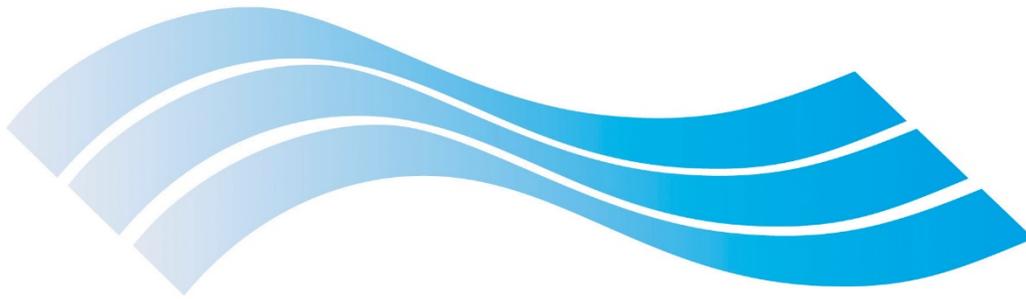


SACRAMENTO METROPOLITAN



**AIR QUALITY**  
MANAGEMENT DISTRICT

# Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2019

SACRAMENTO, CALIFORNIA

SACRAMENTO METROPOLITAN  
AIR QUALITY MANAGEMENT DISTRICT

Comprehensive Annual  
Financial Report

**For the Fiscal Year Ended June 30, 2019**

*Prepared by the Administrative Services Division  
Jamille Moens, Division Manager*

SACRAMENTO, CALIFORNIA

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# **INTRODUCTORY SECTION**

## LETTER OF TRANSMITTAL

March 17, 2020

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Sacramento Metropolitan Air Quality Management District (District) for the year ended June 30, 2019, which includes the independent auditor's report. The CAFR is submitted in compliance with state law which requires local governments to publish a complete set of audited financial statements presented in conformity with generally accepted accounting principles and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

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

The District's financial statements have been audited by Eide Bailly LLP, Certified Public Accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2019 are free of material misstatement. The independent auditors concluded, based upon the audit, there was a reasonable basis for rendering an unmodified (clean) opinion that the District financial statements for the fiscal year ended June 30, 2019 are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor's report is located at the front of the financial section of this report.

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

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

## **Profile of the Sacramento Metropolitan Air Quality Management District**

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

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

### **Population in Sacramento Federal Ozone Nonattainment Area**

County	SFNA portion of the County	Population		County in SFNA/Total SFNA <sup>2</sup>
		County <sup>1</sup>	SFNA/County	
El Dorado	156,864	188,993	83%	6.5%
Placer	377,376	389,047	97%	15.5%
Sacramento	1,534,893	1,534,893	100%	63.2%
Solano	136,236	439,472	31%	5.6%
Sutter	3,554	98,735	4%	0.2%
Yolo	221,557	221,557	100%	9.1%
<b>Total</b>	<b>2,430,481</b>	<b>2,872,697</b>	<b>-</b>	<b>100.0%</b>

<sup>1</sup> 7/1/2018 estimate from California Department of Finance Demographic Research Unit <http://www.dof.ca.gov/Forecasting/Demographics/Estimates/E-2/index.html> on 01/18/2019.

<sup>2</sup> Percentage values are rounded to 1 decimal point

Air quality in the SFNA is designated nonattainment for ozone. The region is in attainment of the short-term particulate matters (PM<sub>2.5</sub> and PM<sub>10</sub>) and is under a requirement for a maintenance plan for each standard. A combination of poor atmospheric ventilation, a capping temperature inversion, bordering mountains and sunny days act to enhance smog formation and effectively trap pollutants in the Basin. The District has approved a regional ozone State Implementation Plan for the 2008 ozone standard and is projecting attainment by 2024. The Plan was submitted to the Federal EPA in 2018 and has been deemed complete.

Most of the air and climate emissions in the Sacramento region come from mobile sources. These include motor vehicles, airplanes, locomotives, and other engines and portable equipment. The category also includes "off-road" sources, such as construction, mining, and agricultural equipment. In 2018, mobile sources contributed roughly 44% of Volatile Organic Compounds (VOC) and 86% of Oxides of Nitrogen (NO<sub>x</sub>) emissions, while stationary (industrial) sources contribute about 25% of VOC emissions and 10.3% of NO<sub>x</sub> emissions in the region. State and federal regulations, coupled with local programs to modernize vehicle fleets, will help

to reduce the impact of motor vehicle fuel and engine emissions on our air quality in the future, however, as growth in our region brings more people and vehicles, mobile sources will continue to be a major factor in our air quality problem.

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

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

### ***Factors Affecting Financial Condition***

The District's General Fund receives revenue from a variety of sources. Approximately 43% of its funding is derived from fees paid by stationary sources that emit air pollution; 27% from auto registration fees collected by the Department of Motor Vehicles (DMV) and distributed to air districts throughout the state in support of motor vehicle emission reduction programs; 17% from federal, local government and state subventions; 10% from sales tax; and 3% from other earnings. The General Fund does not receive property tax support.

The District's five-year forecast continues to identify some significant funding gaps between revenues and expenditures, which will require prompt attention by the District Board of Directors. Additional resources are needed in the near-term to maintain core programs and fulfill new state mandates. The imbalance is due primarily to the rising costs of doing business, such as employee services and capital expenditures outpacing current revenue increases and the lack of full cost-recovery for many of the District's programs.

To address the issue, the District streamlined many of its operations, implemented a temporary hiring freeze to evaluate and prioritize District programs, "right-sized" funding for professional services and collaborations, and developed a strategy to secure new funding. Staff presented its funding strategy and staffing plan to the Board. The Board approved converting several regular status positions to limited-term positions so that the District could move forward to fill critical positions on a limited-term basis until ongoing funding can be secured. The FY 2018/19 savings from these actions was significant with the District's actual expenditures in the General Fund finishing \$4.7 million less than budgeted.

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

## ***Major Initiatives***

### Advancing on the Region's Climate Actions

California's climate change program is second to none. As it continues to evolve, regional agencies like the District have a key and growing role to play implementing California's climate agenda. The District is active in climate change mitigation, adaption, and regional coordinated planning. For mitigation of GHG emissions from one of the largest sources, the District will continue to promote and explore ways to expand its efforts to invest in cleaner, lower-carbon technologies. The goal is electrification of transportation and the transition to a sustainable transportation energy future enabled by renewable electricity and hydrogen as new sustainable transportation fuels and batteries and fuel cells for motive power.

The District is also at the forefront of regional collaboration on adaptation and resilience. The District recently completed a study to understand heat islands in the region and develop action plans. The District is committed to support new efforts by various entities geared towards a comprehensive and coordinated regional climate strategy. Examples of emerging opportunities where the District intends to engage and contribute its unique perspectives on air quality, public health, and low-carbon development include: the Sacramento Municipal Utility District's (SMUD) recently adopted commitment to carbon neutrality by 2040 and its future California Mobility Center, the Sacramento and West Sacramento Mayors' Climate Commission and SACOG's Green Means Go pilot plan.

### Ambient Air Quality Attainment Goals

To fulfill the District's strategic goal for protecting public health, the District will continue to prioritize work toward attainment of the National Ambient Air Quality Standards (NAAQS).

The District adopted the 1979 1-Hour Redesignation Substitution Request for the 1979 1-hour ozone standard, which showed the region has met this standard. This request was submitted to the California Air Resources Board (CARB) to be forwarded to the EPA. However, recent court action has raised questions for the appropriate process to satisfy the full statutory redesignation under the federal Clean Air Act. The District will continue to work towards being classified as attainment for this ozone standard.

A new paradigm is also emerging due to the unprecedented impact in the region from wildfire smoke. The November 2018 Camp fire, approximately 90 miles north of Sacramento, resulted in record levels of particle pollution in the Sacramento region. Thus, improved coordination and preparation for the next air pollution emergency created by wildfire smoke is a top priority for the District. The air pollution effects seen in the Sacramento Valley from the deadly Camp fire gave rise to an urgent need for tighter coordination in the region by all entities involved in response. Recently passed Assembly Bill 661 (K. McCarty, Wildfire Smoke Air Pollution Emergency Plan) calls on the District to work in coordination with the Sacramento County Health Officer and other entities to develop a plan for improved coordination and access to information related to

responding to future similar wildfire air pollution events. The District intends to begin work on the requirements of this new legislation as soon as state resources are identified and allocated.

In addition to wildfires, controlling pollution from wood smoke on key days in the fall and winter is essential to maintaining the federal daily PM<sub>2.5</sub> standard. Consequently, while a significant challenge and a strain on District resources, the District's Wood Smoke Program, including "Check Before You Burn", continues to be a priority.

Another important District program is the statewide Community Air Protection Program (CAPP). Assembly Bill 617 (AB 617, C. Garcia, Chapter 136, Statutes of 2017) created the CAPP, which is a paradigm shift in air quality management in California. It calls for new state and local programs to address the health burdens from exposure to highly localized air pollution more effectively in the low-income and disadvantaged communities that have been most disproportionately impacted. The program launches several new requirements for air districts including community-level air quality monitoring, development of emission reduction plans, accelerated review of pollution controls on industrial facilities, and enhanced reporting requirements and penalties. Perhaps most importantly, AB 617 designates state funds for financial incentives (i.e., subsidies for cleaner technology) that can be targeted to reduce, specifically, the emissions affecting AB 617 communities. In fiscal years 2017-2018, 2018-2019, and 2019-2020, the state allocated \$250 million, \$245 million, and \$245 million respectively, for incentives funding for clean air projects. For the next fiscal year of 2020-2021, Governor Newsom has proposed \$200 million for additional incentives. These incentives are intended primarily for achieving sorely needed emission reductions in priority AB 617 communities and to help towards NAAQS attainment. The funding also provides an important leveraging opportunity to help the region advance on its broader economic and social goals.

The District also has in place a successful, long-standing program of financial incentives for regional emission reductions. Over the last two decades, the District administered hundreds of millions of dollars in state and local investments towards cleaner vehicles, engines, and equipment in the region. AB 617 is adding funding for these programs. These investments have generated substantial reductions in pollution emissions, eliminating several hundred tons of ambient air pollution every year. The District will proactively pursue additional opportunities to bring more state and local investments into the region, allowing the District to expand its efforts to clean up trucks, tractors, buses, locomotives, and other sources that contribute significantly to PM and other pollution.

### Advocacy

Advocating before the state legislature and other decision makers for the District's priorities is a key strategy. Significant legislative attention is being placed on California's Cap and Trade Program and the funding that it generates. The District expects to continue to strengthen its advocacy voice in order to ensure the adequate consideration of the Sacramento region's priorities when funding decisions are made by the administration and the legislature. District staff, complemented by the efforts of the services of the District's legislative advocate Arc Strategies, is expanding engagement directly with members of the legislature, flagging legislation, and identifying opportunities to weigh in on various measures. This process will be an on-going effort and a standard business practice for the District.

## Partnerships

The District does not go about its business alone; it benefits from existing public-private partnerships with deep roots in the business community, health and environmental advocates, and the community it serves. These partnerships help convey the importance of District programs for the region, and the District plans to expand on these efforts, continuing to work with and support the growing partnerships with entities like the Local Government Commission, Breathe California - Sacramento Region, and the Cleaner Air Partnership (CAP). The CAP, administered by Valley Vision, is a long-standing key regional effort that encompasses strong voices like the Sacramento Metro Chamber of Commerce and leading industry entities like Teichert, Union Pacific, Sutter Health, and SMUD. For statewide coordination with its peers, the District is an active member in a leadership role of the California Air Pollution Control Officers Association (CAPCOA). This is a key association that advocates for the general interests of California's 35 local air districts before the legislature, the administration, and various agencies at the state and federal level. The District is also prioritizing the strengthening of bonds with sister agencies in the region like Sacramento Area Council of Governments (SACOG) and Sacramento Regional Transit. All these agencies are linked by transportation and, as a sustainable future for the Sacramento region is contemplated, there is a strong impetus and a genuine desire for coordination and mutual support.

## Capital Project – Air Monitoring Network

The ambient air quality monitoring network is a critical District infrastructure, and improvements are planned for various stations as well as the replacement of three aging air monitoring trailers over the next three years. Stations are used to collect monitoring data for criteria pollutants to determine compliance with the NAAQS and to support regional air quality forecasting. Transportation General Conformity is the federal regulatory process for preventing major federal actions or projects from interfering with air quality planning goals. Conformity provisions ensure that federal funding and approval are given only to those activities and projects that are consistent with or “conform to” the state’s air quality implementation plan (SIP). Conformity with the SIP means that major federal actions will not cause new air quality violations, worsen existing violations, or delay timely attainment of the NAAQS. The Sustainable Communities Act Regional Targets address whether a region’s transportation plans will meet the GHG emissions budget set by the ARB for light-duty vehicles. A federally approved air quality plan is a prerequisite for an approvable transportation plan. Therefore, the District’s air quality monitoring network is a mission-critical asset. The network is also an important foundation for additional localized monitoring under Community Air Protection Program AB 617. The replacement stations will meet the newest monitoring requirements and replace three of the District’s oldest stations. In addition, a new mobile air monitoring station is scheduled to be added in to the existing air monitoring network as part of the District’s AB 617 efforts.

## Transition to New Financial System

To integrate and automate its financial processes and create additional functionality and reporting capabilities, the District transitioned from Sacramento County’s financial system to its own financial system, Tyler Technologies New World Enterprise Resource Planning (New World) solution. Fiscal Year 2018/19 was the first year using New World and the new financial system now serves as a robust management tool for budgeting, forecasting and program costing analysis.

The migration to the New World solution also provided the opportunity to restructure the District's Chart of Accounts, creating the ability to generate detailed level of reporting within funds, divisions, programs, projects, grants and base accounts. Consequently, new numbers/names were established for District funds and accounts as presented in the FY 2018/19 Comprehensive Annual Financial Report.

As part of the transition, the District refined its chart of accounts. The Debt Service fund was eliminated as that debt activity can be sufficiently tracked and reported in the Proprietary Fund to which it relates.

### New Independent Auditors

Periodically rotating the selection of auditing firms engaged to perform annual financial audits is an industry best practice. During FY 2018/19, the District conducted a competitive recruitment to procure a new auditing firm to conduct their annual financial audits. As a result of this process, the District engaged Eide Bailly to conduct the District's annual financial and single audits through fiscal year ending 2020. The FY 2018/19 is the first year Eide Bailly conducted the District's financial audit.

A benefit of rotating auditing firms is that having an entity review the District's financial accounting and reporting processes with "new eyes" enhances the District's ability to fairly and accurately present its financial information. The District continually seeks the opportunity to improve and strengthen its financial accounting and reporting and appreciates the auditor's recommendations which can be found in the Other Independent Auditor's Reports section of this report.

### ***Long-term Financial Planning***

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

In 2019, the annual unemployment rate in Sacramento County averaged 3.6%, slightly down from 2018 which averaged 3.8%. As business activity and employment increases, revenues from permits and fees are expected to increase slightly over the next few years. The District Board also approved a consumer price index (CPI) increase to a majority of District fees for fiscal year 2019-20 and, in future years with Board approval, permit fees may be adjusted for CPI to help keep pace with rising costs.

The Sacramento Transportation Authority anticipates an average growth rate of 2.1% in sales tax revenues from Measure A over the remaining life of the program. Additionally, DMV (AB923) and Moyer funding would have sunset in 2015, however, with the passage of Assembly Bill 8 these funding sources were reauthorized until 2024.

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

grants for historic heavy-duty vehicle incentive programs administered by the District, with a modest amount, generally 5%, allowed to fund program implementation expenses.

Federal funding for EPA 105 and EPA 103 grants for ambient air monitoring is expected to remain consistent through FY 19/20. It is important to continue partnering with the SACOG to ensure that critical District programs are included in the Metropolitan Transportation Improvement Plan so that the Congestion Mitigation and Air Quality (CMAQ) funding for these programs is not interrupted.

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

The Internal Service Fund (Covell Building) is expected to be stable over the next five years. As the primary asset in the Fund, the District's headquarters building is relatively new, therefore annual maintenance is anticipated to be consistently low during this period. Moving forward, major rehabilitation and replacement projects will be identified and included in the long-term capital expenditure plan along with expected funding sources. The main funding source for capital expenditures in the Covell Building Fund is rental income. The existing tenant lease agreements expire in FY22/23 and in FY23/24; the District intends to renew the lease agreements or secure a new tenant to backfill the vacancy.

The Special Revenue Fund serves to track restricted revenue sources, primarily various emission technology and community air protection incentive grants. While the next few years are expected to be relatively stable with respect to the emission technology grant funds, there is greater uncertainty regarding continued funding for the community air protection program. As mentioned above, the District will continue to research funding options to poise itself to receive and leverage additional grant funding. There are no capital expenditures associated with this fund.

The District has a capital replacement and improvement planning process in which it budgets annually for identified projects. The District is developing a long-term Asset Management Program to allow for improved financial planning for its larger assets and for which the District intends to more formally designate funds for these projects in future budgets.

### ***Acknowledgements***

The District successfully participates in the Government Finance Officers Association's award programs for financial reporting and for budget presentation. In addition to receiving the Certificate of Achievement for Excellence in Financial Reporting for the CAFR for the year ending June 30, 2018, the District also received the Distinguished Budget Presentation Award for its FY19/20 Budget Book.

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

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

Respectfully submitted,



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



Jamille Moens  
Administrative Services Division Manager

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING



Government Finance Officers Association

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Presented to

**Sacramento Metropolitan Air Quality  
Management District, California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2018**

*Christopher P. Morrill*

Executive Director/CEO

## GOVERNING BOARD

### BOARD OF DIRECTORS

Eric Guerra, Chair  
Council Member, City of Sacramento

Sue Frost, Vice Chair  
Vice Chair, Sacramento County Board of Supervisors

Larry Carr  
Council Member, City of Sacramento

Bret Daniels  
Council Member, City of Citrus Heights

Roger Gaylord III  
Council Member, City of Folsom

Steve Hansen  
Council Member, City of Sacramento

Jeff Harris  
Vice-Mayor, City of Sacramento

Patrick Kennedy  
Sacramento County Board of Supervisors

Paige Lampson  
Council Member, City of Galt

Steve Ly  
Mayor, City of Elk Grove

Don Nottoli  
Sacramento County Board of Supervisors

Susan Peters  
Sacramento County Board of Supervisors

Phil Serna  
Chair, Sacramento County Board of Supervisors

Donald Terry  
Council Member, City of Rancho Cordova

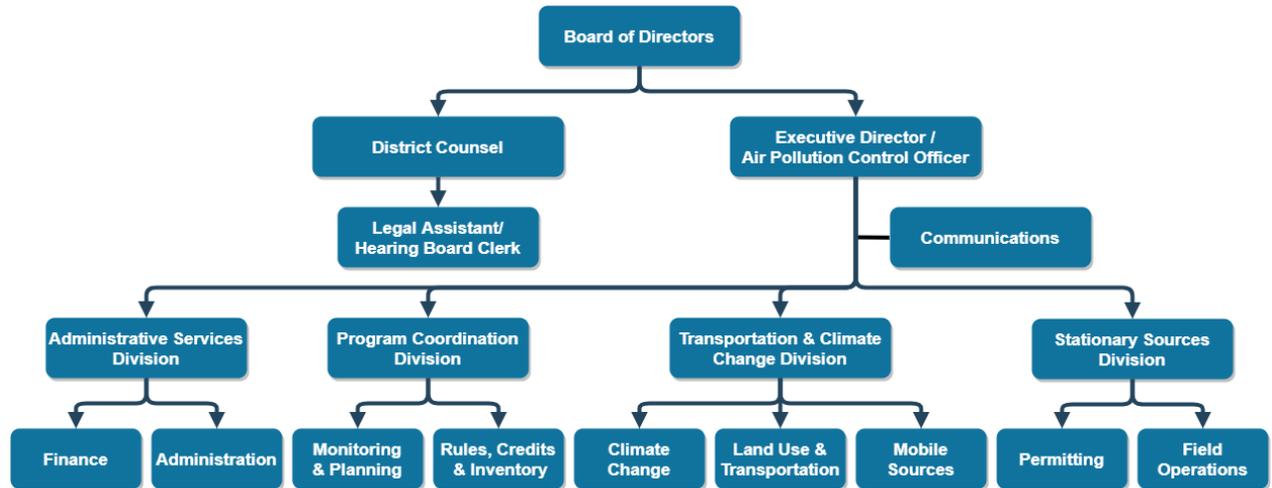
#### **Executive Director / Air Pollution Control Officer**

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

#### **District Counsel**

Kathrine Pittard

## ORGANIZATIONAL CHART



# FINANCIAL SECTION



## Independent Auditor's Report

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, 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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of District, as of June 30, 2019, 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.

### ***Emphasis of Matter***

#### ***Change in Accounting Principles***

As discussed in Note 12 to the financial statements, the District elected to reclassify the Enterprise fund as an Internal Service Fund. Our opinions are not modified with respect to these matters.

#### ***Correction of Errors***

As discussed in Note 12 to the financial statements, the District recorded prior period adjustments to correct the balances of certain deferred outflows and inflows related to the pension and OPEB plans reported in the prior year financial statements. Our opinions are not modified with respect to these matters.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Other 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*, and the other information such as the introductory and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Sacramento, California  
March 17, 2020

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the District's Comprehensive Annual Financial Report provides a narrative overview and analysis of the District's financial activities for the fiscal year ended June 30, 2019. Please read this document in conjunction with the transmittal letter located in the introductory section and the District's financial statements which follow this discussion.

### Financial Highlights

The following are the highlights for the fiscal year ended June 30, 2019:

- The District's net position was \$35.2 million, a 21% or \$6.1 million increase over the restated prior year.
  - \$4.8 million of the increase is primarily due to restricted grant revenues received at the end of the year and the anticipated expenditure will happen in future years
  - Investment income totaled \$0.7 M for the year
  - The Proprietary Fund had an increase in net position of \$0.3 million
- New categories for Governmental Activities were established in the current year that are more reflective of the work performed by the District.
- The Proprietary Fund was reported as an Internal Service Fund this year, since most of the fund's revenue is derived from rent paid by the District. In the prior year, the fund was classified and reported as an Enterprise Fund.
- The District's revenues totaled \$39.9 million and increased \$6.6 million or 20% from the prior year, primarily due to increases in incentive grant revenue offset by the change in reporting results for the Internal Service Fund.
- The District's total expenses were \$7.2 million or 27% higher than prior year primarily due to an increase in grant incentive disbursements in the current year, offset by reduced pension expense and the change in reporting of the Proprietary Fund as an Internal Service Fund for the current year.
- Total assets increased by \$6.3 million over the prior year, mainly due to an increase in cash. This increase was due to restricted grant revenues received prior to the end of the year that will be disbursed in future years.
- Total liabilities decreased by \$0.4 million, primarily due to a reduction in the net pension liability and long-term debt, offset by an increase in accounts payable and accrued liabilities.

### Overview of Financial Statements

The District's Comprehensive Annual Financial Report (CAFR) 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, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods such as earned but unused vacation leave.

Previously, both of the District's Statement of Net Position and Statement of Activities distinguished the District's functions that are principally supported by taxes, grants and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). For the year ended June 30, 2019 the District refined and renamed the District governmental activities for the Statement of Activities to more properly reflect the nature of the work performed by the District. The District's governmental activities include rule development, permitting and enforcement, public outreach, incentive programs, and various other air quality management activities.

The District now reports the Building Enterprise Fund (business-type activity in the prior year) as an Internal Service Fund (government activity in the current year) as the main revenue of the fund is from an internal source rather than external sources.

### **Fund Financial Statements**

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

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

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

## 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 as other supplementary information.

## Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the government's financial position. In the District's case, assets exceeded liabilities by \$35.2 million at the end of fiscal year 2018-19 (FY18-19). The schedule below presents a condensed Statement of Net Position as of June 30, 2019 compared with the prior fiscal year.

### Condensed Statement of Net Position (in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2018	2019	2018	2019	2018	2019
<b><u>Assets and Deferred Outflows of Resources</u></b>						
Current and other assets	\$ 34,426	\$ 43,022	\$ 1,621	\$ -	\$ 36,047	\$ 43,022
Capital assets	1,170	5,102	4,571	-	5,741	5,102
Total Assets	<u>35,596</u>	<u>48,124</u>	<u>6,192</u>	<u>-</u>	<u>41,788</u>	<u>48,124</u>
Deferred outflows of resources	4,140	3,760	-	-	4,140	3,760
<b><u>Liabilities and Deferred Inflows of Resources</u></b>						
Current liabilities	2,265	2,805	338	-	2,603	2,805
Non-current liabilities	10,999	13,225	2,833	-	13,832	13,225
Total Liabilities	<u>13,265</u>	<u>16,030</u>	<u>3,171</u>	<u>-</u>	<u>16,435</u>	<u>16,030</u>
Deferred Inflows of resources	676	620	41	-	717	620
<b><u>Net Position</u></b>						
Net investment in capital assets	1,170	2,246	984	-	2,154	2,246
Restricted	30,250	36,910	421	-	30,671	36,910
Unrestricted	(5,625)	(3,922)	1,575	-	(4,050)	(3,922)
<b>Total Net Position</b>	<u>\$ 25,795</u>	<u>\$ 35,234</u>	<u>\$ 2,980</u>	<u>\$ -</u>	<u>\$ 28,775</u>	<u>\$ 35,234</u>

The largest portion of the District's net position, \$36.9 million, consists of resources subject to external restrictions on how they may be used. An additional \$2.2 million of the total net position reflects its net investment in capital assets (e.g. land, buildings, and equipment less any related debt used to acquire those assets that is still outstanding). The remaining portion of the District's net position is a deficit of \$3.9 million. The deficit is mainly due to the net pension liability.

The total net position increased by \$6.1 million during the current fiscal year. Of this amount, \$5.3 million is restricted and \$1.1 million is unrestricted. The increase in the restricted net position is due to additional grant revenue received for incentive projects. The increase in the unrestricted net position is primarily due to investment income and net income from the Internal Service Fund.

The following schedule shows revenues by major source, expenses by function and Changes in Net Position for the fiscal years ended June 30, 2018 and June 30, 2019. For fiscal year 2019, the District changed the Governmental Activities used for the Statement of Activities from those presented in the prior year. The change was made to better reflect the operations of the District. In fiscal year 2018, the categories related to organization/divisional groupings and in the current year we now present the activities based on programmatic categories. As fiscal year 2019 is the transition year to the new activity types, on a prospective basis the Condensed Statement of Activities will only include the categories introduced this year. The Proprietary Fund, which was recorded as an Enterprise fund in fiscal year 2018, is classified as an Internal Service fund in fiscal year 2019.

Sacramento Metropolitan Air Quality Management District  
Management's Discussion and Analysis  
for the Year Ended June 30, 2019

**Condensed Statement of Net Activities**  
(in thousands)

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>
<b>Revenues</b>						
Charges for services	\$ 8,765	\$ 8,732	\$ 1,026	\$ -	\$ 9,791	\$ 8,282
Operating grants and contributions	15,930	23,171	-	-	15,930	23,171
Grants/Subventions	6,996	7,308	-	-	6,996	7,308
Interest	116	730	29	-	145	730
Penalty/settlements	497	-	-	-	497	449
<b>Total Revenues</b>	<b>32,304</b>	<b>39,941</b>	<b>1,054</b>	<b>-</b>	<b>33,359</b>	<b>39,941</b>
<b>Expenses</b>						
Stationary Source activities	7,496	-	-	-	7,496	-
Mobile Source activities	8,427	-	-	-	8,427	-
Program Coordination activities	4,901	-	-	-	4,901	-
Strategic Planning activities	5,184	-	-	-	5,184	-
Business Compliance activities	-	6,763	-	-	-	6,763
Air Monitoring activities	-	3,650	-	-	-	3,650
Sustainable Land Use Activities	-	2,345	-	-	-	2,345
Clean Transportation and Mobility Innovation	-	18,822	-	-	-	18,822
Community Health Protection	-	2,066	-	-	-	2,066
Building operations and obligations	-	-	454	-	454	-
Depreciation	227	102	-	-	227	102
Interest on Long-Term Debt	-	104	-	-	-	104
<b>Total Expenses</b>	<b>26,235</b>	<b>33,850</b>	<b>454</b>	<b>-</b>	<b>26,689</b>	<b>33,850</b>
<b>Increase/(Decrease) in Net Position</b>	<b>6,069</b>	<b>6,091</b>	<b>600</b>	<b>-</b>	<b>6,669</b>	<b>6,091</b>
<b>Beginning Net Position, as restated</b>	<b>19,726</b>	<b>29,143</b>	<b>2,380</b>	<b>-</b>	<b>22,106</b>	<b>29,143</b>
<b>Ending Net Position</b>	<b>\$ 25,795</b>	<b>\$ 35,234</b>	<b>\$ 2,980</b>	<b>\$ -</b>	<b>\$ 28,775</b>	<b>\$ 35,234</b>

## **Governmental Activities**

Revenues for total governmental activities increased by \$6.6 million primarily due to the grant revenue received in the year restricted for incentive projects that will be disbursed in subsequent years and interest income, offset by the change in reporting of the Proprietary Fund (see additional comments below on the Proprietary Fund).

Overall expenses for governmental activities increased by \$7.1 million mainly due to the timing of incentive disbursements in FY 18-19 offset by a decrease in pension expense and the change in reporting of the Proprietary Fund (see additional comments below on the Proprietary Fund).

## **Business-type Activities/Proprietary Fund**

The Proprietary Fund (Covell Building Fund) classification and reporting was changed in FY 18-19. In the current year the fund was treated as an Internal Service Fund since most of the fund's revenue is derived from rent paid by the District. The net income of the fund is included as an offset to expenses in the current year Statement of Activities. In the prior year, the fund was reported as an Enterprise Fund and separately reported from the Governmental Activities in the government-wide financial statements.

Net income from the Proprietary Fund increased the District's net position at June 30, 2019 by \$330,000. Highlights for the fund results for FY 18-19 follow:

- Operating revenues from the building totaled \$1.1 million, an increase of 2.5% over the prior year due to higher parking income. Operating expenses for the building were \$0.7 million for the year, an increase of approximately \$0.3 million from the prior period. This increase was mainly due to one-time costs related to broker's fees and a true up of trustee expenses and a one-time adjustment of expense in the prior year. Interest expense totaled \$0.1 million.
- The District made a principal payment of \$305,000 in FY 18-19 for the Certificates of Participation. Next year, the principal payment will be \$315,000.

## **Financial Analysis of the Governmental Funds**

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

## **Governmental Funds**

The District has two governmental funds, the General and Special Revenue (formerly referred to as the Emission Technology) Fund. Governmental funds provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financial requirements.

The General Fund is the District's chief operating fund. At the end of the FY18-19, the total fund balance of the General Fund was \$12.3 million, an increase of \$1.8 million over the prior year. The Nonspendable Fund Balance decreased \$0.3 million due to reduced prepaid expenses as of June 30, 2019. Restricted Fund Balance increased by \$1.6 million mainly due to the timing of the receipt of funds and their disbursement in a subsequent period. Assigned Fund Balance increased \$2.5 million year-over-year to set aside funds for a projected budgetary deficit in FY 19-20. The Unassigned Fund Balance decreased \$2.0 million from the prior year as it was reclassified to the Assigned Fund Balance at June 30, 2019 to provide funds for the projected FY 19-20 budgetary deficit.

As a measure of the General Fund's liquidity, it may be useful to compare the total fund balance to total General Fund expenditures. Overall, the total fund balance represents approximately 72% of the total FY 18-19 General Fund expenditures.

The Special Revenue total fund balance increased \$4.8M at June 30, 2019 over the prior year. This increase was due to grant revenue received in the current fiscal year restricted for incentive projects that will be disbursed in subsequent years.

### **Budgetary Highlights**

General Fund revenues were \$.5 million less than the Approved Budget primarily due to lower than anticipated Federal revenue. Expenses for the General Fund were less than planned by \$4.7 million mainly due to position vacancies, reduced spending on professional services, as well as capital project delays.

For the Special Revenue Fund, revenue was \$12.8 million less than budget while expenses were \$6.7 million lower than budget primarily due to the delay in issuing incentive dollars against previously received grant proceeds. The Special Revenue Fund excess of revenues over expenditures was \$6.1 million less than the Approved Budget primarily due to timing of when grants are received and when incentive projects are awarded. Many of the Special Revenue grants are multiple year awards, in which funds may be received in a single year and expended over multiple years.

Revenue for the Internal Service Fund was slightly below plan and expenditures were \$0.1 million less than budget, primarily due to a delay in capital expenditures.

### **Capital Assets and Debt Administration**

#### **Capital Assets**

At the end of FY18-19, the District's net investment in capital assets for its governmental activities was \$2.2 million (net of accumulated depreciation and any related debt used to acquire those assets that is still outstanding). This investment in capital assets includes land, building, office equipment, laboratory equipment, and air monitoring stations. The total investment in capital assets for the current fiscal year was \$0.2 million.

Additional information on capital assets can be found in Note 5 under the Notes to the Basic Financial Statements section.

### **Long-term Debt**

At the end of FY18-19, the District had outstanding bonds secured by the District's office building. Total debt outstanding as of June 30, 2019 was \$2.9 million. Based on the current payment schedule, these bonds will be paid-off by the end of 2027.

Additional information on long-term liabilities can be found in Note 6 under the Notes to the Basic Financial Statements section.

### **Next Year's Budget**

Revenues for the 2019-2020 fiscal year for the General Fund are budgeted to improve by approximately 6.7%, with increases expected mainly in federal revenue, fees and licenses and state revenue. Expenses for the General Fund are budgeted to increase \$5.9 million over the actual amounts expended in FY18-19. The budget anticipates an increase of \$3.1 million for salaries and benefits reflecting the District's plan to fill approved open positions in FY 19-20. Services and Supplies are expected to increase \$1.7 million, primarily for expenditures related to communication/public outreach, information services and professional services. The budget anticipates an increase in capital spending of \$1.8 million mainly related to air monitoring equipment for the AB 617 project, other air monitoring equipment and projects and construction improvements for several air monitoring stations. Finally, interfund credits (offsets to expense) are planned to increase by \$0.6 million over FY18-19 actuals.

Special Revenue fund revenues are budgeted at \$44 million, an increase of \$24 million due to higher grant revenue anticipated in 2019-2020. Expenditures are budgeted at \$35 million, mainly due to an increase of \$18 million to provide for incentive payments to reduce emissions from heavy-duty vehicles.

The Internal Service Fund revenue budget increased \$0.1 million from the FY 18-19 actual amounts, mainly related to rental income. Expenses are planned to increase by \$0.2 million in FY 19-20 primarily related to capital expenditures.

### **Economic Factors**

As of June 30, 2019, foreseeable economic or political conditions that may influence the financial position of the District include changes in the state and local economy, increases in retirement rates, and decreases in the CalPERS discount rate. The effects, if any, of these events are not calculable currently.

Regarding revenues, the Department of Motor (DMV) registration records are showing a slight increase in the number of registered vehicles. Therefore, the District is anticipating DMV funding to stay relatively constant over the next few years. In addition, Measure A sales tax revenue is expected to be stable for the next two years and then increase at a rate of approximately 2% for the long-term outlook. There may be a proposed increase in sales tax in the next few years, and

the District is working with the Sacramento Transportation Authority to seek additional sales tax revenue if a measure is approved by voters.

With the passage of AB 617 to address the disproportionate impacts of air pollution in environmental justice communities, and new California climate investments for innovative efforts to mitigate air and greenhouse gas pollution, the District may see additional operating and incentive funds to implement these mandates. Many of these programs, however, require matching or supplemental funding and therefore, the District is evaluating strategies to ensure sufficient revenue streams to implement these programs and leverage millions of dollars in state funding.

### **Requests for Information**

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

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

# BASIC FINANCIAL STATEMENTS

**Statement of Net Position**

	Governmental Activities
<u>Assets</u>	
Current assets:	
Cash and cash equivalents	\$ 39,726,469
Restricted cash and cash equivalents	428,770
Receivables	2,714,300
Prepays	152,580
Total current assets	<u>43,022,119</u>
Non-current assets:	
Capital assets:	
Land and other non-depreciable assets	1,303,026
Other capital assets - net of depreciation	3,799,283
Total non-current assets	<u>5,102,309</u>
Total assets	<u>48,124,428</u>
<u>Deferred Outflows of Resources</u>	
Deferred outflows related to pensions	3,495,240
Deferred outflows related to OPEB	264,282
Total deferred outflows of resources	<u>3,759,522</u>
<u>Liabilities</u>	
Current liabilities:	
Accounts payable and accrued liabilities	1,360,212
Accrued wages and benefits payable	258,980
Compensated absences - due within one year	870,376
Certificates of participation - due within one year	315,000
Total current liabilities	<u>2,804,568</u>
Non-current liabilities	
Deposits from others	23,147
Compensated absences - due in more than one year	161,067
Certificates of participation - due in more than one year	2,541,396
Net OPEB liability	800,775
Net pension liability	9,699,002
Total noncurrent liabilities	<u>13,225,387</u>
Total liabilities	<u>16,029,955</u>
<u>Deferred Inflow of Resources</u>	
Deferred inflows related to pensions	620,116
Total deferred inflows of resources	<u>620,116</u>
<u>Net Position</u>	
Net investment in capital assets	2,245,913
Restricted for:	
Debt Service	428,770
Air Quality Programs	36,481,031
Unrestricted	(3,921,835)
Total net position	<u>\$ 35,233,879</u>

**Statement of Activities**

Functions/Programs:	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net position
				Governmental Activities
Primary government:				
Governmental activities:				
Business Compliance	\$ 6,762,504	\$ 7,553,612	\$ 247,581	\$ 1,038,689
Air Monitoring	3,649,645	486,231	1,634,076	(1,529,338)
Sustainable Land Use	2,344,711	72,934	277,370	(1,994,407)
Clean Transportation and Mobility Innovation	18,821,767	-	20,182,390	1,360,623
Community Health Protection	2,065,860	618,738	829,551	(617,571)
Interest on long-term debt	103,843	-	-	(103,843)
Unallocated depreciation	101,626	-	-	(101,626)
Total primary government	<u>\$ 33,849,956</u>	<u>\$ 8,731,515</u>	<u>\$ 23,170,968</u>	<u>(1,947,473)</u>
General revenues:				
DMV fees				5,018,331
Sales Tax				1,940,485
Grants - not restricted to specific activities				349,457
Interest income				730,405
Total general revenue				<u>8,038,678</u>
Change in net position				<u>6,091,205</u>
Beginning net position, as restated				<u>29,142,674</u>
Net Position - ending balance				<u>\$ 35,233,879</u>

**Balance Sheet – Governmental Funds**

<b>ASSETS</b>	<b>General</b>	<b>Special Revenue Fund</b>	<b>Total Governmental</b>
<b>ASSETS</b>			
Assets			
Cash and equivalents	\$ 11,854,688	\$ 26,098,684	\$ 37,953,372
Accounts receivable	1,488,225	1,023,100	2,511,325
Interest receivable	54,074	142,101	196,175
Prepays	152,580	-	152,580
Total assets	<u>\$ 13,549,567</u>	<u>\$ 27,263,885</u>	<u>\$ 40,813,452</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>			
Liabilities			
Accounts payable	\$ 721,601	\$ 591,286	\$ 1,312,887
Accrued wages and benefits payable	258,980	-	258,980
Total liabilities	<u>980,581</u>	<u>591,286</u>	<u>1,571,867</u>
Deferred inflows of resources			
Unavailable revenues	<u>235,802</u>	<u>542,508</u>	<u>778,310</u>
Fund balance			
Nonspendable:			
Prepays	152,580	-	152,580
Restricted for:			
Air Quality Programs	9,572,931	26,130,091	35,703,022
Assigned to:			
Projected budgetary deficit	2,607,673	-	2,607,673
Total fund balances	<u>12,333,184</u>	<u>26,130,091</u>	<u>38,463,275</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 13,549,567</u>	<u>\$ 27,263,885</u>	<u>\$ 40,813,452</u>

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

Fund balances - total governmental funds \$ 38,463,275

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

Capital assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.

Capital assets at historical cost	\$ 3,793,841	
Accumulated depreciation	(2,719,495)	
		1,074,346

Deferred inflows relating to unavailable revenues: In governmental funds, deferred inflows are recorded resulting from activities in which revenues were earned but funds were not available.

778,310

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Net pension liability	(9,699,002)	
Net OPEB Liability	(800,775)	
Compensated absences payable	(1,031,443)	
		(11,531,220)

Deferred outflows and inflows of resources relating to pensions and other postemployment benefits (OPEB): In governmental funds, deferred outflows and inflows of resources relating to pensions and OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions and OPEB are reported.

Deferred outflows of resources relating to pensions	3,495,240	
Deferred outflows of resources relating to OPEB	264,282	
Deferred inflows of resources relating to pensions	(620,116)	
		3,139,406

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

3,309,762

Net position of governmental activities

\$ 35,233,879

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

<u>Revenues:</u>	General	Special Revenue Fund	Total Governmental
Sales Tax	\$ 1,940,485	\$ -	\$ 1,940,485
Fees and Licenses	8,109,883	-	8,109,883
Intergovernmental:			
Local Government	28,459	-	28,459
State	6,705,031	18,509,181	25,214,212
Federal	1,504,926	982,057	2,486,983
Fines, Forfeitures, and Penalties	171,186	278,006	449,192
Other	95,238	108,003	203,241
Investment Income	257,341	430,817	688,158
Total revenues	<u>18,812,549</u>	<u>20,308,064</u>	<u>39,120,613</u>
 <u>Expenditures:</u>			
Current:			
Business Compliance	6,771,994	-	6,771,994
Air Monitoring	3,545,919	-	3,545,919
Sustainable Land Use	2,347,083	-	2,347,083
Clean Transportation and Mobility Innovation	2,210,025	16,616,724	18,826,749
Community Health Protection	2,067,758	-	2,067,758
Capital Outlay	114,569	-	114,569
Total expenditures	<u>17,057,348</u>	<u>16,616,724</u>	<u>33,674,072</u>
 Net change in fund balances	<u>1,755,201</u>	<u>3,691,340</u>	<u>5,446,541</u>
 Fund balances, July 1, 2018	<u>10,577,983</u>	<u>22,438,751</u>	<u>33,016,734</u>
 Fund balances, June 30, 2019	<u>\$ 12,333,184</u>	<u>\$ 26,130,091</u>	<u>\$ 38,463,275</u>

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

Net change in fund balances - total governmental funds \$ 5,446,541

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

Governmental funds report capital outlay as expenditures. However, in the Government-wide Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital outlay recorded in the current period. 114,569

Unavailable revenues in the Statement of Activities do not provide current financial resources and are not reported as revenues in the governmental funds' statements. 778,310

Depreciation expense on capital assets is reported in the Government-wide Statement of Activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds. (210,334)

Pensions: In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was: (318,098)

OPEB: In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was: 19,591

Changes in long-term compensated absences are reported in the Government-wide Statement of Activities, but they do not require the use of current financial resources. Therefore they are not reported as expenditures in governmental funds. (69,382)

The net revenue of the internal service funds is reported with governmental activities. 330,008

Changes in net position of governmental activities \$ 6,091,205

**Statement of Net Position – Proprietary Fund**

	<b>Governmental Activities - Internal Service Fund</b>
	<u>                    </u>
<b><u>ASSETS</u></b>	
Current assets:	
Cash and cash equivalents	\$ 1,773,097
Restricted cash and cash equivalents	428,770
Interest receivable	6,800
Total current assets	<u>2,208,667</u>
Non-current assets:	
Capital assets:	
Land and other non-depreciable assets	1,086,652
Other capital assets - net of depreciation	2,941,311
Total non-current assets	<u>4,027,963</u>
Total assets	<u>6,236,630</u>
<b><u>LIABILITIES</u></b>	
Current liabilities:	
Accounts payable	47,325
Certificates of participation - due within one year	315,000
Total current liabilities	<u>362,325</u>
Non-current liabilities	
Deposits from others	23,147
Certificate of participation, due in more than one year	2,541,396
Total noncurrent liabilities	<u>2,564,543</u>
Total liabilities	<u>2,926,868</u>
<b><u>NET POSITION</u></b>	
Net investment in capital assets	1,171,567
Restricted for:	
Debt Service	428,770
Unrestricted	1,709,425
Total net position	<u>\$ 3,309,762</u>

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

	<b>Governmental Activities - Internal Service Fund</b>
	<u>                    </u>
<u>Operating revenues:</u>	
Rental income	\$ 992,711
Parking income	58,412
Total operating revenue	<u>1,051,123</u>
 <u>Operating expenses:</u>	
Repairs and maintenance costs	87,959
Utilities, security and communications	110,631
Management fees	138,392
Parking lot operations	142,092
Depreciation expense	175,383
Other expense	5,052
Total operating expenses	<u>659,509</u>
 Operating income	<u>391,614</u>
 <u>Non-operating revenues and expenses:</u>	
Interest income	42,238
Interest expense	(103,844)
Net non-operating revenues (expenses)	<u>(61,606)</u>
 Change in net position	330,008
 Net Position, July 1, 2018, as restated	<u>2,979,754</u>
 Net Position, June 30, 2019	<u>\$ 3,309,762</u>

## Statement of Cash Flows – Proprietary Fund

	<b>Governmental Activities - Internal Service Fund</b>
	<u>                    </u>
<u>Cash flows from operating activities:</u>	
Cash received from rental and parking activities	\$ 1,075,494
Cash paid for goods and services	(480,495)
Net cash provided by operating activities	<u>594,999</u>
<u>Cash flows from capital and related financing activities:</u>	
Principal paid on long-term debt	(305,002)
Purchases of capital assets	(52,815)
Interest paid on long-term debt	(103,844)
Net cash used for capital and related financing activities	<u>(461,661)</u>
<u>Cash flows from investing activities:</u>	
Interest and dividends received	59,135
Net cash provided by investing activities	<u>59,135</u>
Net increase in cash and cash equivalents	192,473
Beginning cash balance July 1, 2018	2,009,394
Ending cash balance June 30, 2019	<u>\$ 2,201,867</u>
<u>Reconciliation of operating income to net cash provided by operating activities:</u>	
Operating income	\$ 391,614
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	175,383
Effects of changes in :	
Accounts receivable	14,334
Accounts payable	(14,302)
Prepays	17,933
Deposits from others	10,037
Net cash provided by operating activities	<u>\$ 594,999</u>

## Notes to the Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. ACCOUNTING POLICIES

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

#### B. REPORTING ENTITY

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

#### C. BASIS OF PRESENTATION

##### ***Government-wide financial statements***

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

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

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

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

##### ***Fund financial statements***

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

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### C. BASIS OF PRESENTATION (Continued)

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

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

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

### D. BASIS OF ACCOUNTING

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

#### ***Revenues – exchange and non-exchange transactions***

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

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

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### D. BASIS OF ACCOUNTING (Continued)

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

Under the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 90 days after year-end.

#### *Expenses/Expenditures*

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

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

### E. FUND ACCOUNTING

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

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

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

The District also reports the following fund type:

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. CASH AND CASH EQUIVALENTS**

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

**G. CAPITAL ASSETS**

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

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

<u>Asset Class</u>	<u>Years</u>
Machinery and equipment	2-20
Buildings	39

**H. COMPENSATED ABSENCES**

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

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

**I. DEFERRED INFLOWS/OUTFLOW OF RESOURCES**

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

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I. DEFERRED INFLOWS/OUTFLOW OF RESOURCES (Continued)**

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

In the governmental funds, the District reports revenues not collected within the period of availability as deferred inflows. Accordingly, these amounts are unavailable and recognized as an inflow of resources in the period that the amounts become available.

**J. PENSIONS**

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

**K. OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

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

**L. FUND BALANCE**

The District reports fund balances in the following categories: Nonspendable, Restricted, Committed, Assigned and/or Unassigned.

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

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

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

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### L. FUND BALANCE (Continued)

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

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

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

### M. LONG-TERM LIABILITIES

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

### N. ELIMINATIONS AND RECLASSIFICATIONS

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

### O. USE OF ESTIMATES

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

### P. IMPLEMENTATION OF NEW GOVERNMENTAL ACCOUNTING STANDARDS

The Governmental Accounting Standards Board (GASB) releases new accounting and financial reporting standards which may have a significant impact on the District's financial reporting process. New standards applicable to the year ending June 30, 2019 are as follows:

GASB Statement No. 83 – *Certain Asset Retirement Obligations*. This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital asset should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The District has determined that there is no material impact on the financial statements.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### P. IMPLEMENTATION OF NEW GOVERNMENTAL ACCOUNTING STANDARDS (Continued)

GASB Statement No. 88 – *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The District implemented this as of July 1, 2018.

The District is currently analyzing its accounting and financial reporting practices to determine the potential impact on the financial statements of the following GASB statements:

GASB Statement No. 84 – *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The District has not determined its effect on the financial statements.

GASB Statement No. 87 – *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The District has not determined its effect on the financial statements.

GASB Statement No. 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period*. This statement establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statement prepared using the economic resources measurement focus. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The District has not determined its effect on the financial statements.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### P. IMPLEMENTATION OF NEW GOVERNMENTAL ACCOUNTING STANDARDS (Continued)

GASB Statement No. 90 – Conduit Debt Obligations. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The District has not determined its effect on the financial statements.

GASB Statement No. 91 – Majority Equity Interests - an amendment of GASB Statements No. 14 and 61. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. The District has not determined its effect on the financial statements.

GASB Statement No. 92 – Omnibus 2020. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. The District has not determined its effect on the financial statements.

### Q. Stewardship, Compliance and Accountability

Per the District’s Series 2012 Certificates of Participation continuing disclosure agreement (CDA), the District has an obligation to meet specific continuing disclosures. The District’s Annual Report and notices of material events must be filed by the District with the Municipal Securities Rulemaking Board (the “MSRB”) within nine months after the District’s fiscal year end. The District had not filed the annual report as required per the CDA for fiscal year 2017 and 2018 within nine months after the District’s fiscal year end. The District has made immediate corrective action and all filings are currently available on the MSRB site.

**2. CASH, CASH EQUIVALENTS AND INVESTMENTS**

***Cash and Investments***

As of June 30, 2019, cash and investments were reported in the accompanying financial statements as follows:

Statement of net position:	
Cash and cash equivalents	\$ 39,726,469
Restricted cash and cash equivalents	428,770
Total cash and investments	<u>\$ 40,155,239</u>

Cash and investments as of June 30, 2019 consist of the following:

Deposits	
Balance per bank	\$ 3,493,133
Less outstanding checks and deposits	(256,649)
Investment in Local Agency Investment Fund	36,489,985
Investments with fiscal agent	428,770
Total cash and investments	<u>\$ 40,155,239</u>

***Deposits***

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

***Investments in the Local Agency Investment Fund (LAIF)***

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

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

## 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

### *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, 2019, \$428,770 was held in reserve related to the District's Certificates of Participation (COP) and is invested in a 2a7 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 COPs reserve will at all times be in the amount of the Reserve Requirement. The Reserve Requirement is defined as the lesser of (i) 10 percent of the original principal amount, (ii) an amount equal to the maximum annual Lease payment payable in a Certificate Year by the District, or (iii) 125 percent of the average annual lease payment.

### *Fair Value Measurement*

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

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

The valuation of the 2a7 Money Market Mutual funds held by fiscal agent for the COPS reserve is at one-dollar net asset value (NAV) per share.

**2. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

***Investments Authorized by the District’s Investment Policy***

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

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

**3. ACCOUNTS RECEIVABLE**

Accounts receivable consisted of the following as of June 30, 2019:

**Governmental Funds:**

Sales/Use Tax	\$ 34,634
Intergovernmental:	
State	1,499,621
Federal	867,414
Permit/Fees	82,820
Miscellaneous	26,836
	\$ 2,511,325

**4. LEASES**

Operating Leases

The District leases an air monitoring site under an operating lease. Total cost for the lease was \$3,276 for the year ended June 30, 2019. The future minimum lease payments for this lease are as follows:

<u>Year ending June 30:</u>	
2020	\$ 3,276
2021	3,276
2022	3,276
2023	3,276
2024	3,276
Total	<u>\$ 16,380</u>

Lease Income and Receivables

The District as lessor leases office space to tenants on a fixed monthly fee. Substantially all of the assets classified as capital assets in the Proprietary fund are for the purpose of rental or related use. The future minimum rentals for this lease are as follows:

<u>Year ending June 30:</u>	
2020	\$ 121,965
2021	125,614
2022	129,264
2023	132,914
2024	78,775
Total	<u>\$ 588,532</u>

**5. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2019 was as follows:

	Balance July 1, 2018	Additions	Retirements	Balance June 30, 2019
<b>Governmental Activities</b>				
Capital assets, not being depreciated				
Land	\$ 1,086,652	\$ -	\$ -	\$ 1,086,652
Construction in process	165,854	50,520	-	216,374
Total capital assets, not being depreciated	<u>1,252,506</u>	<u>50,520</u>	<u>-</u>	<u>1,303,026</u>
Capital assets, being depreciated				
Building	5,314,261	52,815	-	5,367,076
Equipment	3,513,418	64,049	-	3,577,467
Less accumulated depreciation: building	(2,250,382)	(210,334)	-	(2,460,716)
Less accumulated depreciation: equipment	(2,509,161)	(175,383)	-	(2,684,544)
Total capital assets, being depreciated	<u>4,068,136</u>	<u>(268,853)</u>	<u>-</u>	<u>3,799,283</u>
Governmental activities capital assets, net	<u>\$ 5,320,642</u>	<u>\$ (218,333)</u>	<u>\$ -</u>	<u>\$ 5,102,309</u>

Depreciation expense is charged to functions and programs based upon usage of the related assets. The amounts allocated to each function or programs are as follows:

<b>Governmental Activities</b>	
Air Monitoring	\$ 108,708
Internal Service Fund	175,383
Unallocated	101,626
<b>Total Governmental Activities</b>	<u>\$ 385,717</u>

## 6. LONG-TERM LIABILITIES

### *Changes in Long-Term Liabilities*

Long-term liability activity for the year ended June 30, 2019, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities:					
Certificates of Participation	\$ 3,125,000	\$ -	\$ 305,000	\$ 2,820,000	\$ 315,000
Premium	41,303	-	4,907	36,396	4,907
Compensated Absences	962,063	978,521	909,141	1,031,443	870,376
	<u>\$ 4,128,366</u>	<u>\$ 978,521</u>	<u>\$ 1,219,048</u>	<u>\$ 3,887,839</u>	<u>\$ 1,190,283</u>

### *Certificates of Participation*

In March 2012, the District refunded the 2002 certificates with the 2012 certificates in the amount of \$4,350,000, with interest rates ranging from 3.00 percent to 4.00 percent. As of June 30, 2019, the principal balance outstanding was \$2,820,000. Proceeds included a bond premium of \$72,382, which will be amortized over the life of the COPs. The agreement includes a provision that in the event of a default or breach, the trustee may declare all lease payments then remaining unpaid be immediately due and owing, without further demand.

The certificates mature as follows:

Year Ending June 30	Principal	Interest	Totals
2020	\$ 315,000	\$ 94,544	\$ 409,544
2021	325,000	85,350	410,350
2022	330,000	75,931	405,931
2023	345,000	65,591	410,591
2024	355,000	53,100	408,100
2025-2027	1,150,000	70,000	1,220,000
Total	2,820,000	444,516	3,264,516
Unamortized Premium	36,396	-	36,396
Total	<u>\$ 2,856,396</u>	<u>\$ 444,516</u>	<u>\$ 3,300,912</u>

For the year ended June 30, 2019 total interest expense for the COPs was \$103,844, and principal paid on the COPs was \$305,000.

## 7. RISK MANAGEMENT/CLAIMS LIABILITIES

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

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

During the fiscal year ended June 30, 2019, the District insured with the Special District Risk Management Authority (SDRMA) for general liability, errors and omissions, workers' compensation, and a variety of comprehensive coverage (See Note 8). The District also provides a selection of health insurance coverage and elective options for additional health related insurance coverage.

## 8. JOINT VENTURES (Joint Powers Agreement)

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

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

Condensed audited financial information of SDRMA for the year ended June 30, 2019 is as follows:

Total Assets	\$ 117,357,664
Deferred Outflow of Resources	590,733
Total Liabilities	61,466,303
Deferred Inflow of Resources	117,531
Net Position	<u>\$ 56,364,563</u>
Total Revenues	\$ 76,136,955
Total Expenses	74,357,125
Net Income (Loss)	<u>\$ 1,779,830</u>

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

**8. JOINT VENTURES (Joint Powers Agreement) (Continued)**

***Nature of Participation***

<u>Program</u>	<u>Deductible per Occurrence</u>	<u>Annual Coverage Limit</u>
General Liability	\$ 500	\$10,000,000 Per Occurrence
Public Officials and Employees Errors and Omissions	\$ -	\$10,000,000 Per Occurrence/Annual Aggregate
Elected Officials Personal Liability	\$ 500	\$500,000 Per Occurrence/Annual Aggregate per each elected /appointed Board Member/Director
Employment Practices Liability	\$ -	\$10,000,000 Per Occurrence/General Aggregate
Employee Benefits Liability	\$ -	\$10,000,000 Per Occurrence/General Aggregate
Employee and Public Officials Dishonesty Coverage	\$ -	\$1,000,000 Per Occurrence
Auto Liability	\$ 1,000	\$10,000,000 Per Occurrence
Uninsured/Underinsured Motorist	\$ -	\$10,000,000 Each Accident
Property Coverage	\$ 1,000	\$1,000,000,000 Each Occurrence
Boiler and Machinery Coverage	\$ 1,000	\$100,000,000 Each Occurrence
Statutory Workers' Comp	\$ -	Statutory Per Occurrence
Cyber Coverage	\$ 25,000	\$2,000,000 Annual Aggregate
Pollution Coverage	Range: \$75,000-\$2,000,000	\$1,000,000 Blanket Limit per Pollution Condition

**9. COMMITMENTS AND CONTINGENCIES**

***State and Federal Allowances, Awards, and Grants***

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

**10. EMPLOYEE RETIREMENT SYSTEMS**

**CalPERS**

Plan Description

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

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

Benefits Provided

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

The Plan’s provisions and benefits in effect at June 30, 2019, are summarized as follows:

	Prior to January 1, 2013	On or after January 1, 2013
Hire date:		
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50-63 or older	52-67 or older
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7.00%	6.25%
Required employer contribution rates	8.89%	6.84%
Final Compensation	36 months	36 months

*Funding Policy*

Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by an actuary and shall be effective on July 1st following the notice of a change in rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30th by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The District’s employer contributions to the Plan for the year ended June 30, 2019 were \$1,443,386.

**10. EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

As of June 30, 2019, the District reported a net pension liability for its proportionate share of the net pension liability of the Plan in the amount of \$9,699,002.

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

	<u>Miscellaneous CLASSIC/PEPRA</u>
Proportion - June 30, 2017	0.2552%
Proportion - June 30, 2018	0.2574%
Change - Increase (Decrease)	<u>0.0022%</u>

For the year ended June 30, 2019, the District recognized pension expense of \$1,761,484. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ 1,105,715	\$ 270,989
Differences between expected and actual experiences	372,134	126,635
Net Difference between projected and actual investment earnings	47,949	-
Change in employer's contributions and proportionate share of contributions	-	204,770
Change in employer's portion	526,056	17,722
Pension contributions made subsequent to measurement date	1,443,386	-
Total	<u>\$ 3,495,240</u>	<u>\$ 620,116</u>

\$1,443,386 reported as deferred outflows of resources relate to contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows/(inflows) of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>
2020	\$ 1,053,262
2021	718,846
2022	(253,133)
2023	(87,237)

## 10. EMPLOYEE RETIREMENT SYSTEMS (Continued)

### Actuarial assumptions

For the measurement period ending June 30, 2018 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2017 total pension liability. The June 30, 2018 total pension liability was based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions	
Discount Rate	7.15%
Inflation	2.50%
Investment Rate of Return	7.15%
Projected Salary Increase	Varies by entry age and service Deriving using CalPERS'
Mortality	membership data for all funds (1)

(1) The underlying mortality assumptions and all other actuarial assumptions used in the June 2017 valuation were based on results of a 2017 CalPERS Experience Study for the period from 1997 to 2015. The experience study report can be obtained at CalPERS' website under Forms and Publications.

Change of assumption – In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. The inflation rate was changed from 2.75 to 2.50 percent.

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

**10. EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

Asset Class	New Strategic Allocation	Real Return Years 1-10(a)	Real Return Years 11+(b)
Global Equity	50.00%	4.80%	5.98%
Global Fixed Income	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100%		

(a) an expected inflation of 2.00% is used for this period.

(b) an expected inflation of 2.92% is used for this period.

*Discount Rate* - The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and the contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Discount Rate 6.15%	Current Discount Rate 7.15%	Discount Rate 8.15%
Net Pension Liability	\$ 16,111,535	\$ 9,699,002	\$ 4,405,561

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

**11. OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

**General Information about the OPEB Plan**

*Plan Description.* The District participates in a multi-employer defined benefit medical plan administered by the California Public Employees’ Retirement System (CalPERS). The plan provides postemployment healthcare benefits to eligible retirees by contributing the minimum employer contributions (MEC) \$136 in calendar year 2019. An additional \$150 is contributed towards retiree health care costs based upon a Board approved employee contract. This coverage is available for employees who retire with the District on reaching normal retirement age. At June 30, 2019 the District had 39 retirees participating in the plan.

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

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

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

*Employees covered by benefit terms.* At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	21
Inactive employees entitled to but not yet receiving benefit payments	18
Active employees	<u>96</u>
Total	<u><u>135</u></u>

*Contributions.* The contribution rate is determined on an annual basis by an independent actuary. Employees are not required to contribute to the plan. The District’s employer contributions to the Plan for the year ended June 30, 2019 were \$221,414.

**11. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

**Net OPEB Liability**

The District’s net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017.

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

Salary increases	3% per annum, in aggregate
Investment rate of return	6% per annum
Medical trend rates	6.50% for PPO in 2019, decreasing 0.5% per year to an ultimate rate of 5.0% for 2022 and later years, 6.0% for HMO in 2019 decreasing 0.5% per year to an ultimate rate of 5.0% for 2021 and later years

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major class included in the OPEB plan’s target asset allocation as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
<b>CERBT</b>		
Global Equity	24%	5.50%
Global Debt Securities	39%	2.35%
Inflation assets	26%	1.50%
Commodities	3%	1.75%
REITs	8%	3.65%
Total	<u>100%</u>	

**11. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

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

	<b>Increase (Decrease)</b>		
	<b>Total OPEB Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net OPEB Liability (a)-(b)</b>
Balances at June 30, 2018	\$ 2,636,282	\$ 1,803,716	\$ 832,566
Changes for the year:			
Service cost	135,322	-	135,322
Interest	162,804	-	162,804
Contributions - employer	-	248,588	(248,588)
Net investment income	-	84,654	(84,654)
Benefit payments	(116,408)	(116,408)	-
Administrative expense	-	(939)	939
Other expense	-	(2,386)	2,386
Net changes	<u>181,718</u>	<u>213,509</u>	<u>(31,791)</u>
Balances at June 30, 2019	<u>\$ 2,818,000</u>	<u>\$ 2,017,225</u>	<u>\$ 800,775</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 (5.0%) or 1-percentage-point higher (7.0%) than the current discount rate:

	<b>1% Decrease (5.00%)</b>	<b>Discount Rate (6.00%)</b>	<b>1% Increase (7.00%)</b>
Net OPEB liability	\$ 1,150,217	\$ 800,775	\$ 506,655

**11. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

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

	<b>Healthcare Cost</b>		
	<b>1% Decrease (5.50% HMO / 5.50% PPO decreasing to 4.00% HMO / 4.00% PPO)</b>	<b>Trend Rates (6.50% HMO / 6.50% PPO decreasing to 5.00% HOM / 5.00% PPO)</b>	<b>1% Increase (7.50% HMO / 7.50% PPO decreasing to 6.00% HOM / 6.00% PPO)</b>
Net OPEB liability	\$ 510,012	\$ 800,775	\$ 1,163,790

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

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$201,823. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>
Contributions subsequent to measurement date	\$ 221,414
Net difference between projected and actual earnings on OPEB plan investments	42,868
Total	<u>\$ 264,282</u>

Contributions made subsequent to the measurement date of \$221,414 that are recorded as a deferred outflow of resources will be recognized as a reduction of the net OPEB liability during the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year ended June 30,</b>	<b>Total Deferred Outflows of Resources</b>
2020	\$ 12,461
2021	12,461
2022	12,459
2023	5,487
Total	<u>\$ 42,868</u>

## 12. RESTATEMENT

The District recorded an adjustment to properly report the Building Enterprise Fund as an Internal Service Fund as the main participants in the fund are internal rather than external. The District also recorded an adjustment to correct the beginning balances of certain deferred outflows and inflows related to the pension and OPEB plans. The following are the prior period adjustments:

### ***Restatement due to Correction of Errors***

The District recorded an adjustment to correct the beginning balances of certain deferred outflows and inflows related to the pension and OPEB plans:

	Governmental Activities
Net Position as previously reported, June 30, 2018	\$ 25,795,438
Correction of deferred outflows - pension	55,558
Correction of deferred inflows - pension	63,336
Correction of deferred outflows - OPEB	248,588
Restatement due to Change in Accounting Principle (per below)	2,979,754
Net position as restated, June 30, 2018	<u>\$ 29,142,674</u>

### ***Restatement due to Change in Accounting Principle***

The District recorded an adjustment to report the Building Enterprise Fund as an Internal Service Fund as the main participants in the fund are internal rather than external:

	June 30, 2018 Previously Presented	Restatement	July 1, 2018 Restated
<b>Governmental Activities</b>			
Cash and cash equivalents	25,759,604	1,588,899	27,348,503
Receivables	8,264,128	14,334	8,278,462
Prepays	402,380	17,933	420,313
Restricted Cash	-	420,495	420,495
Capital Assets	1,170,111	4,150,531	5,320,642
Accounts payable and accrued liabilities	1,158,519	(33,023)	1,125,496
Certificates of participation, due within one year	-	(305,000)	(305,000)
Certificates of participation, due in more than one year	-	(2,861,305)	(2,861,305)
Deposits from others	-	(13,110)	(13,110)
Net Position	25,795,438	2,979,754	28,775,192

	June 30, 2018 Previously Presented	Restatement	July 1, 2018 Restated
<b>Business-type Activities</b>			
Cash and cash equivalents	1,588,899	(1,588,899)	-
Receivables	14,334	(14,334)	-
Prepays	17,933	(17,933)	-
Deposits with others - certificate of participation reserve	420,495	(420,495)	-
Capital Assets	4,150,531	(4,150,531)	-
Accounts payable and accrued liabilities	(33,023)	33,023	-
Certificates of participation, due within one year	(305,000)	305,000	-
Certificates of participation, due in more than one year	(2,820,000)	2,820,000	-
Deposits from others	(13,110)	13,110	-
Premium on Certificates of Participation	(41,305)	41,305	-
Net Position	2,979,754	(2,979,754)	-

## REQUIRED SUPPLEMENTARY INFORMATION

Sacramento Metropolitan Air Quality Management District  
 Schedule of Revenues, Expenditures and Changes in Fund Balances  
 General Fund – Budget and Actual  
 For the Year Ended June 30, 2019

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Sales Tax	\$ 1,869,492	\$ 1,869,492	\$ 1,940,485	\$ 70,993
Fees and Licenses	8,387,062	8,387,062	8,109,883	(277,179)
Local Government	129,736	129,736	28,459	(101,277)
State	6,587,038	6,587,038	6,705,031	117,993
Federal	1,941,212	1,941,212	1,504,926	(436,286)
Fines, Forfeitures, and Penalties	301,000	301,000	171,186	(129,814)
Other	103,900	103,900	95,238	(8,662)
Investment Income	30,000	30,000	257,341	227,341
Total revenues	<u>19,349,440</u>	<u>19,349,440</u>	<u>18,812,549</u>	<u>(536,891)</u>
Expenditures:				
Current:				
Business Compliance	7,985,636	7,985,636	6,771,994	1,213,642
Air Monitoring	4,425,186	4,425,186	3,545,919	879,267
Sustainable Land Use	2,706,235	2,706,235	2,347,083	359,152
Clean Transportation and Mobility Innovation	1,993,384	1,993,384	2,210,025	(216,641)
Community Health Protection	3,482,256	3,482,256	2,067,758	1,414,498
Capital Outlay	1,164,200	1,164,200	114,569	1,049,631
Total expenditures	<u>21,756,896</u>	<u>21,756,896</u>	<u>17,057,348</u>	<u>4,699,548</u>
Excess/(deficiency) of revenues over (under) expenditures	<u>\$ (2,407,456)</u>	<u>\$ (2,407,456)</u>	<u>\$ 1,755,201</u>	<u>\$ 4,162,657</u>

Sacramento Metropolitan Air Quality Management District  
 Schedule of Revenues, Expenditures and Changes in Fund Balances  
 Special Revenue Fund – Budget and Actual  
 For the Year Ended June 30, 2019

**Schedule of Revenues, Expenditures and Changes in Fund Balances, Special Revenue – Budget and Actual**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
State	\$ 25,577,460	\$ 25,577,460	\$ 18,509,181	\$ (7,068,279)
Federal	7,271,249	7,271,249	982,057	(6,289,192)
Fines, Forfeitures, and Penalties	-	-	278,006	278,006
Other	211,420	211,420	108,001	(103,419)
Investment Income	20,000	20,000	430,819	410,819
Total revenues	<u>33,080,129</u>	<u>33,080,129</u>	<u>20,308,064</u>	<u>(12,772,065)</u>
Expenditures:				
Current:				
Clean Transportation and Mobility Innovation	<u>23,280,728</u>	<u>23,280,728</u>	<u>16,616,724</u>	<u>6,664,004</u>
Excess/(deficiency) of revenues over (under) expenditures	<u>\$ 9,799,401</u>	<u>\$ 9,799,401</u>	<u>\$ 3,691,340</u>	<u>\$ (6,108,061)</u>

### Schedule of Changes in the Net OPEB Liability and Related Ratios

	<u>2018</u>	<u>2019</u>
<b>Total OPEB Liability</b>		
Service cost	\$ 127,662	\$ 135,322
Interest	151,691	162,804
Benefit payments, including refunds of member contributions	<u>(87,179)</u>	<u>(116,408)</u>
<b>Net change in total OPEB liability</b>	192,174	181,718
<b>Total OPEB liability – beginning</b>	<u>2,444,108</u>	<u>2,636,282</u>
<b>Total OPEB liability – ending (a)</b>	<u><u>\$ 2,636,282</u></u>	<u><u>\$ 2,818,000</u></u>
<b>Plan fiduciary net position</b>		
Contributions – employer	\$ 246,101	\$ 248,588
Net investment income	64,728	84,654
Benefit payments, including refunds of member contributions	(87,179)	(116,408)
Administrative expense	(822)	(939)
Other expense	<u>-</u>	<u>(2,386)</u>
<b>Net change in plan fiduciary net position</b>	222,828	213,509
<b>Plan fiduciary net position – beginning</b>	<u>1,580,888</u>	<u>1,803,716</u>
<b>Plan fiduciary net position – ending (b)</b>	<u>1,803,716</u>	<u>2,017,225</u>
<b>District’s net OPEB liability – ending (a) – (b)</b>	<u><u>\$ 832,566</u></u>	<u><u>\$ 800,775</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	68.42%	71.58%
Covered-employee payroll	\$ 9,196,130	\$ 9,373,544
District’s net OPEB liability as a percentage of covered-employee payroll	9.05%	8.54%
Measurement Date	June 30, 2017	June 30, 2018

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

### Schedule of the District's OPEB Contributions

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

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

Sacramento Metropolitan Air Quality Management District  
 Schedule of Proportionate Share of the Net Pension Liability  
 For the Year Ended June 30, 2019

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**Schedule of Proportionate Share of the Net Pension Liability – CalPERS Cost Sharing Plan**

	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
District's proportion of the net pension liability	0.1043%	0.2381%	0.2454%	0.2552%	0.2574%
District's proportionate share of the net pension liability (asset)	\$ 6,489,889	\$ 6,533,370	\$ 8,524,599	\$ 10,060,590	\$ 9,699,002
District's covered payroll	\$ 8,908,245	\$ 10,332,821	\$ 9,422,478	\$ 9,196,130	\$ 9,373,544
District's proportionate share of the net pension liability as percentage of covered payroll	72.85%	63.23%	90.47%	109.40%	103.47%
Plan fiduciary net position as a percentage of the total pension liability	79.90%	79.89%	75.87%	75.39%	75.26%
Measurement date	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018

Changes in assumptions: In 2015, the discount rate was changed from 7.50 percent to 7.65 percent. In 2017, the discount rate was changed from 7.65 percent to 7.15 percent. In 2018, the demographic assumptions and inflation rate changed from 2.75 percent to 2.5 percent.

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

### Schedule of the District's Pension Contributions

	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Actuarially Determined Contribution	\$ 1,066,362	\$ 1,190,341	\$ 1,132,308	\$ 1,354,429	\$ 1,443,386
Contributions in relation to the actuarially determined contributions	1,068,331	1,190,341	1,257,850	1,286,471	1,443,386
Contribution deficiency (excess)	<u>\$ (1,969)</u>	<u>\$ -</u>	<u>\$ (125,542)</u>	<u>\$ 67,958</u>	<u>\$ -</u>
Covered payroll	\$ 10,332,821	\$ 9,422,478	\$ 9,196,130	\$ 9,373,544	\$ 9,708,765
Contributions as a percentage of covered payroll	11.99%	11.52%	12.02%	14.59%	14.87%

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

## Note to Required Supplementary Information

### 1. BUDGETARY COMPARISON SCHEDULE

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

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

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

## SUPPLEMENTARY INFORMATION

**Budgetary Schedules at Legal Level of Budgetary Control – General Fund**

	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:				
State	\$ 1,062,887	\$ 1,062,887	\$ 1,337,243	\$ 274,356
ARB Subvention	346,536	346,536	349,457	2,921
DMV	5,052,615	5,052,615	5,018,331	(34,284)
Federal	1,941,212	1,941,212	1,504,926	(436,286)
Fees & Licenses (Other)	902,462	902,462	695,999	(206,463)
Fees & Licenses (Rule 301)	7,609,600	7,609,600	7,413,884	(195,716)
Local Government	220,936	220,936	97,651	(123,285)
Sales Use Tax	1,869,492	1,869,492	1,940,485	70,993
Fines/Forfeitures/Penalties	300,000	300,000	171,186	(128,814)
Interest	30,000	30,000	257,341	227,341
Other	13,700	13,700	26,046	12,346
Total revenues	<u>19,349,440</u>	<u>19,349,440</u>	<u>18,812,549</u>	<u>(536,891)</u>
Expenditures:				
Employee Services	15,811,786	15,811,786	13,619,667	2,192,119
Services and Supplies	6,728,496	6,728,496	4,836,842	1,891,654
Capital Projects	1,164,200	1,164,200	114,569	1,049,631
Transfers	(1,947,586)	(1,947,586)	(1,513,730)	(433,856)
Total expenditures	<u>21,756,896</u>	<u>21,756,896</u>	<u>17,057,348</u>	<u>4,699,548</u>
Excess /(deficiency) of revenues over(under) expenditures	<u>\$ (2,407,456)</u>	<u>\$ (2,407,456)</u>	<u>\$ 1,755,201</u>	<u>\$ 4,162,657</u>

**Budgetary Schedules at Legal Level of Budgetary Control – Special Revenue Fund**

	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues:				
State	\$ 23,131,205	\$ 23,131,205	\$ 16,046,224	\$ (7,084,981)
DMV	2,657,675	2,657,675	2,570,960	(86,715)
Federal Grants	7,271,249	7,271,249	982,057	(6,289,192)
Fines, Forfeitures, and Penalties	-	-	278,006	278,006
Interest	20,000	20,000	430,817	410,817
Total revenues	<u>33,080,129</u>	<u>33,080,129</u>	<u>20,308,064</u>	<u>(12,772,065)</u>
Expenditures:				
Services and Supplies	21,333,142	21,333,142	15,102,994	6,230,148
Transfers	1,947,586	1,947,586	1,513,730	433,856
	<u>23,280,728</u>	<u>23,280,728</u>	<u>16,616,724</u>	<u>6,664,004</u>
Excess /(deficiency) of revenues over(under) expenditures	<u>\$ 9,799,401</u>	<u>\$ 9,799,401</u>	<u>\$ 3,691,340</u>	<u>\$ (6,108,061)</u>

## STATISTICAL SECTION

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## STATISTICAL SECTION OVERVIEW

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

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

### ***Financial Trends***

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

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

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

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

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

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

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

### ***Revenue Capacity***

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

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

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

### ***Operating Information***

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

Schedule 9 – Demographic Information – Last Ten Years

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

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

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

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

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

Sacramento Metropolitan Air Quality Management District  
 Schedule 1 – Net Position by Component – Last Ten Fiscal Years  
 (accrual basis of accounting)  
 June 30, 2019

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

	2010	2011	2012	2013
<b>Governmental Activities</b>				
Net investment in capital assets	\$ 447,263	\$ 327,593	\$ 507,625	\$ 653,680
Restricted	20,451,561	20,834,838	20,864,065	19,018,128
Unrestricted	946,120	-	-	-
Total governmental activities net position	<u>21,844,944</u>	<u>21,162,431</u>	<u>21,371,690</u>	<u>19,671,808</u>
<b>Business-type Activities</b>				
Net investment in capital assets	142,689	438,929	403,041	113,259
Restricted	427,031	433,754	424,243	416,252
Unrestricted	990,954	762,937	909,129	1,094,081
Total business-type activities net position	<u>1,560,674</u>	<u>1,635,620</u>	<u>1,736,413</u>	<u>1,623,592</u>
<b>Primary government</b>				
Net investment in capital assets	589,952	766,522	910,666	766,939
Restricted	20,878,592	21,268,592	21,288,308	19,434,380
Unrestricted	1,937,074	762,937	909,129	1,094,081
Total primary government net position	<u>\$23,405,618</u>	<u>\$22,798,051</u>	<u>\$23,108,103</u>	<u>\$21,295,400</u>

Notes:

- (a) Reflects the new accounting treatment from pension and health liability
- (b) The Proprietary Fund was more properly classified as an Internal Service Fund for FY 19 and is included in Governmental Activities component for that year.

Source : CAFR Net Position Financial Statement

Sacramento Metropolitan Air Quality Management District  
 Schedule 1 – Net Position by Component – Last Ten Fiscal Years  
 (accrual basis of accounting)  
 June 30, 2019

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2014	2015	2016	2017	2018 (a)	2019 (b)
\$ 764,943	\$ 792,677	\$ 1,111,788	\$ 1,196,123	\$ 1,170,111	\$ 2,245,913
18,732,929	14,705,749	19,374,392	18,788,183	30,250,374	36,909,801
792,734	(900,807)	(157,287)	605,026	(5,625,047)	(3,921,835)
<u>20,290,606</u>	<u>14,597,619</u>	<u>20,328,893</u>	<u>20,589,332</u>	<u>25,795,438</u>	<u>35,233,879</u>
93,109	232,801	613,133	820,602	984,226	-
416,293	418,340	416,382	416,575	420,495	-
1,274,390	1,331,412	1,190,967	1,142,715	1,575,033	-
<u>1,783,792</u>	<u>1,982,553</u>	<u>2,220,482</u>	<u>2,379,892</u>	<u>2,979,754</u>	<u>-</u>
858,052	1,025,478	1,724,921	2,016,725	2,154,337	2,245,913
19,149,222	15,124,089	19,790,774	19,204,758	30,670,869	36,909,801
2,067,124	430,605	1,033,680	1,747,741	(4,050,014)	(3,921,835)
<u>\$22,074,398</u>	<u>\$16,580,172</u>	<u>\$22,549,375</u>	<u>\$22,969,224</u>	<u>\$28,775,192</u>	<u>\$35,233,879</u>

Sacramento Metropolitan Air Quality Management District  
 Schedule 2 – Changes in Net Position – Last Ten Fiscal Years  
 (accrual basis of accounting)  
 June 30, 2019

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

	2010	2011	2012
Expenses			
Governmental Activities			
Stationary source activities	\$ 6,132,920	\$ 5,823,570	\$ 5,864,304
Mobile source activities	13,096,491	12,207,979	34,715,045
Program coordination activities	4,346,725	4,286,273	3,973,143
Strategic planning activities	4,048,968	3,548,148	3,650,376
Depreciation expense-unallocated	165,753	140,459	125,386
Total governmental activities	<u>\$ 27,790,857</u>	<u>\$ 26,006,429</u>	<u>\$ 48,328,254</u>
Business-type activities			
Building operations and obligations	\$ 739,766	\$ 760,079	\$ 959,018
Total primary government expenses	<u>\$ 28,530,623</u>	<u>\$ 26,766,508</u>	<u>\$ 49,287,272</u>
Program Revenues			
Governmental Activities			
Charges for services			
Stationary source activities	\$ 4,857,740	\$ 5,297,300	\$ 4,912,279
Mobile source activities	561,345	532,447	703,135
Program coordination activities	136,552	84,794	84,408
Strategic planning activities	40,207	567,305	470,716
Operating grants and contributions			
Stationary source activities	764,839	336,324	519,136
Mobile source activities	15,088,024	10,355,463	32,815,391
Program coordination activities	1,985,190	1,086,075	1,274,400
Strategic planning activities	969,308	607,520	625,227
Total governmental activities	<u>\$ 24,403,205</u>	<u>\$ 18,867,228</u>	<u>\$ 41,404,692</u>
Business-type activities			
Building operations and obligations	\$ 948,942	\$ 807,106	\$ 884,688
Total primary government program revenues	<u>\$ 25,352,147</u>	<u>\$ 19,674,334</u>	<u>\$ 42,289,380</u>
Net (Expense) Revenue			
Government activities	\$ (3,387,652)	\$ (7,139,201)	\$ (6,923,562)
Business-type activities	209,176	47,027	(74,330)
Total primary government net (expenses) revenue	<u>\$ (3,178,476)</u>	<u>\$ (7,092,174)</u>	<u>\$ (6,997,892)</u>
General revenues			
Governmental activities			
Grants and subventions	\$ 5,684,433	\$ 5,696,646	\$ 6,216,082
Interest	268,262	230,368	204,424
Gain on sale of capital assets			
Penalties/Settlements	701,876	529,674	712,315
Transfers	-	-	-
Total governmental activities	<u>\$ 6,654,571</u>	<u>\$ 6,456,688</u>	<u>\$ 7,132,821</u>
Business-type activities			
Interest	\$ 31,570	\$ 27,919	\$ 175,123
Transfers	-	-	-
Total business-type activities	<u>31,570</u>	<u>27,919</u>	<u>175,123</u>
Total Primary government revenue	<u>\$ 6,686,141</u>	<u>\$ 6,484,607</u>	<u>\$ 7,307,944</u>
Change in net position			
Government activities	\$ 3,266,919	\$ (682,513)	\$ 209,259
Business-type activities	240,746	74,946	100,793
Total Primary government	<u>\$ 3,507,665</u>	<u>\$ (607,567)</u>	<u>\$ 310,052</u>

Note: For FY 19 activity categories were redefined so this page includes the nine-year period ending 6/30/18.

Source : CAFR Statement of Activities

Sacramento Metropolitan Air Quality Management District  
 Schedule 2 – Changes in Net Position – Last Ten Fiscal Years  
 (accrual basis of accounting)  
 June 30, 2019

2013	2014	2015	2016	2017	2018
\$ 5,739,977	\$ 5,747,748	\$ 5,918,050	\$ 6,162,041	\$ 6,222,368	\$ 7,496,314
28,384,959	11,478,921	14,884,085	11,207,276	11,561,366	8,427,228
3,768,674	3,836,739	3,883,548	4,359,691	4,381,093	4,901,319
3,677,908	3,772,415	3,877,953	4,380,829	3,937,606	5,183,744
144,940	148,389	211,551	209,891	237,940	226,521
<u>\$ 41,716,458</u>	<u>\$ 24,984,212</u>	<u>\$ 28,775,187</u>	<u>\$ 26,319,728</u>	<u>\$ 26,340,373</u>	<u>\$ 26,235,126</u>
<u>\$ 650,968</u>	<u>\$ 641,654</u>	<u>\$ 697,804</u>	<u>\$ 715,125</u>	<u>\$ 877,284</u>	<u>\$ 454,367</u>
<u>\$ 42,367,426</u>	<u>\$ 25,625,866</u>	<u>\$ 29,472,991</u>	<u>\$ 27,034,853</u>	<u>\$ 27,217,657</u>	<u>\$ 26,689,493</u>
\$ 5,431,158	\$ 5,867,492	\$ 6,440,801	\$ 6,692,235	\$ 7,235,968	\$ 8,140,016
824,850	996,018	106,376	153,178	156,288	155,097
96,170	68,314	265,185	89,163	60,341	154,767
40,839	408,808	140,712	242,084	310,430	315,248
401,685	-	-	-	-	-
24,933,316	9,141,087	13,910,787	15,076,802	8,932,391	13,690,540
926,954	1,446,883	1,442,936	1,438,170	1,438,170	1,596,487
794,100	643,422	643,422	643,422	643,422	643,422
<u>\$ 33,449,072</u>	<u>\$ 18,572,024</u>	<u>\$ 22,950,219</u>	<u>\$ 24,335,054</u>	<u>\$ 18,777,010</u>	<u>\$ 24,695,577</u>
\$ 748,642	\$ 795,771	\$ 888,592	\$ 943,891	\$ 1,018,795	\$ 1,025,568
<u>\$ 34,197,714</u>	<u>\$ 19,367,795</u>	<u>\$ 23,838,811</u>	<u>\$ 25,278,945</u>	<u>\$ 19,795,805</u>	<u>\$ 25,721,145</u>
\$ (8,267,386)	\$ (6,412,188)	\$ (5,824,968)	\$ (1,984,674)	\$ (7,563,363)	\$ (1,539,549)
97,674	154,117	190,788	228,766	141,511	571,201
<u>\$ (8,169,712)</u>	<u>\$ (6,258,071)</u>	<u>\$ (5,634,180)</u>	<u>\$ (1,755,908)</u>	<u>\$ (7,421,852)</u>	<u>\$ (968,348)</u>
\$ 6,056,461	\$ 6,614,984	\$ 6,808,183	\$ 7,087,643	\$ 7,347,831	\$ 6,995,834
64,378	18,965	25,241	5,438	81,700	116,467
		16,270	-	-	-
446,663	397,037	569,708	622,868	394,272	496,575
-	-	-	-	-	-
<u>\$ 6,567,502</u>	<u>\$ 7,030,986</u>	<u>\$ 7,419,402</u>	<u>\$ 7,715,949</u>	<u>\$ 7,823,803</u>	<u>\$ 7,608,876</u>
\$ 10,268	\$ 6,083	\$ 7,973	\$ 9,163	\$ 17,899	\$ 28,661
-	-	-	-	-	-
10,268	6,083	7,973	9,163	17,899	28,661
<u>\$ 6,577,770</u>	<u>\$ 7,037,069</u>	<u>\$ 7,427,375</u>	<u>\$ 7,725,112</u>	<u>\$ 7,841,702</u>	<u>\$ 7,637,537</u>
\$ (1,699,884)	\$ 618,798	\$ 1,594,434	\$ 5,731,275	\$ 260,439	\$ 6,069,327
107,942	160,200	198,761	237,929	159,410	599,862
<u>\$ (1,591,942)</u>	<u>\$ 778,998</u>	<u>\$ 1,793,195</u>	<u>\$ 5,969,204</u>	<u>\$ 419,849</u>	<u>\$ 6,669,189</u>

See next page for FY 19 Changes in Net Position.

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

	<u>2019</u>
Expenses	
Governmental Activities	
Business Compliance	\$ 6,762,504
Air Monitoring	3,649,645
Sustainable Land Use	2,344,711
Clean Transportation and Mobility Innovation	18,821,767
Community Health Protection	2,065,860
Interest on long-term debt	103,843
Unallocated Depreciation	101,626
Total primary government	<u>\$ 33,849,956</u>
Program Revenues	
Governmental Activities	
Charges for services	
Business Compliance	\$ 7,553,612
Air Monitoring	486,231
Sustainable Land Use	72,934
Clean Transportation and Mobility Innovation	-
Community Health Protection	618,738
Operating grants and contributions	
Business Compliance	247,581
Air Monitoring	1,634,076
Sustainable Land Use	277,370
Clean Transportation and Mobility Innovation	20,182,390
Community Health Protection	829,551
Total primary government	<u>\$ 31,902,483</u>
Net (Expense) Revenue	
Total primary government	<u>\$ (1,947,473)</u>
General revenues	
Grants and subventions	\$ 7,308,273
Interest	730,405
Total general revenue	<u>\$ 8,038,678</u>
Change in net position for the period	<u>\$ 6,091,205</u>

Note: For FY 19 activity categories were redefined so this page includes the only the current period ending 6/30/19. See previous page for additional nine year historical trend.

Source : CAFR Statement of Activities

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Sacramento Metropolitan Air Quality Management District  
 Schedule 3 – Fund Balances of Governmental Funds – Last Ten Fiscal Years  
 (modified accrual basis of accounting)  
 June 30, 2019

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

	2010	2011	2012	2013
General Fund				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	2,858,052	12,144,152	12,169,654	11,350,172
Assigned	2,407,273	320,000	320,000	320,000
Unrestricted	7,906,636	-	-	-
Total General Fund	<u>\$ 13,171,961</u>	<u>\$ 12,464,152</u>	<u>\$ 12,489,654</u>	<u>\$ 11,670,172</u>
Special Revenue Fund				
Restricted	\$ 9,064,562	\$ 9,211,835	\$ 9,267,343	\$ 8,194,251
Total Emission Technology Fund	<u>\$ 9,064,562</u>	<u>\$ 9,211,835</u>	<u>\$ 9,267,343</u>	<u>\$ 8,194,251</u>

Notes:

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

Source: CAFR Balance Sheet - Governmental Funds

Sacramento Metropolitan Air Quality Management District  
 Schedule 3 – Fund Balances of Governmental Funds – Last Ten Fiscal Years  
 (modified accrual basis of accounting)  
 June 30, 2019

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2014	2015 (a)	2016	2017	2018	2019
\$ -	\$ 155,110	\$ 171,675	\$ 190,202	\$ 402,380	\$ 152,580
10,998,388	10,287,274	8,796,696	8,061,391	7,811,623	9,572,931
320,000	320,000	320,000	320,000	320,000	2,607,673
792,734	1,395,878	1,798,521	1,737,137	2,043,980	
<u>\$ 12,111,122</u>	<u>\$ 12,158,262</u>	<u>\$ 11,086,892</u>	<u>\$ 10,308,730</u>	<u>\$ 10,577,983</u>	<u>\$ 12,333,184</u>
\$ 8,277,548	\$ 9,549,952	\$ 15,185,241	\$ 14,623,422	\$ 22,438,751	\$ 26,130,091
<u>\$ 8,277,548</u>	<u>\$ 9,549,952</u>	<u>\$ 15,185,241</u>	<u>\$ 14,623,422</u>	<u>\$ 22,438,751</u>	<u>\$ 26,130,091</u>

Sacramento Metropolitan Air Quality Management District  
 Schedule 4 – Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years  
 (modified accrual basis of accounting)  
 June 30, 2019

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

	2010	2011	2012	2013
<b>REVENUES</b>				
Taxes	\$ 8,025,308	\$ 7,451,650	\$ 8,071,327	\$ 7,929,307
Intergovernmental	16,058,522	11,162,826	34,081,710	25,879,092
Licenses/Permits	6,705,683	6,479,071	6,180,051	6,015,064
Use of Money/Property	268,262	230,368	204,424	193,112
Total Revenue	<u>\$ 31,057,775</u>	<u>\$ 25,323,915</u>	<u>\$ 48,537,512</u>	<u>\$ 40,016,575</u>
<b>EXPENDITURES</b>				
Current:				
Stationary Sources	\$ 6,114,436	\$ 5,822,646	\$ 5,843,577	\$ 5,758,644
Mobile Source	13,088,034	12,207,527	34,704,891	28,394,103
Program coordination	4,334,342	4,285,664	3,959,488	3,780,971
Strategic Planning	4,041,810	3,547,825	3,643,128	3,684,435
Capital Outlay	18,498	20,789	305,418	290,995
Total Expenditures	<u>\$ 27,597,120</u>	<u>\$ 25,884,451</u>	<u>\$ 48,456,502</u>	<u>\$ 41,909,148</u>
Excess (Deficiency) of Revenue over Expenditures	\$ 3,460,655	\$ (560,536)	\$ 81,010	\$ (1,892,573)
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	-	-	-	-
Net change in fund balances	<u>\$ 3,460,655</u>	<u>\$ (560,536)</u>	<u>\$ 81,010</u>	<u>\$ (1,892,573)</u>

Note: For FY 19 activity categories were redefined so this page includes the nine-year period ending 6/30/18.

Source: CAFR Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

Sacramento Metropolitan Air Quality Management District  
 Schedule 4 – Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years  
 (modified accrual basis of accounting)  
 June 30, 2019

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	2014	2015	2016	2017	2018
\$	8,334,914	\$ 8,533,576	\$ 8,990,702	\$ 9,141,145	\$ 9,185,904
	10,507,331	14,342,930	15,445,047	9,232,418	13,718,592
	6,741,800	7,416,470	7,646,441	8,001,079	8,395,134
	18,965	60,372	(31,188)	226,170	1,004,824
<u>\$</u>	<u>25,603,010</u>	<u>\$ 30,353,348</u>	<u>\$ 32,051,002</u>	<u>\$ 26,600,812</u>	<u>\$ 32,304,454</u>
\$	5,741,059	\$ 6,016,226	\$ 6,501,339	\$ 6,799,202	\$ 6,725,548
	11,475,645	14,932,141	11,367,756	11,916,194	8,048,476
	3,832,332	3,943,621	4,571,752	4,734,782	4,384,116
	3,770,076	3,918,802	4,517,235	4,168,340	4,861,221
	259,652	239,283	529,002	322,275	200,510
<u>\$</u>	<u>25,078,764</u>	<u>\$ 29,050,073</u>	<u>\$ 27,487,084</u>	<u>\$ 27,940,793</u>	<u>\$ 24,219,871</u>
\$	524,246	\$ 1,303,275	\$ 4,563,918	\$ (1,339,981)	\$ 8,084,583
	-	16,270	-	-	-
<u>\$</u>	<u>524,246</u>	<u>\$ 1,319,545</u>	<u>\$ 4,563,918</u>	<u>\$ (1,339,981)</u>	<u>\$ 8,084,583</u>

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

**REVENUES**

Taxes	\$ 1,940,485
Intergovernmental	27,729,654
Licenses/Permits	8,109,883
Use of Money/Property	1,340,591
Total Revenue	<u>\$ 39,120,613</u>

**EXPENDITURES**

Current:	
Business Compliance	\$ 6,771,994
Air Monitoring	3,545,919
Sustainable Land Use	2,347,083
Clean Transportation and Mobility Innovation	18,826,749
Community Health Protection	2,067,758
Capital Outlay	114,569
Total Expenditures	<u>\$ 33,674,072</u>

Net change in fund balances	<u>\$ 5,446,541</u>
-----------------------------	---------------------

Note: For FY 19 activity categories were redefined so this page includes the only the current period ending 6/30/19. See previous page for additional nine year historical trend.

Source: CAFR Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

Sacramento Metropolitan Air Quality Management District  
 Schedule 5 – General Government Expenditures by Major Object – Last Ten Fiscal Years  
 (budgetary basis)  
 June 30, 2019

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

Fiscal Year	Salaries & Benefits	Services & Supplies	Equipment/Fixed Assets	Interfund Charges	Contingency	Total
09-10	\$ 12,199,760	\$ 8,128,192	\$ 38,000	\$ 3,851,831	\$ -	\$ 24,217,783
10-11	11,584,777	6,425,969	43,500	1,407,642	-	19,461,888
11-12	11,946,558	6,619,728	317,000	704,652	-	19,587,938
12-13	11,997,789	5,552,842	397,000	679,789	-	18,627,420
13-14	12,472,301	5,132,405	180,532	806,871	-	18,592,109
14-15	13,018,613	5,670,628	564,532	1,071,655	-	20,325,428
15-16	13,396,624	6,807,818	768,332	806,573	-	21,779,347
16-17	13,898,555	6,520,859	1,747,000	806,573	-	22,972,987
17-18	14,969,998	5,687,169	881,800	806,573	-	22,345,540
18-19	15,811,786	6,728,496	1,164,200	(1,947,586)	-	21,756,896

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

Source: Approved budget General Fund 100- Revenues and Expenditures

Sacramento Metropolitan Air Quality Management District  
 Schedule 6 – General Government Expenditures by Function – Last Ten Fiscal Years  
 June 30, 2019

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

Fiscal Year	Salaries & Benefits	Services & Supplies	Payments to Governments	Interfund Charges	Capital Outlay	Total
09-10	\$ 11,619,250	\$ 16,383,724	\$ -	\$ (424,353)	\$ 18,498	\$ 27,597,119
10-11	11,456,352	14,506,789	-	783,157	20,789	26,767,087
11-12	11,527,097	36,623,987	-	-	305,418	48,456,502
12-13	11,817,905	29,800,249	-	-	290,995	41,909,149
13-14	12,011,320	12,807,792	-	-	259,652	25,078,764
14-15	12,112,938	16,697,852	-	-	239,283	29,050,073
15-16	12,959,077	13,999,009	-	-	529,002	27,487,088
16-17	13,898,555	6,520,859	-	-	1,747,000	22,166,414
17-18	13,660,805	5,236,263	-	-	200,510	19,097,578
18-19	13,619,667	4,836,842	-	(1,513,730)	114,569	17,057,348

Source: CAFR Budgetary Schedules at Legal Level of Budgetary Control - General Fund

Sacramento Metropolitan Air Quality Management District  
 Schedule 7 – General Government Revenues by Source – Last Ten Fiscal Years  
 June 30, 2019

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

Fiscal Year	Taxes (a)	Intergovernmental	Licenses/ Permits	Use of Money & Property	Other	Total
08-09	\$ 9,471,327	\$ 13,564,665	\$ 8,371,169	\$ 515,419	\$ -	\$ 31,922,580
09-10	5,810,923	3,653,527	6,705,683	116,135	-	16,286,268
10-11	5,498,449	3,998,568	6,479,071	59,403	-	16,035,491
11-12	5,940,636	4,289,423	6,180,051	44,337	-	16,454,447
12-13	5,862,442	3,637,602	6,015,064	64,380	-	15,579,488
13-14	6,095,314	4,082,326	6,741,800	9,934	-	16,929,374
14-15	6,283,412	3,516,824	7,416,470	25,241	-	17,241,947
15-16	6,609,429	3,739,523	7,779,365	5,438	-	18,133,755
16-17	6,764,376	3,437,689	8,001,079	81,700	-	18,284,844
17-18	6,859,462	3,336,946	9,016,456	153,968	-	19,366,832
18-19	1,940,485	8,238,416	8,281,069	257,341	95,238	18,812,549

Notes:

(a) Prior to FY 19, the DMV surcharge was included in the taxes revenue category. Starting in FY 19, the DMV surcharge is more appropriately classified as Intergovernmental revenue

Source: CAFR Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.

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

<u>Year</u>	<u>Active Permits (a)</u>	<u>Actual Revenue (a)</u>
2010	4,242	\$ 3,501,857
2011	4,238	4,366,411
2012	4,247	4,224,561
2013	4,269	4,419,326
2014	4,331	4,754,372
2015	4,346	4,767,562
2016	4,344	5,136,508
2017	4,397	5,519,271
2018	4,411	6,185,455
2019	4,461	6,606,227

Notes:

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

Source: Sacramento Metropolitan Air Quality Management District

**SCHEDULE 9 – Demographic Information – Last Ten Years**

Year	County Population (January 1)	County Total Personal Income	County Per Capita Income	County Unemployment Rate
2010	1,400,949	53,559,681	38,231	12.60%
2011	1,422,316	53,612,730	37,700	12.10%
2012	1,436,262	54,861,602	38,202	10.50%
2013	1,448,053	61,370,761	42,382	8.90%
2014	1,462,131	63,512,541	43,438	7.30%
2015	1,514,460	65,391,250	44,139	6.00%
2016	1,501,335	69,870,482	46,539	5.40%
2017	1,514,460	73,922,295	48,850	4.70%
2018	1,520,685	76,832,120	50,197	3.80%
2019	(1)	(1)	(1)	3.60%

(1) Not yet available

Sources:

[www.labormarketinfo.edd.ca.gov](http://www.labormarketinfo.edd.ca.gov)

County Population

County Total Personal Income

County Per Capita Income

County Unemployment Rate

Labor Market by Subject

Measures of Income

Measures of Income

Measures of Income

Unemployment Rate and Labor Force Data

Search Tool

**SCHEDULE 10 – DMV Registrations – Last Ten Years**

<u>Year</u>	<u>Vehicles Registered (As of December 31)</u>
2010	1,157,341
2011	1,141,979
2012	1,142,212
2013	1,179,656
2014	1,208,025
2015	1,274,248
2016	1,313,152
2017	1,300,939
2018	1,317,994
2019	(1)

(1) Not yet available

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

Employer	2009			2019		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Private Industry	620,400	1	71.2%	779,800	1	75.6%
State Government	113,500	3	13.0%	125,000	2	12.1%
Local Government	114,000	2	13.1%	101,900	3	9.9%
Federal Government	13,200	4	1.5%	14,300	4	1.4%
Farm	9,700	5	1.1%	10,400	5	1.0%
Total All Industries	<u>870,800</u>		<u>100%</u>	<u>1,031,400</u>		<u>100%</u>

Employment by Industry Data  
 Geographical Areas-Sacramento MSA

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

Sacramento Metropolitan Air Quality Management District  
 Schedule 12 – District Staff Position List – Last Ten Fiscal Years  
 June 30, 2019

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

Classification	Full-Time Equivalent Employees as of June 30			
	2010	2011	2012	2013
Accountant I/II	1.0	1.0	-	-
Administrative Assistant I/II	2.0	2.0	2.0	2.0
Administrative/Legal Analyst	1.0	-	-	-
Administrative Specialist I/II	-	-	-	-
Administrative Supervisor/Clerk of the Board	-	-	-	-
Air Pollution Control Officer /Executive Director	1.0	1.0	1.0	1.0
Air Quality Engineer	21.5	21.5	20.5	19.5
Air Quality Engineer/Specialist/Planner	-	-	-	-
Air Quality Instrument Specialist I/II	3.0	3.0	3.0	3.0
Air Quality Planner/Analyst	12.0	11.0	10.0	10.0
Air Quality Specialist	20.6	18.6	18.6	18.6
Assistant Air Pollution Control Officer	-	-	-	-
Communications & Marketing Specialist	2.9	1.9	1.9	1.9
Clerical Services Supervisor	1.0	1.0	1.0	1.0
District Accountant/Controller	1.0	1.0	1.0	1.0
District Counsel	1.0	1.0	1.0	1.0
Division Manager	4.0	4.0	3.0	3.0
Executive Assistant/Clerk to the Board	1.0	1.0	1.0	1.0
Financial Analyst	-	-	1.0	1.0
Fiscal Assistant I/II	1.0	1.0	1.0	1.0
Human Resource Assistant I/II	2.0	2.0	2.0	2.0
Human Resources Officer	1.0	1.0	1.0	1.0
Human Resource Technician I/II	-	-	-	-
Information Systems Administrator	1.0	1.0	1.0	1.0
Information Systems Analyst	2.0	2.0	2.0	2.0
Information Systems Manager	-	-	-	-
Legal Assistant I/II	1.0	1.0	1.0	1.0
Office Assistant I/II	3.0	3.0	2.0	2.0
Program Coordinator	13.0	13.0	12.0	12.0
Program Manager	-	-	-	-
Program Supervisor	5.0	5.0	5.0	5.0
Senior Accountant	1.0	1.0	1.0	1.0
Statistician	1.0	1.0	1.0	1.0
<b>Subtotal Funded Positions</b>	<b>104.0</b>	<b>99.0</b>	<b>94.0</b>	<b>93.0</b>
Administrative/Legal Analyst	-	1.0	1.0	1.0
Air Quality Engineer	-	-	1.0	2.0
Air Quality Planner/Analyst	-	-	1.0	1.0
Air Quality Specialist	1.0	2.0	2.0	2.0
Division Manager	-	-	1.0	1.0
Human Resource Technician I/II	-	-	-	-
Office Assistant I/II	-	-	1.0	1.0
Program Coordinator	-	-	1.0	1.0
Program Supervisor	-	-	-	-
<b>Subtotal Unfunded Positions</b>	<b>1.0</b>	<b>3.0</b>	<b>8.0</b>	<b>9.0</b>
<b>Total Funded + Unfunded Positions</b>	<b>105.0</b>	<b>102.0</b>	<b>102.0</b>	<b>102.0</b>

Source: Approved/Amended Budget

Sacramento Metropolitan Air Quality Management District  
 Schedule 12 – District Staff Position List – Last Ten Fiscal Years  
 June 30, 2019

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Full-Time Equivalent Employees as of June 30					
2014	2015	2016	2017	2018	2019
-	-	-	-	-	-
2.0	2.0	2.0	2.0	-	-
-	-	-	-	-	-
-	-	-	-	2.0	2.0
-	-	-	-	1.0	1.0
1.0	1.0	1.0	1.0	1.0	1.0
19.5	19.5	20.5	20.5	20.5	19.5
-	-	-	-	-	5.5
3.0	3.0	3.0	3.0	3.0	3.0
10.0	10.0	11.0	11.0	10.0	10.0
18.6	18.6	18.6	18.6	19.6	18.6
-	-	-	1.0	1.0	-
1.9	1.9	1.9	1.9	1.9	1.9
1.0	1.0	1.0	1.0	-	-
1.0	1.0	1.0	1.0	1.0	1.0
1.0	1.0	1.0	1.0	1.0	1.0
3.0	4.0	4.0	4.0	4.0	4.0
1.0	1.0	1.0	1.0	-	-
1.0	1.0	1.0	1.0	1.0	1.0
1.0	1.0	1.0	1.0	1.0	1.0
2.0	2.0	2.0	2.0	-	-
1.0	1.0	1.0	1.0	1.0	1.0
-	-	-	-	2.0	1.0
1.0	1.0	1.0	-	-	-
2.0	2.0	2.0	2.0	3.0	3.0
-	-	-	1.0	1.0	1.0
1.0	1.0	1.0	1.0	1.0	1.0
2.0	2.0	2.0	2.0	3.0	3.0
12.0	12.0	12.0	12.0	-	-
-	-	-	-	5.0	5.0
5.0	5.0	5.0	5.0	12.0	12.0
1.0	1.0	1.0	1.0	1.0	1.0
1.0	1.0	1.0	1.0	1.0	1.0
93.0	94.0	96.0	97.0	98.0	99.5
1.0	1.0	1.0	1.0	1.0	-
2.0	2.0	1.0	1.0	1.0	1.0
1.0	1.0	-	-	1.0	-
2.0	2.0	2.0	1.0	1.0	1.0
1.0	-	-	-	-	-
-	-	-	-	-	1.0
1.0	1.0	1.0	1.0	-	-
1.0	1.0	1.0	-	-	-
-	-	-	1.0	1.0	-
9.0	8.0	6.0	5.0	5.0	3.0
102.0	102.0	102.0	102.0	103.0	102.5

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

<u>Fiscal Year</u>	<u>Certificate of Participation</u>	<u>Bond Premium</u>	<u>Total Primary Government</u>	<u>Total Debt as a Percentage of Sacramento County Personal Income (1)</u>	<u>Total Debt Per Capita for Sacramento County (1)</u>
2010	\$ 4,620,000	\$ 40,235	\$ 4,660,235	9%	3.33
2011	4,445,000	37,941	4,482,941	8%	3.15
2012	4,350,000	70,747	4,420,747	8%	3.08
2013	4,350,000	65,840	4,415,840	7%	3.05
2014	4,250,000	60,933	4,310,933	7%	2.95
2015	3,980,000	56,026	4,036,026	6%	2.66
2016	3,705,000	51,118	3,756,118	5%	2.50
2017	3,420,000	46,210	3,466,210	5%	2.29
2018	3,125,000	41,305	3,166,305	4%	2.08
2019	2,820,000	36,396	2,856,396	(2)	(2)

(1) See Schedule 9 (Demographic Information- Last Ten Years) for personal income and population data  
 (2) Not yet available

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

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Monitoring Air Quality										
Number of air monitoring stations	9	10	10	10	11	11	11	9	9	8
Number of air monitoring instruments installed in the air monitoring stations to measure air quality	76	76	75	77	89	89	88	82	82	75
Vehicles	-	-	-	19	19	19	23	23	23	23

## SINGLE AUDIT 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 *Government Auditing Standards***

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sacramento Metropolitan Air Quality Management District (District) as of and for the year then ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 17, 2020. Our report includes an emphasis of matter related to prior period adjustments for a change in accounting principle and to correct errors reported in the prior year financial statements.

**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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2019-001 through 2019-003 that we consider to be significant deficiencies.

**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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards* and which are described in the accompanying schedules of findings and questioned costs as items 2019-004.

**The District's Responses to Findings**

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs and separate corrective action plan. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

**Purpose of this Report**

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

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

Sacramento, California

March 17, 2020



## **Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by Uniform Guidance**

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

### **Report on Compliance for Each Major Federal Program**

We have audited the Sacramento Metropolitan Air Quality Management District's (District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

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

### **Auditor's Responsibility**

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

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

### **Opinion on Each Major Federal Program**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2019-005 and 2019-006. Our opinion on each major federal program is not modified with respect to these matters.

The District's responses to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and separate corrective action plan. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

#### **Report on Internal Control over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2019-005 and 2019-006 that we consider to be significant deficiencies.

The District's responses to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and separate corrective action plan. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

  
Sacramento, California  
March 17, 2020

**Schedule of Expenditures of Federal Awards**

Federal Grantor Pass-through Grantor <u>Program Title or Cluster</u>	<u>Federal CFDA Number</u>	<u>District/Pass-through Grant Identifying Number</u>	<u>Federal Award Expenditures</u>
<b><u>U.S Environmental Protection Agency</u></b>			
Direct Programs			
Air Pollution Control Program Support: 10/01/2017 - 9/30/2018	66.001	A 00903118	\$ 239,266
Air Pollution Control Program Support: 10/01/2018 - 9/30/2019	66.001	A 00903119	983,676
Total CFDA 66.001			<u>1,222,942</u>
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act: 04/01/2017 - 03/31/2019	66.034	PM 00T61201	28,840
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act: 04/01/2019 - 03/31/2020	66.034	PM 00T61201	34,674
Total CFDA 66.034			<u>63,514</u>
Total U.S Environmental Protection Agency			<u>1,286,456</u>
<b><u>U.S Department of Transportation</u></b>			
Passed through State of California Department of Transportation			
Highway Planning and Construction Cluster:			
Highway Planning and Construction: Spare The Air Year 12	20.205	CML - 6236 (017)	361,040
Highway Planning and Construction: Spare The Air Year 13	20.205	CML - 6236 (018)	76,182
Highway Planning and Construction: SECAT Phase III	20.205	CML - 6236 (016)	1,524,565
Total Highway Planning and Construction Cluster			<u>1,961,787</u>
Total U.S Department of Transportation			<u>1,961,787</u>
Total Expenditures of Federal Awards			<u>\$ 3,248,243</u>

## Notes to the Schedule of Expenditures of Federal Awards

### 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 3. INDIRECT COST RATE

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

### 4. PASS-THROUGH ENTITIES' IDENTIFYING NUMBER

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

# FINDINGS AND QUESTIONED COSTS SECTION

## Schedule of Findings and Questioned Costs

### I. SUMMARY OF AUDITOR'S RESULTS

#### FINANCIAL STATEMENTS

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP:

Internal control over financial reporting:

Material weakness(es) identified?

Significant deficiencies identified?

Noncompliance material to financial statements noted?

Unmodified

No

Yes

No

#### FEDERAL AWARDS

Internal control over major federal programs:

Material weakness(es) identified?

Significant deficiency(ies) identified not considered to be material weaknesses?

Type of auditor's report issued on compliance for major federal programs:

No

Yes

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

Yes

Identification of major federal programs:

CFDA Number

Name of Federal Program or Cluster

66.001

Air Pollution Control Program Support

Dollar threshold used to distinguish between Type A and Type B programs:  
 Auditee qualified as low-risk auditee?

\$ 750,000

Yes

## Schedule of Audit Findings and Questioned Costs

### II. FINANCIAL STATEMENT FINDINGS

#### FINDING 2019-001

##### CAPITAL ASSET RECONCILIATIONS

**Criteria:**

Generally accepted accounting principles (GAAP) requires that capital assets be capitalized and depreciated over their estimated useful lives. The term capital assets includes land, improvements to land, construction in process, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Depreciation should be reported in the statement of revenues, expenses, and changes in fund net position. In addition, when capital assets are sold, retired or disposed of, the capital asset book value and related accumulated depreciation should be removed from the accounting system, and any resulting gain or loss should be recorded. It is the responsibility of District to design, implement and maintain internal controls to ensure that capital assets are being properly tracked and reconciled to ensure accurate financial reporting.

**Condition:**

*Significant Deficiency* - We noted that the District maintains excel based workbooks (“capital asset sub-ledgers”) to track capital assets. The sub-ledgers include detailed listings of capital assets that are placed in service, including the description of the asset, date of purchase, department, useful life, annual deprecation, net book value, and other identifying information. Annually, the District’s finance department sends an email to each department inquiring if there have been any disposals or changes to capital assets during the fiscal year. However, the email does not contain an inventory listing and does not require a response from each department. It was also noted that the District does not have policies and procedures in place to conduct formal inventories of District owned capital assets.

**Cause:**

The District’s current procedures to reconcile the capital asset sub-ledger are not properly designed.

**Effect:**

Without proper policies and procedures to reconcile capital asset balances on an annual basis, there exists a risk that capital assets may not be accurately reflected in the District’s financial statements.

**Recommendation:**

We recommend that the District provide the capital asset subledger to departments on at least an annual basis to verify that the listing is accurate and to identify assets that have been disposed, are no longer in use, or asset impairments. As part of this process, the District should also confirm and reconcile all assets in use at the departments to ensure it is accurately reflected in the capital assets subledgers and financial statements. We also recommend that the District initiate a process to perform formal periodic and documented inventories of its capital assets.

## II. FINANCIAL STATEMENT FINDINGS (CONTINUED)

### Views of Responsible Officials and Planned Corrective Action:

#### *Management's Response:*

The District concurs with the recommendation.

#### *Views of Responsible Officials and Corrective Action:*

The District will formally document the policies and procedures to improve the process surrounding the fixed asset inventory.

The District procedures will ensure that departments verify the status of assets on an annual basis and that a periodic physical inventory is conducted, properly documented and the results reconciled on a timely basis.

*Name of Department Contact:* Patty Kepner, District Controller

*Target Corrective Action Completion Date:* On or before September 30, 2020

See separate corrective action plan.

### **FINDING 2019-002**

#### **TIMELY BANK RECONCILIATIONS**

##### **Criteria:**

Timely bank reconciliations help to create stronger internal control, whereby accountability over cash assets is greatly enhanced. Bank reconciliations also help to safeguard cash by detecting errors on the part of the bank and/or the District when recording activities in accounts.

##### **Condition Found:**

*Significant deficiency* - As a result of our testwork over the District's bank reconciliations during the interim phase of the audit, we noted the District was not performing bank reconciliations in a timely manner. The bank reconciliations also included unreconciled amounts and did not have documented secondary approval. The District has subsequently completed all monthly reconciliations for fiscal year 2019 as of the final phase of the audit.

##### **Effect:**

The lack of timely bank reconciliations could cause errors or theft to go undetected for longer periods of time. Accurate records will keep District staff more informed and ensuring accuracy and accountability for all transactions.

##### **Cause:**

The District did not perform reconciliations on a timely basis.

## II. FINANCIAL STATEMENT FINDINGS (CONTINUED)

### View of Responsible Officials and Planned Corrective Action:

#### Recommendation:

We recommend the District implement procedures to ensure bank reconciliations are performed and approved timely and on a monthly basis.

#### Management's Response:

The District concurs with the findings.

#### Views of Responsible Officials and Corrective Action:

During FY 19-20, the bank reconciliation process was delayed for a short period of time due to extenuating circumstances. All bank reconciliations were completed for that year without any exceptions before the year end audit field work.

The District will formally document its policy and procedures around bank reconciliations and ensure that they are performed on a monthly and timely basis going forward.

Name of Department Contact: Patty Kepner, District Controller

Target Corrective Action Completion Date: On or before September 30, 2020

See separate corrective action plan.

### **FINDING 2019-003**

#### Financial Reporting

##### Criteria:

Management is responsible for the preparation and fair presentation of the financial statements. The District should design and implement internal controls over the financial reporting process to ensure that the final trial balance figures are subject to sufficient review so that balances are presented in accordance with generally accepted accounting principles (GAAP).

##### Condition:

*Significant Deficiency* - As a result of our audit procedures over financial statement account balances, audit adjustments were proposed to adjust or reclassify the year-end account balances to reflect GAAP. For instance:

- Adjustments were made to defer revenue recognition in the governmental funds and record unavailable revenue in accordance with the District's period of availability.
- Adjustments were made to correct the balance of deferred outflows and inflows related to the District's other post-employment plan (OPEB) and pension plan. This resulted in a prior period adjustment/restatement of prior year balances.

##### Context:

The above condition was identified during our audit procedures over the District's year-end account balances.

## II. FINANCIAL STATEMENT FINDINGS (CONTINUED)

### **Cause:**

Management's policies and procedures did not detect misstatements in the financial statements.

### **Effect:**

The result of the conditions above resulted in a current and prior period adjustments to the financial statements. The impacts of not ensuring that the trial balances are complete and accurate will likely result in potential material misstatements and errors that may need to be corrected through the audit process.

### **Recommendation:**

We recommend the District ensure that the financial records are complete and accurate prior to the audit process and contain all necessary adjustments, reclassifications, and related necessary closing entries.

### **View of Responsible Officials and Planned Corrective Action:**

#### *Management's Response:*

The District agrees with this recommendation.

#### *Views of Responsible Officials and Corrective Action:*

Going forward, the District will establish a written procedure and checklist to determine that all known audit adjustments are properly recorded at year end. All items identified during the FY 18-19 audit will be included in the process.

*Name of Department Contact:* Patty Kepner, District Controller

*Target Corrective Action Completion Date:* On or before June 30, 2020

See separate corrective action plan.

## **FINDING 2019-004**

### **Long-Term Debt Continuing Disclosure**

#### **Criteria**

Per the District's Series 2012 Certificates of Participation continuing disclosure agreement (CDA), the District has an obligation to meet specific continuing disclosures. The District's Annual Report and notices of material events must be filed by the District with the Municipal Securities Rulemaking Board (the "MSRB"). The District has covenanted to provide this information to the MSRB within nine months after the District's fiscal year end.

#### **Condition**

*Instance of Noncompliance* - It was noted per review of the MSRB site that the District had not filed the annual report as required per the CDA for fiscal year 2017 and 2018. The District has made immediate corrective action and all filings are now available on the MSRB site.

## II. FINANCIAL STATEMENT FINDINGS (CONTINUED)

### **Context**

The above condition was identified during our audit procedures over the District's debt covenants.

### **Cause**

The District did not have procedures in place to ensure that the continuing disclosure filings are met on an on-going basis.

### **Effect**

By not filing the required reports to the MSRB within the required timelines stipulated in the CDA, the District is not in compliance with the continuing disclosure requirements.

### **Recommendation**

We recommend that the District implement procedures to ensure that current compliance with existing continuing disclosure requirements is met.

### **View of Responsible Officials and Planned Corrective Action:**

#### *Management's Response:*

The District concurs with this finding.

#### *Views of Responsible Officials and Corrective Action:*

The District's CDA calls for its trustee to submit the District's annual financial report to the MSRB website. The District will document the disclosure process and ensure that its Trustee has properly filed the annual financial statements on the MSRB site by the stated deadline. These procedures will be reviewed annually with the Trustee, and the District will validate that the report is filed on a timely basis as part of the year end audit checklist.

*Name of Department Contact:* Patty Kepner, District Controller

*Target Corrective Action Completion Date:* On or before June 30, 2020

See separate corrective action plan.

## Schedule of Findings and Questioned Costs

### III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

#### **FINDING 2019-005**

**Program:** Air Pollution Control Program Support

**CFDA No.:** 66.001

**Federal Agency:** U.S Environmental Protection Agency

**Award Year:** 2019

**Compliance Requirement:** Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management

**Criteria:**

Title 2 CFR Section 200.302(b)(6-7) of the Uniform Guidance requires recipients of federal funds to prepare written procedures related to cash management and cost allowability, along with appropriate financial management systems and internal controls over federal awards to safeguard federal funds.

**Condition Found:**

*Significant Deficiency, Instances of Non-Compliance* – As a result of our audit procedures over cash management and activities allowed or activities unallowed and allowable costs/cost principles, we noted the District has not established written procedures to implement the requirements to maintain written procedures and standards in accordance with Title 2 CFR 200.302(b)(6-7).

**Questioned Costs:**

We identified no questioned costs in our tests of compliance with this requirement.

**Effect:**

The District has not complied with the specific requirements for written procedures and standards as noted in 2 CFR 200.302(b)(6-7).

**Cause:**

The District did not ensure the required written procedures and standards were developed and implemented in accordance with 2 CFR 200.302(b)(6-7).

**Recommendation:**

We recommend that the District implement written policies and standards to comply with the requirements of 2 CFR 200.302(b)(6-7).

**Views of Responsible Officials and Planned Corrective Actions:**

*Management's Response:*

The District concurs with this finding.

*Views of Responsible Officials and Planned Corrective Action:*

The District will create written policies and standards related to cash management and allowability of costs in accordance with 2 CFR 200.302(b)(6-7).

### III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

*Name of Department Contact:* Patty Kepner, District Controller

*Target Corrective Action Completion Date:* On or before September 30, 2020

See separate corrective action plan.

#### **FINDING 2019-006**

**Program:** Air Pollution Control Program Support

**CFDA No.:** 66.001

**Federal Agency:** U.S Environmental Protection Agency

**Award Year:** 2019

**Compliance Requirement:** Equipment and Real Property Management

**Criteria:**

Title 2 CFR Section 200.313(d)(2) of the Uniform Guidance requires a physical inventory of federally acquired property must be taken and the results reconciled with the property records at least once every 2 years

**Condition Found:**

*Significant Deficiency, Instance of Non-Compliance* – As a result of our testwork, we noted the District did not conduct, or have record of, a physical inventory of equipment conducted during the past 2 years and reconciled to the property records listing and general ledger.

**Questioned Costs:**

We identified no questioned costs in our tests of compliance with this requirement.

**Effect:**

By not performing the required physical inventory of federal assets, there is a risk that the District is not maintaining accurate and current records of federal purchased assets.

**Cause:**

The District did not maintain policies and procedures to ensure that a physical inventory is being performed in accordance with Title 2 CFR Section 200.313(d)(2) of the Uniform Guidance.

**Recommendation:**

We recommend that the District implement policies and procedures to ensure that equipment and real property management procedures are performed in accordance with Uniform Guidance.

**Views of Responsible Officials and Planned Corrective Actions:**

*Management's Response:*

The District agrees with this recommendation.

**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

*Views of Responsible Officials and Planned Corrective Action:*

The District will formally document the policies and procedures to improve the process surrounding the fixed asset inventory.

The District procedures will ensure that departments verify the status of assets on an annual basis and that a periodic physical inventory is conducted, properly documented and the results reconciled on a timely basis.

*Name of Department Contact:* Patty Kepner, District Controller

*Target Corrective Action Completion Date:* On or before September 30, 2020

See separate corrective action plan.

## **Summary Schedule of Prior Audit Findings**

None reported.