 26,999,796	\$ 26,999,796	\$ 23,780,530	\$ (3,219,266)
Federal	3,205,960	3,205,960	2,551,175	(654,785)
Fines, forfeitures, and penalties	-	-	500	500
Other	66,438	66,438	40,270	(26,168)
Investment earnings	750,000	750,000	3,590,401	2,840,401
TOTAL REVENUES	<u>31,022,194</u>	<u>31,022,194</u>	<u>29,962,876</u>	<u>(1,059,318)</u>
EXPENDITURES				
Current:				
Clean transportation and mobility innovation	36,501,422	36,501,422	31,168,738	5,332,684
TOTAL EXPENDITURES	<u>36,501,422</u>	<u>36,501,422</u>	<u>31,168,738</u>	<u>5,332,684</u>
NET CHANGE IN FUND BALANCE	(5,479,228)	(5,479,228)	(1,205,862)	4,273,366
Fund balance, beginning of year	<u>76,816,755</u>	<u>76,816,755</u>	<u>76,816,755</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 71,337,527</u>	<u>\$ 71,337,527</u>	<u>\$ 75,610,893</u>	<u>\$ 4,273,366</u>

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT
Required Supplementary Information (Unaudited)

For the Year Ended June 30, 2025

**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
Last 10 Years**

Measurement period	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability:								
Service cost	\$ 219,403	\$ 170,320	\$ 137,220	\$ 138,934	\$ 135,587	\$ 139,382	\$ 135,322	\$ 127,662
Interest	238,614	224,862	231,526	223,724	213,797	173,500	162,804	151,691
Differences between expected and actual experience	(105,318)	(23,031)	(96,220)	(56,477)	(22,785)	332,851	-	-
Changes in assumptions	(386,745)	49,341	514,719	(2,214)	-	172,321	-	-
Benefit payments	(198,908)	(192,247)	(171,333)	(173,082)	(156,158)	(131,420)	(116,408)	(87,179)
Net change in total OPEB liability	(232,954)	229,245	615,912	130,885	170,441	686,634	181,718	192,174
Total OPEB liability - beginning	4,651,117	4,421,872	3,805,960	3,675,075	3,504,634	2,818,000	2,636,282	2,444,108
Total OPEB liability - ending (a)	<u>\$ 4,418,163</u>	<u>\$ 4,651,117</u>	<u>\$ 4,421,872</u>	<u>\$ 3,805,960</u>	<u>\$ 3,675,075</u>	<u>\$ 3,504,634</u>	<u>\$ 2,818,000</u>	<u>\$ 2,636,282</u>
Plan fiduciary net position:								
Contributions - employer	\$ 499,105	\$ 306,405	\$ 327,336	\$ 343,173	\$ 323,364	\$ 262,652	\$ 248,588	\$ 246,101
Net investment income	193,464	46,080	(336,224)	353,713	145,998	146,377	84,654	64,728
Benefit payments	(198,908)	(192,247)	(171,333)	(173,082)	(156,158)	(131,420)	(116,408)	(87,179)
Administrative expenses	(996)	(838)	(795)	(920)	(1,139)	(435)	(939)	(822)
Other expense							(2,386)	
Net change in plan fiduciary net position	492,665	159,400	(181,016)	522,884	312,065	277,174	213,509	222,828
Plan fiduciary net position - beginning	3,107,732	2,948,332	3,129,348	2,606,464	2,294,399	2,017,225	1,803,716	1,580,888
Plan fiduciary net position - ending (b)	<u>\$ 3,600,397</u>	<u>\$ 3,107,732</u>	<u>\$ 2,948,332</u>	<u>\$ 3,129,348</u>	<u>\$ 2,606,464</u>	<u>\$ 2,294,399</u>	<u>\$ 2,017,225</u>	<u>\$ 1,803,716</u>
Net OPEB liability - ending (a)-(b)	<u>\$ 817,766</u>	<u>\$ 1,543,385</u>	<u>\$ 1,473,540</u>	<u>\$ 676,612</u>	<u>\$ 1,068,611</u>	<u>\$ 1,210,235</u>	<u>\$ 800,775</u>	<u>\$ 832,566</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>81.49%</u>	<u>66.82%</u>	<u>66.68%</u>	<u>82.22%</u>	<u>70.92%</u>	<u>65.47%</u>	<u>71.58%</u>	<u>68.42%</u>
Covered-employee payroll measurement period	<u>\$ 12,489,587</u>	<u>\$ 11,902,248</u>	<u>\$ 10,453,736</u>	<u>\$ 10,257,608</u>	<u>\$ 9,827,349</u>	<u>\$ 9,708,765</u>	<u>\$ 9,373,544</u>	<u>\$ 9,196,130</u>
Net OPEB liability as percentage of covered-employee payroll	<u>6.55%</u>	<u>12.97%</u>	<u>14.10%</u>	<u>6.60%</u>	<u>10.87%</u>	<u>12.47%</u>	<u>8.54%</u>	<u>9.05%</u>
Notes to schedule:								
Valuation date	June 30, 2023	June 30, 2023	June 30, 2021	June 30, 2021	June 30, 2019	June 30, 2019	June 30, 2017	June 30, 2017
Measurement period - fiscal year ended	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Discount rate	5.80%	5.00%	5.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Benefit changes. None.								

Omitted years: GASB Statement No. 75 was implemented during the year ended June 30, 2018. No information was available prior to this date. Information will be added prospectively as it becomes available until 10 years are reported.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT
Required Supplementary Information (Unaudited)

For the Year Ended June 30, 2025

**SCHEDULE OF CONTRIBUTIONS TO THE OPEB PLAN
Last 10 Years**

	2025	2024	2023	2022	2021	2020	2019	2018
Actuarially or contractually determined contribution - employer fiscal year	\$ 399,601	\$ 426,057	\$ 233,501	\$ 267,013	\$ 269,898	\$ 262,674	\$ 221,414	\$ 221,719
Contributions in relation to the determined contributions:	<u>(399,601)</u>	<u>(426,057)</u>	<u>(233,501)</u>	<u>(267,013)</u>	<u>(269,898)</u>	<u>(262,674)</u>	<u>(221,414)</u>	<u>(248,588)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (26,869)</u>						
Covered-employee payroll - employer fiscal year	\$ 12,801,988	\$ 12,489,587	\$ 11,902,248	\$ 10,453,736	\$ 10,257,608	\$ 9,827,349	\$ 9,708,765	\$ 9,373,544
Contributions as a percentage of covered-employee payroll	3.12%	3.41%	1.96%	2.55%	2.63%	2.67%	2.28%	2.65%

Notes to Schedule:

Valuation date	June 30, 2023	June 30, 2023	June 30, 2023	June 30, 2021	June 30, 2021	June 30, 2019	June 30, 2019	June 30, 2017
Measurement period - fiscal year ended	June 30, 2024	June 30, 2023	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry-age normal cost method							
Amortization method	Level percentage of payroll, closed							
Asset valuation method	Market value of assets							
Inflation	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Medical trend	8.00% to 4.50%	5.80% to 3.90%	5.80% to 3.90%	5.80% to 3.90%	4.25% to 6.50%	4.25% to 6.50%	4.25% to 6.25%	3.50% to 6.25%
Salary increases	2.80%	3.00%	3.00%	3.00%	3.80% to 9.40% based on years of service			
Investment rate of return	5.80%	6.20%	6.20%	6.20%	6.50%	6.50%	6.75%	6.75%
Discount rate	5.80%	5.20%	4.65%	2.40%	3.21%	4.52%	4.22%	3.80%
Retirement age	50-75 years. Probabilities of retirement are based on the most recent CalPERS experience study.							
Mortality table	Based on most recent CalPERS experience study.							
Mortality improvements	MacLeod Watts Scale 2022 was used beginning in 2022. Prior to 2022: 15 years of mortality improvements using 90% of Scale MP.							

Omitted years: GASB Statement No. 75 was implemented during the year ended June 30, 2018. No information was available prior to this date. Information will be added prospectively as it becomes available until 10 years are reported.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT
Required Supplementary Information (Unaudited)

For the Year Ended June 30, 2025

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY (UNAUDITED)
Last 10 Years**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Proportion of the net pension liability	0.32514%	0.31569%	0.3044%	0.2699%	0.2789%	0.2673%	0.2574%	0.2552%	0.2454%	0.2381%
Proportionate share of the net pension liability	\$ 15,725,742	\$ 15,786,034	\$ 14,243,087	\$ 5,123,901	\$ 11,764,863	\$ 10,703,922	\$ 9,699,002	\$ 10,060,590	\$ 8,524,599	\$ 6,533,370
Covered payroll during plan measurement period	\$ 12,489,587	\$ 11,129,538	\$ 10,453,736	\$ 10,257,608	\$ 9,827,349	\$ 9,708,765	\$ 9,373,544	\$ 9,196,130	\$ 9,422,478	\$ 10,332,821
Proportionate share of the net pension liability as a percentage of covered payroll	125.91%	141.84%	136.25%	49.95%	119.72%	110.25%	103.47%	109.40%	90.47%	63.23%
Plan fiduciary net position as a percentage of the total pension liability	79.09%	76.21%	76.68%	88.29%	75.10%	75.26%	75.26%	75.39%	75.87%	79.89%

Notes to Schedule:

Changes in benefit terms: None

Changes in assumptions:

Changes in discount rate - measurement date	6.90%	6.90%	6.90%	7.15%	7.15%	7.15%	7.15%	7.65%	7.65%	7.65%
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**SCHEDULE OF CONTRIBUTIONS TO THE PENSION PLAN (UNAUDITED)
Last 10 Years**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution - employer's fiscal year (actuarially determined)	\$ 2,468,017	\$ 2,196,541	\$ 2,024,793	\$ 1,828,366	\$ 1,882,196	\$ 1,670,845	\$ 1,443,386	\$ 1,354,429	\$ 1,132,308	\$ 1,190,341
Contributions in relation to the actuarially determined contributions - employer's fiscal year	(2,468,017)	(2,196,541)	(2,024,793)	(1,828,366)	(1,882,196)	(1,670,845)	(1,443,386)	(1,286,471)	(1,257,850)	(1,190,341)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 67,958	\$ (125,542)	\$ -
Covered payroll - employer's fiscal year	\$ 12,801,988	\$ 12,489,587	\$ 11,129,538	\$ 10,453,736	\$ 10,257,608	\$ 9,827,349	\$ 9,708,765	\$ 9,373,544	\$ 9,196,130	\$ 9,422,478
Contributions as a percentage of covered payroll	19.28%	17.59%	18.19%	17.49%	18.35%	17.00%	14.87%	13.72%	13.68%	12.63%

Notes to Schedule:

Valuation date for contributions - June 30:	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
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Reporting valuation date- June 30:	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
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Reporting measurement date - June 30:	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
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Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal cost method									
Amortization method	Level percentage of payroll, closed									
Remaining amortization period	Varies by rate plan, but not more than 30 years									
Asset valuation method	Market value									
Inflation	2.30%	2.30%	2.50%	2.50%	2.50%	2.625%	2.75%	2.75%	2.75%	2.75%
Salary increases	Varies based on entry age and service									
Investment rate of return and discount rate used to determine contribution rates	6.80%	6.80%	7.00%	7.00%	7.00%	7.25%	7.375%	7.50%	7.50%	7.50%
Retirement age	50-67 years. Probabilities of retirement are based on most recent CalPERS Experience Study									
Mortality	Most Recent CalPERS Experience Study									

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2025

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.

On or before the last day in February of each year, all divisions of the District submit budget packages to the Administrative Services Division Director 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 budget is prepared by fund, division, and program. Transfers of appropriations within a classification (e.g., employee services, services and supplies, capital expense, and transfers) or across classifications within the same fund may be made without Board approval. Board approval is required to amend the budget once it is adopted if there is a need to increase the expenditure budget. Transfers of appropriations between funds require Board approval as the legal level of budgetary control is the fund level.

STATISTICAL SECTION

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT STATISTICAL SECTION

Statistical Section Overview

This part of the Sacramento Metropolitan Air Quality Management District's (District) comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information indicate about the District's overall financial health.

Please note that the District made changes to the activity types in FY2019. As a result, some schedules will show three years of history with the previous activity types and a second schedule will contain seven 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 FY2019 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 Year

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 Government Expenditures by Major Object (Budgetary) - Last Ten Fiscal Years

Schedule 6 - General Government Expenditures by Major Object (Actual) - Last Ten Fiscal Years

Revenue Capacity

The following schedules present trend 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

Debt Capacity

This schedule presents information to help the reader assess the affordability of the District's current level of outstanding debt and ability to issue new debt in the future.

Schedule 9 - Ratios of Outstanding Debt by Type - Last Ten Fiscal Years

Demographic Information

These schedules offer demographic indicators to help the reader understand the environment in which the

Schedule 10 - Demographic Information - Last Ten Years

Schedule 11 - Principal Employers - Current and Ten Years Ago

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 12 - DMV Registration (Autos and Trucks) - Last Ten Years

Schedule 13 - District Staff Position List - 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)

	2016	2017	2018 (a)	2019 (b)	2020	2021	2022	2023	2024 (c)	2025
Governmental Activities										
Net investment in capital assets	\$ 1,111,788	\$ 1,196,123	\$ 1,170,111	\$ 2,245,913	\$ 2,745,363	\$ 3,151,636	\$ 3,243,373	\$ 3,350,896	\$ 3,769,936	\$ 4,025,600
Restricted	19,374,392	18,788,183	30,250,374	36,909,801	51,881,357	69,562,558	71,438,107	72,382,091	99,639,756	101,063,062
Unrestricted	(157,287)	605,026	(5,625,047)	(3,921,835)	(2,768,037)	(4,302,216)	(1,922,255)	(2,006,198)	(2,243,105)	(5,713,481)
Total governmental activities net position	\$ 20,328,893	\$ 20,589,332	\$ 25,795,438	\$ 35,233,879	\$ 51,858,683	\$ 68,411,978	\$ 72,759,225	\$ 73,726,789	\$ 101,166,587	\$ 99,375,181
Business-type Activities										
Net investment in capital assets	\$ 613,133	\$ 820,602	\$ 984,226	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	416,382	416,575	420,495	-	-	-	-	-	-	-
Unrestricted	1,190,967	1,142,715	1,575,033	-	-	-	-	-	-	-
Total business-type activities net position	\$ 2,220,482	\$ 2,379,892	\$ 2,979,754	\$ -	\$ -					
Primary government										
Net investment in capital assets	\$ 1,724,921	\$ 2,016,725	\$ 2,154,337	\$ 2,245,913	\$ 2,745,363	\$ 3,151,636	\$ 3,243,373	\$ 3,350,896	\$ 3,769,936	\$ 4,025,600
Restricted	19,790,774	19,204,758	30,670,869	36,909,801	51,881,357	69,562,558	71,438,107	72,382,091	99,639,756	101,063,062
Unrestricted	1,033,680	1,747,741	(4,050,014)	(3,921,835)	(2,768,037)	(4,302,216)	(1,922,255)	(2,006,198)	(2,243,105)	(5,713,481)
Total primary government net position	\$ 22,549,375	\$ 22,969,224	\$ 28,775,192	\$ 35,233,879	\$ 51,858,683	\$ 68,411,978	\$ 72,759,225	\$ 73,726,789	\$ 101,166,587	\$ 99,375,181

- 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.
 - (c) The 2024 balances were not revised due to the implementation of GASB Statement No. 101, Compensated Absences, which was implemented during 2025.

Source : Annual Comprehensive Financial Report-Statement of Net Position

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

	2016	2017	2018
Expenses			
Governmental Activities			
Stationary source activities	\$ 6,162,041	\$ 6,222,368	\$ 7,496,314
Mobile source activities	11,207,276	11,561,366	8,427,228
Program coordination activities	4,359,691	4,381,093	4,901,319
Strategic planning activities	4,380,829	3,937,606	5,183,744
Depreciation expense-unallocated	209,891	237,940	226,521
Total governmental activities	<u>26,319,728</u>	<u>26,340,373</u>	<u>26,235,126</u>
Business-type activities			
Building operations and obligations	715,125	877,284	454,367
Total primary government expenses	<u>27,034,853</u>	<u>27,217,657</u>	<u>26,689,493</u>
Program Revenues			
Governmental Activities			
Charges for services			
Stationary source activities	6,692,235	7,235,968	8,140,016
Mobile source activities	153,178	156,288	155,097
Program coordination activities	89,163	60,341	154,767
Strategic planning activities	242,084	310,430	315,248
Operating grants and contributions			
Stationary source activities	-	-	-
Mobile source activities	15,076,802	8,932,391	13,690,540
Program coordination activities	1,438,170	1,438,170	1,596,487
Strategic planning activities	643,422	643,422	643,422
Total governmental activities	<u>24,335,054</u>	<u>18,777,010</u>	<u>24,695,577</u>
Business-type activities			
Building operations and obligations	943,891	1,018,795	1,025,568
Total primary government program revenues	<u>25,278,945</u>	<u>19,795,805</u>	<u>25,721,145</u>
Net (Expense) Revenue			
Government activities	(1,984,674)	(7,563,363)	(1,539,549)
Business-type activities	228,766	141,511	571,201
Total primary government net (expenses) revenue	<u>(1,755,908)</u>	<u>(7,421,852)</u>	<u>(968,348)</u>
General revenues			
Governmental activities			
Grants and subventions	7,087,643	7,347,831	6,995,834
Investment earnings	5,438	81,700	116,467
Gain on sale of capital assets	-	-	-
Penalties/Settlements	622,868	394,272	496,575
Transfers	-	-	-
Total governmental activities	<u>7,715,949</u>	<u>7,823,803</u>	<u>7,608,876</u>
Business-type activities			
Investment earnings	9,163	17,899	28,661
Transfers	-	-	-
Total business-type activities	<u>9,163</u>	<u>17,899</u>	<u>28,661</u>
Total Primary government revenue	<u>7,725,112</u>	<u>7,841,702</u>	<u>7,637,537</u>
Change in net position			
Government activities	5,731,275	260,439	6,069,327
Business-type activities	237,929	159,410	599,862
Total Primary government	<u>\$ 5,969,204</u>	<u>\$ 419,849</u>	<u>\$ 6,669,189</u>

Note:

(a) For the fiscal year ending 6/30/2019 activity categories were redefined. Therefore, this page includes the three-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 - Last Ten Fiscal Years (a)
(accrual basis of accounting)
(unaudited)

	2019	2020	2021	2022	2023	2024 (b)	2025
Expenses							
Governmental Activities							
Business Compliance	\$ 6,762,504	\$ 6,863,473	\$ 7,542,903	\$ 6,838,518	\$ 8,534,841	\$ 9,708,609	\$ 10,863,072
Air Monitoring	3,649,645	4,099,677	3,961,441	3,445,578	5,021,842	8,171,455	7,025,089
Sustainable Land Use	2,344,711	2,459,163	2,625,410	1,998,722	2,021,329	1,863,074	1,737,807
Clean Transportation and Mobility Innovation	18,821,767	18,993,969	14,136,285	8,071,082	20,884,866	27,336,208	35,408,231
Community Health Protection	2,065,860	2,249,228	2,177,038	1,833,853	1,992,262	2,059,295	2,044,314
Interest on long-term debt	103,843	94,544	85,350	75,931	69,885	55,183	43,829
Unallocated Depreciation	101,626	72,812	63,474	40,921	-	19,001	17,981
Total primary government	<u>33,849,956</u>	<u>34,832,866</u>	<u>30,591,901</u>	<u>22,304,605</u>	<u>38,525,025</u>	<u>49,212,825</u>	<u>57,140,323</u>
Program Revenues							
Governmental Activities							
Charges for services							
Business Compliance	7,553,612	8,268,370	7,783,865	8,366,030	8,842,587	9,700,779	10,546,156
Air Monitoring	486,231	506,363	207,691	320,017	754,480	297,036	232,687
Sustainable Land Use	72,934	153,625	75,977	263,316	261,527	87,215	83,874
Clean Transportation and Mobility Innovation	-	15,312	2	703	7,412	3,263	14,514
Community Health Protection	618,738	838,971	810,063	702,919	708,880	527,498	1,057,370
Operating grants and contributions							
Business Compliance	247,581	98,128	106,339	38,539	231,085	189,857	239,888
Air Monitoring	1,634,076	3,965,427	1,200,745	2,531,593	1,834,940	5,934,705	4,463,953
Sustainable Land Use	277,370	481,535	615,674	561,434	-	9,809	31,344
Clean Transportation and Mobility Innovation	20,182,390	27,888,607	27,650,746	5,762,695	14,215,221	40,872,435	27,703,040
Community Health Protection	829,551	827,702	734,325	938,774	792,715	7,163,973	15,682
Total primary government	<u>31,902,483</u>	<u>43,044,040</u>	<u>39,185,427</u>	<u>19,486,020</u>	<u>27,648,847</u>	<u>64,786,570</u>	<u>44,388,508</u>
Net (Expense) Revenue							
Total primary government	<u>(1,947,473)</u>	<u>8,211,174</u>	<u>8,593,526</u>	<u>(2,818,585)</u>	<u>(10,876,178)</u>	<u>15,573,745</u>	<u>(12,751,815)</u>
General revenues							
Grants and subventions	7,308,273	7,413,413	7,858,435	7,835,266	10,338,433	7,972,640	8,157,409
Investment earnings	730,405	1,007,653	98,516	(669,433)	1,505,308	3,893,413	4,725,823
Gain (loss) on disposal of capital assets	-	(7,436)	2,818	-	-	-	10,680
Total general revenue	<u>8,038,678</u>	<u>8,413,630</u>	<u>7,959,769</u>	<u>7,165,833</u>	<u>11,843,741</u>	<u>11,866,053</u>	<u>12,893,912</u>
Change in net position for the period	<u>\$ 6,091,205</u>	<u>\$ 16,624,804</u>	<u>\$ 16,553,295</u>	<u>\$ 4,347,248</u>	<u>\$ 967,563</u>	<u>\$ 27,439,798</u>	<u>\$ 142,097</u>

Note:

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

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

(b) The 2024 balances were not revised due to the implementation of GASB Statement No. 101, Compensated Absences, which was implemented during 2025.

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)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General Fund										
Nonspendable	\$ 171,675	\$ 190,202	\$ 402,380	\$ 152,580	\$ 98,462	\$ 131,192	\$ 136,174	\$ 92,472	\$ 145,428	\$ 183,906
Restricted	8,796,696	8,061,391	7,811,623	9,572,931	12,588,465	13,459,160	15,861,714	16,090,972	22,394,482	25,026,000
Assigned	320,000	320,000	320,000	2,607,673	1,737,431	3,013,705	1,696,179	2,727,599	3,078,095	2,772,607
Unrestricted	1,798,521	1,737,137	2,043,980	-	2,298,950	1,059,724	2,709,060	1,984,461	2,115,602	1,673,776
Total General Fund	\$ 11,086,892	\$ 10,308,730	\$ 10,577,983	\$ 12,333,184	\$ 16,723,308	\$ 17,663,781	\$ 20,403,127	\$ 20,895,504	\$ 27,733,607	\$ 29,656,289
Special Revenue Fund (b)										
Restricted	\$ 15,185,241	\$ 14,623,422	\$ 22,438,751	\$ 26,130,091	\$ 39,377,251	\$ 55,633,856	\$ 54,960,056	\$ 55,863,979	\$ 76,816,755	\$ 75,610,893
Total Special Revenue Fund	\$ 15,185,241	\$ 14,623,422	\$ 22,438,751	\$ 26,130,091	\$ 39,377,251	\$ 55,633,856	\$ 54,960,056	\$ 55,863,979	\$ 76,816,755	\$ 75,610,893

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 4
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years (a)
(modified accrual basis of accounting)
(unaudited)

	2016	2017	2018
REVENUES			
Taxes	\$ 8,990,702	\$ 9,141,145	\$ 9,185,904
Intergovernmental	15,445,047	9,232,418	13,718,592
Licenses/permits	7,646,441	8,001,079	8,395,134
Investment earnings and other	(31,188)	226,170	1,004,824
Total Revenue	<u>32,051,002</u>	<u>26,600,812</u>	<u>32,304,454</u>
EXPENDITURES			
Current:			
Stationary Sources	6,501,339	6,799,202	6,725,548
Mobile Source	11,367,756	11,916,194	8,048,476
Program Coordination	4,571,752	4,734,782	4,384,116
Strategic Planning	4,517,235	4,168,340	4,861,221
Debt service:			
Principal	-	-	-
Interest	-	-	-
Capital outlay	529,002	322,275	200,510
Total Expenditures	<u>27,487,084</u>	<u>27,940,793</u>	<u>24,219,871</u>
Excess (Deficiency) of Revenue over Expenditures	4,563,918	(1,339,981)	8,084,583
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of assets	-	-	-
Net change in fund balances	<u>\$ 4,563,918</u>	<u>\$ (1,339,981)</u>	<u>\$ 8,084,583</u>

Note:

(a) For the fiscal year ending 6/30/2019, activity categories were redefined. Therefore, this page includes the three years ending in 2018.

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

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

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)

	2019	2020	2021	2022	2023	2024	2025
REVENUES							
Sales tax	\$ 1,940,485	\$ 1,938,341	\$ 2,264,451	\$ 2,551,772	\$ 2,569,539	\$ 2,624,053	\$ 2,580,039
Fees and licenses	8,109,883	8,823,399	8,484,401	8,765,312	9,799,466	9,967,646	10,872,283
Intergovernmental	27,729,654	39,318,096	36,193,700	15,288,362	25,225,851	59,445,689	37,768,924
Investment earnings and other	1,340,691	1,844,719	421,100	106,174	1,848,613	4,328,530	5,460,989
Total Revenue	39,120,713	51,924,555	47,363,652	26,711,620	39,443,469	76,365,918	56,682,235
EXPENDITURES							
Current:							
Business Compliance	6,771,994	6,579,044	7,334,384	7,868,485	8,220,645	9,174,663	10,240,895
Air Monitoring	3,545,919	3,798,537	3,698,370	3,687,463	4,860,572	7,921,353	6,398,350
Sustainable Land Use	2,347,083	2,383,320	2,571,041	2,226,768	1,959,275	1,774,083	1,657,177
Clean Transportation and Mobility Innovation	18,826,749	18,820,962	14,022,933	8,615,440	20,728,882	27,056,523	35,123,125
Community Health Protection	2,067,758	2,198,364	2,142,385	1,993,961	1,941,602	1,970,304	1,996,327
Debt service:							
Principal	-	-	-	-	110,879	76,037	69,790
Interest	-	-	-	-	4,291	2,083	5,229
Capital outlay	114,569	507,044	397,461	253,957	221,023	818,667	485,202
Total Expenditures	33,674,072	34,287,271	30,166,574	24,646,074	38,047,169	48,793,713	55,976,095
 Excess (Deficiency) of Revenue over Expenditures	 5,446,641	 17,637,284	 17,197,078	 2,065,546	 1,396,300	 27,572,205	 706,140
OTHER FINANCING SOURCES (USES)							
Subscription	-	-	-	-	-	218,674	-
Proceeds from sale of assets	-	-	-	-	-	-	10,680
Net change in fund balances	5,446,641	17,637,284	17,197,078	2,065,546	1,396,300	27,790,879	716,820
 Debt Service as a percentage of noncapital expenditures	 0.0%	 0.0%	 0.0%	 0.0%	 0.3%	 0.2%	 0.1%

Note:

(a) For the fiscal year ending 6/30/2019 activity categories were redefined. Therefore, this page includes the seven-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 of Governmental Funds

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

Fiscal Year	Salaries & Benefits	Services & Supplies	Equipment/ Capital Assets	Interfund Charges	Total
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
23-24	18,411,602	10,290,233	1,238,500	(2,115,503)	27,824,832
24-25	19,818,022	11,180,818	1,168,000	(2,146,641)	30,020,199

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.
(Can also get from budget book).

Sacramento Metropolitan Air Quality Management District
Schedule 6
Schedule of General Government Expenditures by Major Object (Actual Basis)
Last Ten Years (Unaudited)

Fiscal Year	Salaries & Benefits	Services & Supplies	Equipment/ Capital Assets	Interfund Charges	Total
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
23-24	17,761,492	8,908,231	896,787	(1,045,385)	26,521,125
24-25	19,308,648	7,136,281	487,929	(2,125,503)	24,807,357

Source: New World Income Statement - Consolidated General Fund

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

Fiscal Year	Taxes (a)	Licenses/ Permits	Intergovernmental (a)	Investment Earnings (b)	Other	Total
15-16	\$ 6,609,429	\$ 7,779,365	\$ 3,739,523	\$ 5,438	-	\$ 18,133,755
16-17	6,764,376	8,001,079	3,437,689	81,700	-	18,284,844
17-18	6,859,462	9,016,456	3,336,946	153,968	-	19,366,832
18-19	1,940,485	8,281,069	8,238,416	257,341	95,238	18,812,549
19-20	1,938,341	8,823,399	11,097,630	853,233	58,605	22,771,208
20-21	2,264,451	8,484,401	8,678,334	195,224	49,530	19,671,940
21-22	2,551,772	8,765,312	9,591,877	540,764	42,958	21,492,683
22-23	2,569,539	9,799,466	8,562,389	608,738	24,015	21,564,147
23-24	2,624,053	9,967,646	19,353,263	1,182,726	12,866	33,140,554
24-25	2,580,039	10,872,283	11,437,219	1,787,251	42,567	26,719,359

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

(a) Includes fines, forfeitures and penalties.

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	Active Permits (a)	Actual Revenue (b)
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
2024	4,456	8,517,732
2025	4,586	8,781,772

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 2016-2018.

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 internal systems

Sacramento Metropolitan Air Quality Management District
Schedule 9
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
Internal Service Fund

Fiscal Year	Certificate of Participation	Bond Premium	Subscription Liability	Total Primary Government	Total Debt as a Percentage of Sacramento County Personal Income (a)	Total Debt Per Capita for Sacramento County (a)
2016	\$ 3,705,000	\$ 51,118	\$ -	\$ 3,756,118	5.4%	2.51
2017	3,420,000	46,210	-	3,466,210	4.8%	2.29
2018	3,125,000	41,305	-	3,166,305	4.1%	2.07
2019	2,820,000	36,396	-	2,856,396	3.5%	1.85
2020	2,505,000	31,489	-	2,536,489	3.0%	1.63
2021	2,180,000	26,581	-	2,206,581	2.4%	1.42
2022	1,850,000	21,674	-	1,871,674	1.9%	1.18
2023	1,505,000	16,767	-	1,521,767	1.6%	0.96
2024	1,150,000	11,859	142,637	1,304,496	1.3%	0.82
2025	780,000	6,952	72,847	859,799	(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 10
Demographic Information
Last Ten Fiscal Years (Unaudited) (a)

Year	County Population	County Total Personal Income	County Per Capita Income	County Unemployment Rate
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%
2023	1,588,000	98,105,641	61,775	3.9%
2024	1,584,000	103,143,749	65,104	4.4%

Notes:

(a) Most recent information available

Source: County of Sacramento Annual Comprehensive Financial Report

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

Employer	2016			2025		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Private Industry	716,200	1	74.2%	831,700	1	75.0%
State Government	118,000	2	12.2%	138,000	2	12.4%
Local Government	106,000	3	11.0%	114,900	3	10.4%
Federal Government	14,000	4	1.5%	14,200	4	1.3%
Farm	11,300	5	1.2%	9,800	5	0.9%
Total All Industries	965,500		100%	1,108,600		100%

Source: <https://www.labormarketinfo.edd.ca.gov/data/employment-by-industry.html>
 Employment by Industry Data
 Geographical Areas-Sacramento MSA

Sacramento Metropolitan Air Quality Management District
 Schedule 12
 DMV Registrations (Automobiles & Trucks)
 Last Ten Calendar Years (a)
 (unaudited)

Year	Vehicles Registered (As of December 31)
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
2023	1,344,026
2024	1,362,246

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 13										
District Staff Position List										
Last Ten Fiscal Years (Unaudited)										
Classification	Full-Time Equivalent Employees as of June 30									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Accountant I/II	-	-	-	-	-	-	-	-	-	1
Administrative Specialist I/II	-	-	2.0	2.0	2.0	3.0	3.0	4.0	4	4
Administrative Supervisor/Clerk of the Board	-	-	1.0	1.0	1.0	1.0	1.0	1.0	1	1
Air Pollution Control Officer /Executive Director	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1	1
Air Quality Engineer	20.5	20.5	20.5	19.5	19.5	15.5	16.5	19.0	21	21
Air Quality Engineer/Specialist/Planner	-	-	-	5.5	5.5	5.0	3.0	1.0	1	-
Air Quality Instrument Specialist I/II	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3	3
Air Quality Planner/Analyst	11.0	11.0	10.0	10.0	10.0	10.0	10.0	10.0	10	11
Air Quality Specialist	18.6	18.6	19.6	18.6	18.6	18.6	19.6	21.6	22.8	23.8
Assistant Air Pollution Control Officer	-	1.0	1.0	-	-	-	-	-	-	-
Clerical Services Supervisor	1.0	1.0	-	-	-	-	-	-	-	-
Communications & Marketing Specialist	1.9	1.9	1.9	1.9	1.9	1.0	1.0	1.0	2	2
Controller	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1	1
District Counsel	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1	1
Division Director	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4	4
Executive Assistant/Clerk to the Board	1.0	1.0	-	-	-	-	-	-	-	-
Financial Analyst	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1	1
Fiscal Assistant I/II	1.0	1.0	1.0	1.0	1.0	-	-	-	-	-
Human Resource Assistant I/II	2.0	2.0	-	-	-	-	-	-	-	-
Human Resource Technician I/II	-	-	2.0	1.0	1.0	1.0	1.0	1.0	1	1
Human Resources Officer	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1	1
Information Systems Administrator	1.0	-	-	-	-	-	-	-	-	-
Information Systems Analyst	2.0	2.0	3.0	3.0	3.0	3.0	3.0	3.0	3	3
Information Systems Manager	-	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1	1
Legal Assistant I/II	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1	1
Office Assistant I/II	2.0	2.0	3.0	3.0	3.0	3.0	3.0	3.0	3	5
Program Coordinator	12.0	12.0	-	-	-	-	-	-	-	-
Program Manager	-	-	5.0	5.0	5.0	5.0	5.0	5.0	5	5
Program Supervisor	5.0	5.0	12.0	12.0	12.0	12.0	12.0	12.0	12	12
Senior Accountant	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1	1
Statistician	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1	1
Subtotal Funded Positions	96.0	97.0	98.0	99.5	99.5	94.1	94.1	97.6	101.8	105.8
Administrative/Legal Analyst	1.0	1.0	1.0	-	-	-	-	-	-	-
Air Quality Engineer	1.0	1.0	1.0	1.0	1.0	5.0	4.0	-	-	-
Air Quality Engineer/Specialist/Planner	-	-	-	-	-	0.5	-	-	-	-
Air Quality Planner/Analyst	-	-	1.0	-	-	-	-	-	-	-
Air Quality Specialist	2.0	1.0	1.0	1.0	1.0	1.0	2.0	-	-	-
Communication & Marketing Specialist	-	-	-	-	-	1.0	1.0	-	-	-
Human Resource Technician I/II	-	-	-	1.0	1.0	1.0	1.0	-	-	-
Information Systems Analyst	-	-	-	-	-	-	1.0	-	-	-
Office Assistant I/II	1.0	1.0	-	-	-	-	-	-	-	-
Program Coordinator	1.0	-	-	-	-	-	-	-	-	-
Program Supervisor	-	1.0	1.0	-	-	-	-	-	-	-
Subtotal Unfunded Positions	6.0	5.0	5.0	3.0	3.0	8.5	9.0	-	-	-
Total Funded + Unfunded Positions	102.0	102.0	103.0	102.5	102.5	102.6	103.1	97.6	101.8	105.8
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 14
Capital Assets by Function/Program
Last Ten Fiscal Years

Function/Program	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Monitoring Air Quality										
Number of air monitoring stations (a)	11	9	9	8	7	7	6	6	6	6
Number of air monitoring instruments installed in the air monitoring stations to measure air quality (b)	88	82	82	75	74	74	69	69	71	71
Vehicles	23	23	23	23	22	21	21	21	21	22

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 AWARDS SECTION

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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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Sacramento Metropolitan Air Quality Management District (the District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 21, 2026.

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 District'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 and significant deficiencies may exist that were not 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

To the Board of Directors
Sacramento Metropolitan Air Quality Management District

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 result of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Richardson & Company, LLP

January 21, 2026

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND 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 Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Sacramento Metropolitan Air Quality Management District's (the 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 each of the District's major federal programs for the year ended June 30, 2025. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements 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 each 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

To the Board of Directors
Sacramento Metropolitan Air Quality Management District

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 generally accepted auditing standards, *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 each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 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.

To the Board of Directors
Sacramento Metropolitan Air Quality Management District

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.

Richardson & Company, LLP

January 21, 2026

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2025

Federal Grantor/Pass-through Grantor, if Applicable/ Program Title/Grant or Pass-through Number	Federal Assistance Listing (AL) Number	Pass-through Entity Identifying Number/Grant Number	Expenditures	Amount Passed Through to Subrecipients
U.S. Department of Transportation, Federal Highway Administration				
Passed-through California State Transpiration Agency, Department of Transportation				
Highway Planning and Construction	20.205	CMLNI - 6236 (19)	\$ 25,366	\$ -
Highway Planning and Construction	20.205	CMLNI - 6236 (21)	322,098	-
Highway Planning and Construction	20.205	CML - 6236 (33)	357,442	-
Highway Planning and Construction	20.205	CML - 6236 (16)	36,894	-
Highway Planning and Construction	20.205	CMLNI - 6236 (20)	2,514,281	-
Total U.S. Department of Transportation Federal Highway Administration			<u>3,256,081</u>	<u>-</u>
U. S. Environmental Protection Agency - Direct Programs				
Air Pollution Control Program Support	66.001		1,151,213	-
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034		351,119	-
Climate Pollution Reduction Grants	66.046		307,801	53,690
Targeted Airshed Grant Program - Targeted Airshed #1	66.956		276,587	272,320
Targeted Airshed Grant Program - Targeted Airshed #2	66.956		1,560,394	1,557,490
Total Targeted Airshed Grant Program			<u>1,836,981</u>	<u>1,829,810</u>
Total U. S. Environmental Protection Agency			<u>3,647,114</u>	<u>1,883,500</u>
TOTAL FEDERAL AWARDS			<u>\$ 6,903,195</u>	<u>\$ 1,883,500</u>

The accompanying notes to the schedule of expenditures of federal awards are an integral part of this schedule.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2025

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Sacramento Metropolitan Air Quality Management District (District) under programs of the federal government for the year ended June 30, 2025. 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 District's operations, it is not intended to be and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenses reported on the Schedule are reported on the accrual basis of accounting. Such expenses are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenses are not allowable or are limited as to reimbursement.

The amounts passed through to subrecipients, if any, are reported on in this schedule when disbursed in accordance with 2 CFR §200.502(a), which differs from the accrual basis of accounting used under generally accepted accounting principles.

NOTE C – FEDERAL ASSISTANCE LISTING NUMBERS

The program titles and federal assistance listing numbers were obtained from the federal or pass-through grantor.

NOTE D – INDIRECT COST RATE

The District has not elected to use the 10-percent de minimis indirect cost rate as allowed by 2 CFR, Section 200.414.

NOTE E – SUBRECIPIENTS

The District had three Air Quality Management Districts and one nonprofit organization that were beneficiaries of the 66.046 - Climate Pollution Reduction Grants and 66.956 - Targeted Airshed Grant Program during the year ended June 30, 2025.

NOTE F – PASS-THROUGH ENTITIES' IDENTIFYING NUMBER

When federal awards were received from a pass-through entity, the Schedule of Expenditures of Federal Awards shows, if available, the identifying number assigned by the pass-through entity.

NOTE G - PRIOR YEAR EXPENSES REPORTED ON THE SEFA

The District reported pass-through expenses incurred during the year ended June 30, 2024 on the June 30, 2025 SEFA in the amount of \$87,606 under Assistance Listing Number 66.046 as the District received additional reimbursable grant funding approved on July 17, 2025.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2025

Section I - A. Summary of Auditor's Results

Financial Statements

- | | |
|---|---------------|
| 1. Type of auditor's report issued: | Unmodified |
| 2. Internal controls over financial reporting: | |
| a. Material weaknesses identified | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | None Reported |
| 3. Noncompliance material to financial statements under <i>Government Auditing Standards</i> noted? | No |

Federal Awards

- | | |
|--|------------|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | No |
| 2. Type of auditor's report issued on compliance for major programs: | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Circular 2 CFR Section 200.516(a)? | No |

4. Identification of major programs:

<u>AL Number</u>	<u>Name of Federal Program</u>
66.001	Air Pollution Control Program Support
66.046	Climate Pollution Reduction Grants
66.956	Targeted Airshed Grant Program

- | | |
|---|------------|
| 5. Dollar Threshold used to distinguish between Type A and Type B programs? | \$ 750,000 |
| 6. Auditee qualified as a low-risk auditee under 2 CFR Section 200.516(a)? | No |

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2025

Section II – FINANCIAL STATEMENT FINDINGS

Current Year Findings

None

Section III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Current year Findings

None

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

Financial Statement Findings

None

Federal Award Findings and Questioned Costs

Finding 2024-001 - Material Weakness in Internal Control over Compliance

Program: Targeted Airshed Grant Program

Federal Financial Assistance Listing Number: 66.956

Federal Grantor: Environmental Protection Agency

Award Year: 4/15/2021-4/30/2026; 5/1/2022-4/30/2027

Grant Award Number: TA98T10501; TA98T36001

Compliance Requirements: Procurement and Suspension and Debarment

Criteria: 2 CFR section 200.303(a), Internal Controls, states that the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Title 2 CFR Section 200.214 of the Uniform Guidance states that the District must comply with 2 CFR part 180, which implements Executive Orders 12549 and 12689. The regulations in 2 CFR part 180 restrict awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities.

The 2024 Compliance Supplement states: Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. “Covered transactions” include contracts for goods and services awarded under a non-procurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other criteria as specified in 2 CFR section 180.220. All non-procurement transactions entered into by a pass-through entity (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions, unless they are exempt as provided in 2 CFR section 180.215.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended June 30, 2025

When a non-Federal entity enters into a covered transaction with an entity at a lower tier, the non-Federal entity must verify that the entity, as defined in 2 CFR section 180.995 and agency adopting regulations, is not suspended or debarred or otherwise excluded from participating in the transaction. This verification may be accomplished by (1) checking the System for Award Management (SAM) Exclusions maintained by the General Services Administration (GSA) and available at <https://www.sam.gov/SAM/>, (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

Condition: As a result of our test work, we noted three (3) out of three (3) instances where there was no evidence that the District verified the entity was not suspended or debarred or otherwise excluded from participating in the transaction, prior to entering the contract. However, none of the payments in our sample were made to a suspended or debarred party.

Cause: The District did not have policies and procedures in place to verify the entity was not suspended or debarred or otherwise excluded from participating in the transaction, prior to entering the contract.

Effect: The District lacked documentation to support compliance with suspension and debarment requirements.

Questioned Costs: No questioned costs were identified as a result of our procedures.

Context/Sampling: Suspension and debarment was applicable to 3 subrecipients. We tested all 3 subrecipients during the year.

Repeat Finding from Prior Years: No.

Recommendation: We recommend that the District implement procedures to retain documentation supporting compliance with major federal program compliance requirements regarding suspension and debarment.

Status of Finding 2024-001: The District verified the three subrecipients noted in Finding 2024-001 were not suspended or debarred during the year ended June 30, 2025, approved a Suspension and Debarment Policy and Procedures and, based on a sample of procurements tested during the year ended June 30, 2025 single audit, the District retained documentation of its verification that subrecipients of its federal awards were not suspended or debarred during the year ended June 30, 2025 prior to entering into the contract. Corrective action is considered implemented.

Finding 2024-002 - Material Weakness in Internal Control over Compliance and Material Instance of Noncompliance

Program: Targeted Airshed Grant Program

Federal Financial Assistance Listing Number: 66.956

Federal Grantor: Environmental Protection Agency

Award Year: 4/15/2021-4/30/2026; 5/1/2022-4/30/2027

Grant Award Number: TA98T10501; TA98T36001

Compliance Requirements: Reporting

Criteria: Under the requirements of the Federal Funding Accountability and Transparency Act (FFATA) (Pub. L. No. 109-282), as amended by Section 6202 of Pub. L. No. 110-252, that are codified in 2 CFR Part 170, recipients (i.e., direct recipients) of grants or cooperative agreements are required to report first-tier subawards of \$30,000 or more to the Federal Funding Accountability and Transparency Act

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended June 30, 2025

Subaward Reporting System (FSRS).

Condition: During the period July 1, 2023 through June 30, 2024 no reports for subawards were filed with the FSRS that were \$30,000 or more in federal funds.

Cause: Management was not aware of the filing requirement.

Effect: No FFATA reports were filed during the period July 1, 2023 through June 30, 2024. Thus, the District did not comply with 2 CFR Part 170.

Questioned Costs: None.

Context/Sampling: Sampling not applicable since no reports were submitted. For the period July 1, 2023 through June 30, 2024, subrecipient expenditures totaled \$2,830,661.

Repeat Finding from Prior Year: No.

Recommendation: We recommend the District implement policies and procedures to ensure the requirement FFATA reports are prepared and submitted to the Federal Funding Accountability and Transparency Act Subaward Reporting System in a timely manner.

Status of Finding 2024-002: The District filed the delinquent FFATA reports for the year ended June 30, 2024 noted in Finding 2024-002, approved FFATA Reporting Policy and Procedures for Subrecipient Disbursements and, based on a sample tested during the year ended June 30, 2025 single audit, the District retained documentation of its filing of FFATA reports for subrecipients with first-tier subawards greater than \$30,000 by the required due date during the year ended June 30, 2025. Corrective action is considered implemented.