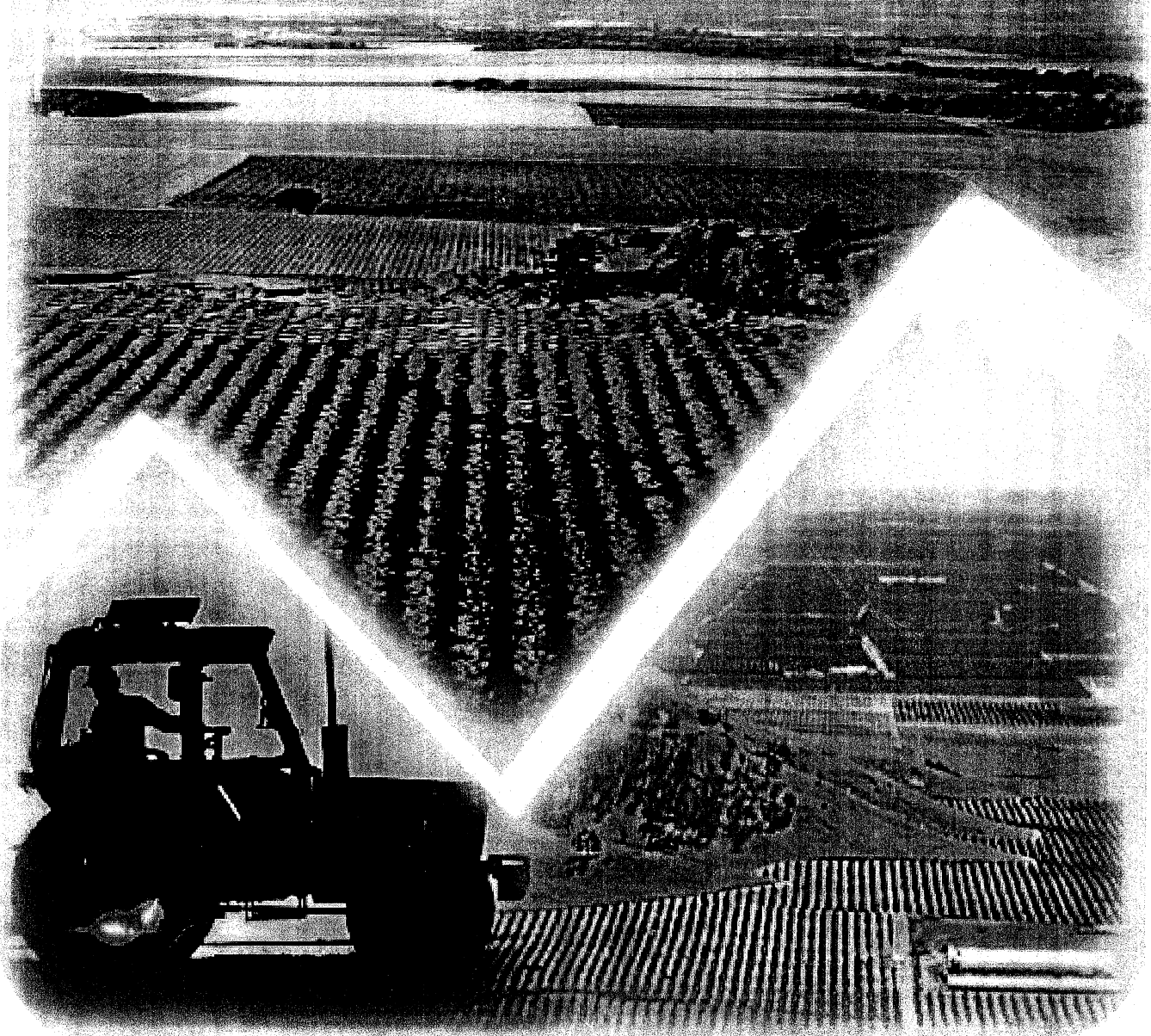


**The San Joaquin Valley Air Pollution Control District
Comprehensive Annual Financial Report
Year ended June 30, 2005**

LEADING THE WAY TO A CLEARER FUTURE



**Prepared by:
Finance Department
Fred O. Bates Jr., District Controller
Roger W. McCoy, Director of Administrative Services**

San Joaquin Valley Unified Air Pollution Control District

Comprehensive Annual Financial Report
Year Ended June 30, 2005

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Introductory Section

San Joaquin Valley Unified Air Pollution Control District

Governing Board

Thomas W. Mayfield, Chair
Supervisor, Stanislaus County

Mike Maggard, Vice Chair
Councilmember, City of Bakersfield

Sam Armentrout
Councilmember, City Of Madera

Susan B. Anderson
Supervisor, Fresno County

Michael G. Nelson
Supervisor, Merced County

Barbara Patrick
Supervisor, Kern County

Dan Prince
Councilmember, City Of Ripon

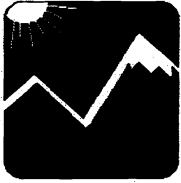
Tony Barba
Supervisor, Kings County

Jack A. Sieglock
Supervisor, San Joaquin County

Ronn Dominici
Supervisor, Madera County

J. Steven Worthley
Supervisor, Tulare County

David L. Crow
Executive Director - Air Pollution Control Officer



San Joaquin Valley Unified Air Pollution Control District

December 21, 2005

Governing Board
San Joaquin Valley Unified Air Pollution Control District

This Comprehensive Annual Financial Report (CAFR) of the San Joaquin Valley Unified Air Pollution Control District (District) is for the fiscal year ended June 30, 2005 and was prepared by the District's Finance Office. Responsibility for the accuracy of the data, the completeness and fairness of the presentation, including all disclosures, rests with the District. To the best of our knowledge and belief, the enclosed data is accurate in all material respects, reported in a manner designed to present fairly the financial position and changes in financial position and all disclosures necessary to enable the reader to gain an understanding of the District's financial activities.

This report is divided into three major sections: the Introductory Section, Financial Section and Statistical Section. The Introductory Section includes the District's organizational structure and a list of principal officials as well as this Letter of Transmittal, which provides general comments on activities of interest to the reader. The Financial Section is comprised of the Independent Auditor's Report, Management's Discussion and Analysis, the Basic Financial Statements, which include the Notes to the Basic Financial Statements, and the Budgetary Comparison Schedule for the General Fund. The Statistical Section provides important historical and trend information about the District.

ABOUT THE SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

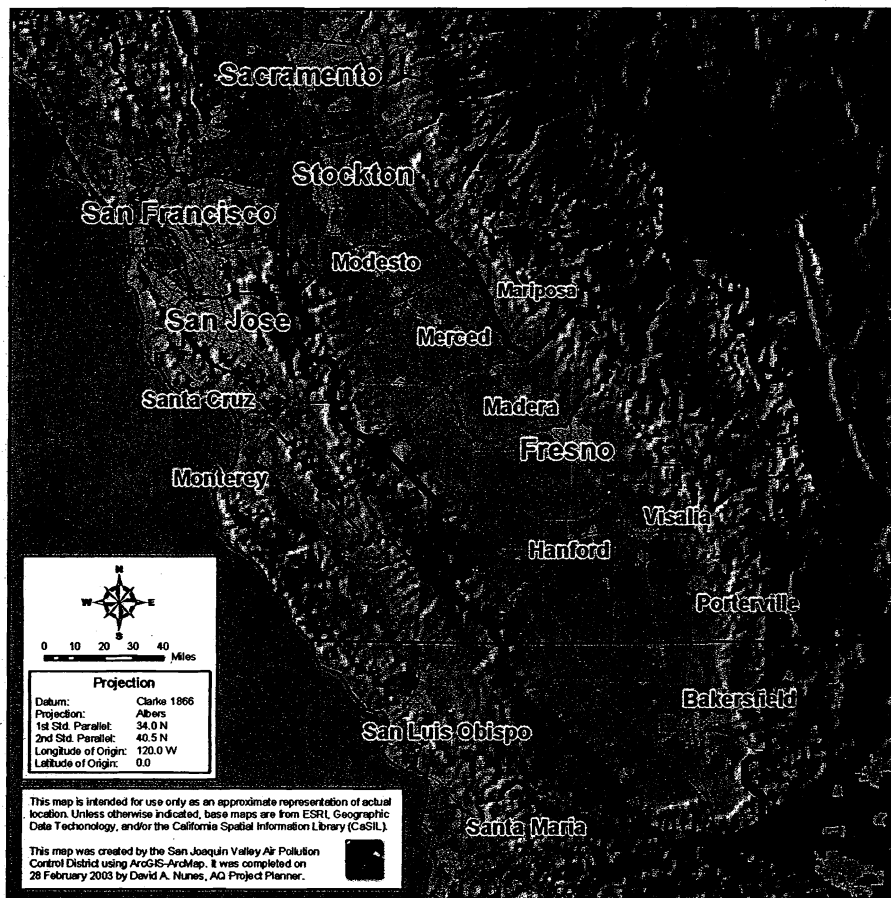
Background

The San Joaquin Valley Unified Air Pollution Control District (District) began operation on March 20, 1991 as a special district operating under the provisions of Sections 40150 through 40162 of the California Health and Safety Code. The District exists to develop and implement local programs that meet the requirements of state and federal air pollution control laws.

The District is responsible for the largest air basin in California. The San Joaquin Valley Air Basin (SJVAB) comprises eight counties (San Joaquin, Stanislaus, Merced, Madera, Fresno, Kings, Tulare, and the Valley portion of Kern), and covers about 25,000 square miles (see map next page). The San Joaquin Valley is one of California's fastest growing population areas, with a total population of

about 3.5 million residents in the year 2004. Major urban centers exist in Stockton, Modesto, Fresno and Bakersfield.

San Joaquin Valley Unified Air Pollution Control District Jurisdictional Boundaries



The District's Governing Board consists of eleven members; eight are Supervisors appointed by the Board of Supervisors of each member county, and three are city Council members selected from Valley cities by the League of California Cities. These locally elected officials, acting as policy makers, ensure that the implementation of state and federal air pollution mandates in the Valley are tailored to local conditions and responsive to local needs.

The EPA requires that the state and the District measure the ambient levels of air pollution to determine compliance with the National Ambient Air Quality Standards (NAAQS). The District and the state comply with this mandate by operating an ambient monitoring network of 29 sites located throughout the SJVAB and measure a variety of air pollutants and meteorological parameters.

This network includes numerous co-located monitors to measure the precision and accuracy of data collected from the monitoring sites.

Federal and state laws require emission control measures in areas where measured air pollution levels exceed standards. The SJVAB is one of these areas. A variety of state, federal and local agencies implement air pollution reduction programs. The federal government, primarily through the Environmental Protection Agency (EPA), sets standards for ambient air pollutant levels as well as pollutant emission rates from specific source categories, oversees state and local actions, implements programs for reducing public exposure to toxic air pollutants, and implements programs for reducing pollutant emissions from heavy-duty trucks, locomotives, ships, aircraft, off-road diesel equipment, and some types of industrial equipment. State government, through the Air Resources Board (ARB) and Bureau of Automotive Repair, sets more stringent state standards, oversees local actions, conducts air monitoring, and implements programs for motor vehicle emissions, fuels, and smog checks. Local air pollution control districts, such as the District, monitor pollution levels, develop plans, implement control measures in their areas (primarily affecting stationary sources such as factories), and conduct public education and outreach efforts. Lastly, local cities and counties are responsible for implementing air-friendly community planning that promotes pedestrian traffic, commute alternatives, and cleaner transit fleets.

Due to its unique topography and meteorology, the SJVAB is especially susceptible to air pollution. The SJVAB is approximately 250 miles long, bordered on three sides by mountain ranges, and shaped like a narrow bowl. The SJVAB's conditions include frequent temperature inversions, long hot summers, and stagnant foggy winters, all of which are conducive to the formation of, and retention of, air pollutants on almost a year-round basis. Pollutants from a variety of sources including factories, refineries, farms and consumer products, as well as the approximately 94 million vehicle miles traveled daily in the SJVAB, combine with pollution transported into the SJVAB from other areas to create unique air quality challenges for its residents.

OUTLOOK FOR THE FUTURE

The District's primary mission is to improve the health and quality of life for all Valley residents through cooperative and effective air quality programs. This mission is implemented by developing air quality plans that lead to rules, regulations, incentive programs and public education programs designed to reduce emissions of regulated air pollutants and their precursors.

The District has been preparing a major plan or plan revision every calendar year since 2002, and is scheduled to continue this practice through 2008. The *2006 PM10 Plan* is due to EPA by March 31, 2006, the *8-hr Ozone Attainment Demonstration Plan* is due to EPA by June 15, 2007, and the *PM2.5 Attainment Demonstration Plan* is due to EPA by April 5, 2008. Supplementing these federal deliverables are requirements for triennial updates to the District's Air Quality Attainment Plan that is directed towards attainment of the California ambient air quality standards.

Implementation of the control strategies in the District's air quality plans involves activities by the District, ARB, EPA, and local government agencies. These activities include adoption and enforcement of new rules reducing emissions from stationary sources, heavy-duty vehicle fleets, and indirect sources; implementation of rules reducing vehicle emissions through tailpipe controls and clean fuels; implementation of incentive programs to reduce emissions from a variety of source categories; adoption of local measures to reduce emissions from transportation activities in cities and counties; and implementation of public education programs. The District and ARB will continue to work together to oversee research aimed at improving the scientific basis for many of the above activities through better understanding of emissions and of the transport and fate of those emissions in the SJVAB atmosphere.

FINANCIAL CONTROLS

Annual and Independent Audit

It is the policy of the District to have an annual audit performed by an independent certified public accounting firm appointed by the District's Governing Board. Brown Armstrong, Certified Public Accountants, conducted the independent audit of the District's financial statements for fiscal year ended June 30, 2005. The auditor's unqualified opinion on the basic financial statements is included in the Financial Section of this report.

As part of the District's annual audit engagement, the auditors review the District's internal control structure, as well as compliance with applicable laws and regulations. The results of the District's annual audit for fiscal year ended June 30, 2005, provided no instances of material weaknesses in connection with the internal control structure or significant violations of applicable laws and regulations.

As recipients of federal and state financial resources, the District is required to undergo an annual single audit. The information related to this single audit, including the Schedule of Expenditures of Federal Awards, findings and recommendations and auditor's reports on the internal control structure and

compliance with applicable laws and regulations are included in a separately issued report.

Internal Accounting Controls

Management of the District is responsible for establishing, maintaining and evaluating the District's accounting system with an emphasis on the adequacy of an internal control structure. The internal accounting controls are designed: to ensure that the assets of the government are protected against loss, theft or misuse; to ensure the reliability of adequate accounting data for the preparation of financial statements in conformity with generally accepted accounting principles and; to provide reasonable, but not absolute, assurances that these objectives are met. The concept of reasonable assurance recognizes that the costs of control should not exceed the benefits likely to be derived from it and that the evaluation of costs and benefits require estimates and judgment be made by management.

The District's internal control evaluations occur within the above framework, which ensures adequate safeguard of the District's assets and reasonable assurance of proper recording of financial transactions.

Budgetary Control

In accordance with the provisions of the State Health and Safety Code Section 40131, the District's Formation Agreement, and the District's Administrative Code, the District prepares and legally adopts a final balanced budget on or before June 30 of each fiscal year. The final adopted budget is available for review in the District's Finance Office.

Budgetary control is exercised at the object level. All amendments or transfers of appropriations between these levels are authorized by the Executive Director/APCO and must be approved by the District Governing Board. Supplemental appropriations financed by unanticipated revenues also must be approved by the Board.

Expenditures, except for fixed assets, are controlled at the object level for all program budgets within the District. Fixed assets are controlled at the sub-object level. There are no significant excess expenditures over the related appropriations in any object. Budgeted amounts are reported as amended. No individual amendments were material in relation to the original appropriations.

Encumbrances, which are commitments related to executory contracts for goods or services, are recorded for budgetary control purposes. Encumbrance accounting is utilized for budgetary control and accountability and to facilitate effective cash planning and control.

Encumbrances outstanding at year-end do not constitute expenditures or liabilities. Unencumbered appropriations lapse at year-end and encumbrances outstanding at that time are reported as reservations of fund balance for subsequent year expenditures.

The accounting principles applied in developing budgetary expenditures data differ from the amount reported on the financial statements in conformity with generally accepted accounting principles. Reconciliation of the differences is presented in the Required Supplementary Information section of this report.

OTHER INFORMATION

Cash Management

The County of Fresno provides treasury management services to the District. Cash resources of District funds are invested as part of Fresno County's common investment pool. California Statutes and the County's Investment Policy authorize investments in obligations of the U.S. Treasury, agencies and instrumentalities, medium term notes, commercial paper, bankers' acceptances, repurchase agreements and the State Treasurer's Investment Pool. The District's portfolio at June 30, 2005 is \$42,229,327.

The primary objective of the District's investment policy is to ensure money in the Treasury not required for the immediate needs of the District are prudently invested to preserve principal and provide necessary liquidity, while earning a market average rate of return.

Risk Management

The District participates in a joint powers authority, the Special District Risk Management Authority, (SDRMA) whose purpose is to develop and fund programs of excess insurance for comprehensive liability, property and employee blanket bonds for its member districts.

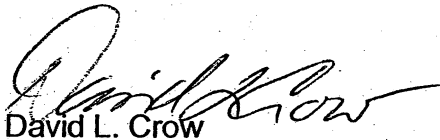
The District has coverage against claims up to a limit of \$10,000,000 for comprehensive general and auto liability and public officials liability, and up to \$400,000 for public employees blanket bond and for the replacement cost of property.

Acknowledgments

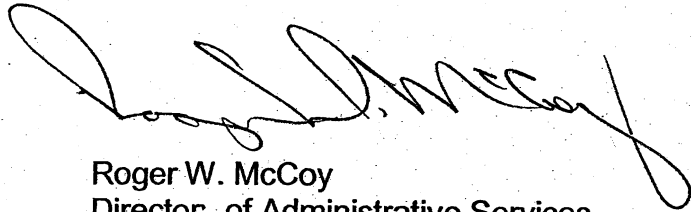
The dedicated services of the accountants and staff of the Finance Department made the preparation of our comprehensive annual financial report possible.

Recognition is also given to the Governing Board for their leadership and support and to all employees of the District who continue to push technology and improve operations to accomplish the District's mission of protecting public health from air pollution with a sensitivity to the impacts of its actions on the community and businesses.

Respectively submitted,



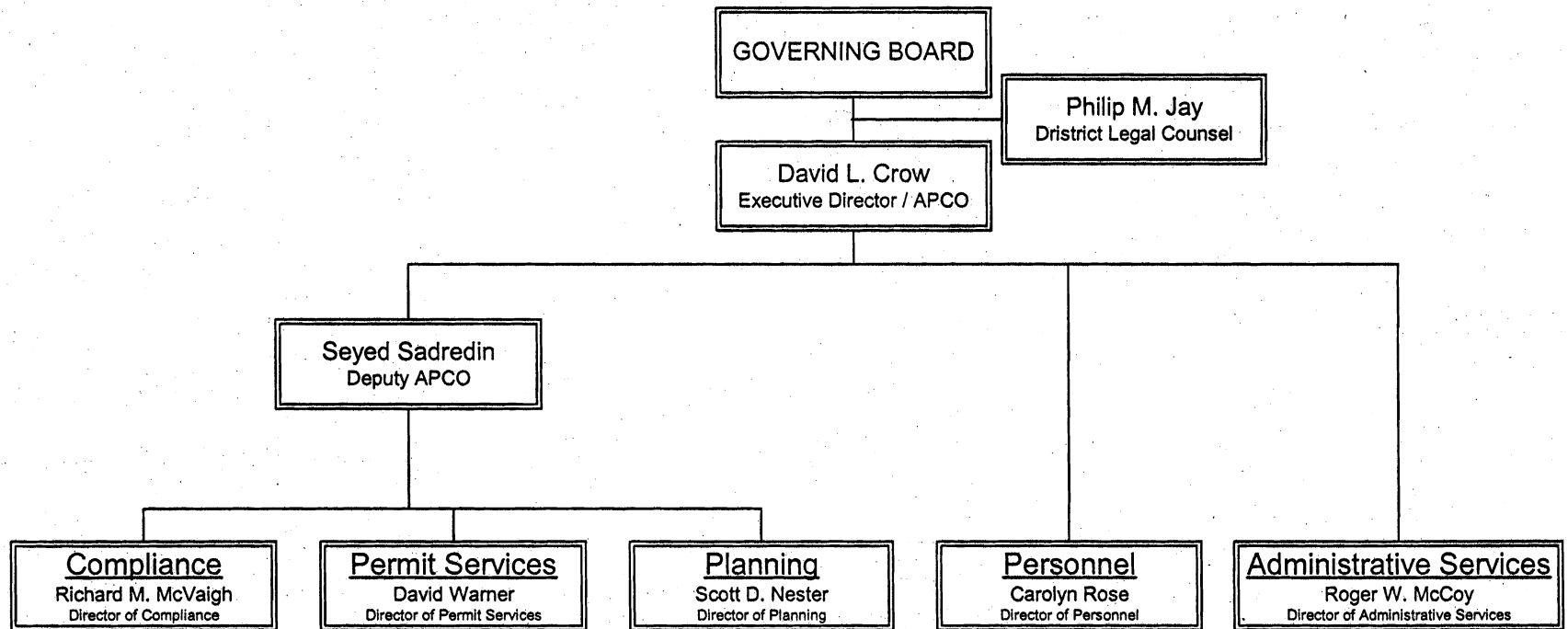
David L. Crow
Executive Director / APCO



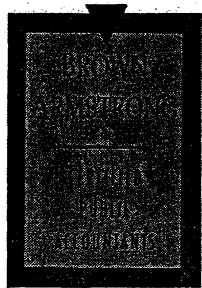
Roger W. McCoy
Director of Administrative Services

San Joaquin Valley Unified Air Pollution Control District

June 30, 2005



Financial Section



**BROWN ARMSTRONG PAULDEN
MCCOWN STARBUCK & KEETER**
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

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arvey J. McCown, CPA
teven R. Starbuck, CPA
ileen K. Keeter, CPA
hris M. Thornburgh, CPA

The Governing Board
San Joaquin Valley Unified Air Pollution Control District
Fresno, California

ric H. Xin, CPA, MBA
ynn R. Krausse, CPA, MST
radley M. Hankins, CPA
osalva Flores, CPA
onnie M. Perez, CPA
aron Jones, CPA, MST
iana Branthoover, CPA
atthew Gilligan, CPA
ominic Brown, CPA
yan Johnson, CPA

We have audited the accompanying financial statements of the government activities and the major fund/general fund of San Joaquin Valley Unified Air Pollution Control District (the "District"), as of June 30, 2005, and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities and the major fund/general fund of the District, as of June 30, 2005, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, in 2005 the District adopted the provisions of GASB Statement No. 40, Deposit and Investment Risk Disclosures, an amendment to GASB Statement No. 3.

The management's discussion and analysis and budgetary comparison information, as listed in the accompany table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America and the Governmental Accounting Standards Board. We have applied certain limited procedures, which principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2005 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK & KEETER
ACCOUNTANCY CORPORATION



Bakersfield, California
September 13, 2005

San Joaquin Valley Unified Air Pollution Control District

Management's Discussion and Analysis June 30, 2005

Our discussion and analysis of the District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2005. Please read it in conjunction with the transmittal letter and the basic financial statements.

A. Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$50,465,741 (*net assets*). Of this amount \$16,406,669 (*unrestricted net assets*) may be used to finance the District's day-to-day operations without constraints established by legal requirements.
- The District's total net assets decreased \$2,770,660 as compared to the prior fiscal year. The majority of this, \$2,528,683, was a decrease in the cash account for payments on Non-Operating Incentive Program Contracts, in which the funding for these contracts was received in prior years.
- The District's General Fund reported total fund balances of \$45,442,048 at year-end; \$11,911,061 represents the unreserved fund balance.

B. Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements have three components: 1) Government-wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Basic Financial Statements. The District's report also includes required supplementary information to the Basic Financial Statements.

In general, the purpose of financial reporting is to provide the external parties that read the financial statements with information that will help them make decisions or draw conclusions about an entity. In order to address the needs of as many parties as reasonably possible, the District, in accordance with required reporting standards, presents government-wide financial statements and fund financial statements.

Government-wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to commercial enterprises or a private-sector business. These financial statements include the Statement of Net Assets and the Statement of Activities.

The Statement of Net Assets reports all assets held and liabilities owed by the District on a full accrual basis. The difference between the two is reported as *net assets*. This difference is comparable to the total stockholders' equity presented by a commercial enterprise. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities reports the net cost of the District's activities by program and is prepared on the full accrual basis. Revenues and expenses are recognized as earned and incurred even though they may not have been received or paid in cash.

The focus of the Statement of Activities is on the cost of various program activities performed by the District. The Statement begins with a column that identifies the cost of each of the District's major programs. Another set of columns identifies the revenues that are specifically related to these activities. The difference between the expenses and the revenues related to specific program activities represents the net cost or revenue of the program activities. This determines the amount, if any, drawn from general revenues by each program activity.

The District's government-wide financial statements are presented on pages 15 to 16 of this report.

Fund Financial Statements

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole.

Governmental Fund

The fund financial statements consist of the Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance. These are prepared on the modified accrual basis of accounting. The government-wide financial statements are prepared on the full accrual basis.

In general, these fund financial statements under the modified accrual basis have a short-term emphasis and for the most part, measure and account for cash and other assets that can easily be converted to cash. Specifically, cash and receivables collectible within a very short period of time as reported on the Balance Sheet. The capital assets such as land and buildings are not reported.

Fund liabilities include amounts that are to be paid within a very short period of time after the end of the fiscal year. The long-term liabilities are not included. The difference between a fund's total assets and total liabilities represents the fund balance. The unreserved portion of the fund balance indicates the amount available to finance future activities.

The operating statement for the General Fund reports only those revenues and expenditures that were collected in cash or paid with cash during the current period or very shortly after the end of the year.

The District's Balance Sheet is presented on page 17 and Statement of Revenues, Expenditures, and Changes in Fund Balance is presented on page 19 of this report.

The focus of the fund financial statements is narrower than that of the government-wide financial statements. Since different accounting bases are used to prepare the above statements, a reconciliation is required to facilitate the comparison between the fund statements and the government-wide statements. The reconciliation between the total fund balances can be found on page 18 of this report.

The reconciliation of the total changes in fund balances for all governmental funds to the change in net assets can be found on page 20 of this report.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Basic Financial Statements can be found on pages 21 to 32 of this report.

Required Supplementary Information

In addition to the Basic Financial Statements and accompanying notes, this report also presents required supplementary information concerning the budgetary comparison schedule and budgetary reconciliation.

C. Government-wide Financial Analysis

Our analysis focuses on the net assets and the changes in net assets of the District's governmental activities.

The following schedule is a condensed Statement of Net Assets as of the year ended June 30, 2005, as compared to the prior year.

Statement of Net Assets (In Thousands)

	FY <u>2004-05</u>	FY <u>2003-04</u>	Increase (Decrease)	Percent Change
Current and Other Assets	\$46,872	\$49,920	(\$3,048)	-6.1%
Capital Assets	6,605	5,840	765	13.1%
Total Assets	<u>\$53,477</u>	<u>\$55,760</u>	<u>(\$2,283)</u>	<u>-4.1%</u>
Current Liabilities	\$1,430	\$1,092	\$338	31.0%
Noncurrent Liabilities	1,581	1,432	149	10.4%
Total Liabilities	<u>\$3,011</u>	<u>\$2,524</u>	<u>\$487</u>	<u>19.3%</u>
Net Assets:				
Invested in Capital Assets, net of related debt	\$6,605	\$5,840	\$765	13.1%
Restricted for Special Projects/Programs	27,454	31,101	(3,647)	-11.7%
Unrestricted	16,407	16,295	112	0.7%
Total Net Assets	<u>\$50,466</u>	<u>\$53,236</u>	<u>(\$2,770)</u>	<u>-5.2%</u>

The District's net assets decreased \$2,770,660 as compared to the prior fiscal year.

The District's total assets decreased \$2,284,233 as compared to the prior fiscal year. The decrease in the cash account of \$2,528,683 for payments on Non-Operating Incentive Program Contracts, in which the funding for these contracts was received in prior years, was the largest contributor to this condition.

The District's total liabilities increased \$486,427 as compared to the prior fiscal year. The combination of an increase in Accounts Payable of \$145,306, an increase in Accrued Wages Payable of \$177,192 at year-end and an increase of \$149,261 to Compensated Absences due in more than one year make-up the majority of the total increase to District liabilities.

The largest portion of the District's net assets 54.4% is restricted. These funds are restricted to expenditures for specific purposes. Unrestricted net assets account for 32.5% of the District's net assets. These funds may be used to meet the District's ongoing obligations in carrying out day-to-day operations without constraints established by legal requirements. Capital assets 13.1% reflect the District's investment in capital assets used by the District (e.g. land, buildings, equipment, and vehicles). The District uses these capital assets in carrying out its mission of protecting public health while being sensitive to the economic needs of local businesses. Consequently, these assets are not available for future spending

The following is a condensed schedule of Changes in Net Assets for the fiscal year ended June 30, 2005, as compared to the prior year.

**Changes in Net Assets
(In Thousands)**

	Fiscal Year 2004-05	Fiscal Year 2003-04	Difference	Percent Change
Revenues:				
Program Revenues:				
Fees and Charges - Stationary Sources	\$9,312	\$8,581	\$731	8.5%
Fees and Charges - Mobile Sources	11,013	10,100	913	9.0%
Operating Grants	1,997	1,940	57	2.9%
Restricted Special Revenue Sources	9,135	3,660	5,475	149.6%
General Revenues:				
State Subvention - Not Restricted	876	868	8	0.9%
Interest - Not Restricted	354	328	26	7.9%
Penalties/Settlements	3,239	3,306	(67)	-2.0%
Miscellaneous Revenue	243	141	102	72.3%
	<u>\$36,169</u>	<u>\$28,924</u>	<u>\$7,245</u>	<u>25.0%</u>
Current Expenses:				
Permitting	\$9,005	\$7,787	\$1,218	15.6%
Enforcement	7,376	7,076	300	4.2%
Agricultural Burning	1,286	1,422	(136)	-9.6%
Plan & Rule Development	2,472	2,109	363	17.2%
Mobile Sources	1,052	882	170	19.3%
Public Education	1,552	1,284	268	20.9%
Air Quality Analysis	996	885	111	12.5%
Air Monitoring	1,126	1,442	(316)	-21.9%
Non-Operating Incentive Programs	14,075	10,535	3,540	33.6%
Total Expenses	<u>\$38,940</u>	<u>\$33,422</u>	<u>\$5,518</u>	<u>16.5%</u>
Increase/(Decrease) - Changes in Net Assets	<u>(\$2,771)</u>	<u>(\$4,498)</u>	<u>\$1,727</u>	<u>-38.4%</u>

The major factor in the approximate \$2.8 million decrease to Net Assets for the fiscal year ended June 30, 2005 is the payment of Non-Operating Incentive Program Contracts during the current year. The funding for these contracts was received in prior years and held in restricted net assets accounts.

Governmental Activities

The objective of the Statement of Activities is to report the full cost of providing government services for the year. The format also permits the reader to ascertain the extent to which each function is either self-financing or draws from the general revenues of the District.

The Statement of Activities presents information showing how the District's net assets changed during the year. All changes in net assets are reported as soon as the underlying event occurs regardless of the timing of the cash flows.

Fees, grants, state subvention, penalties, and settlements predominantly support governmental functions of the District. The primary governmental activities of the District include the following: Permit Services and Enforcement, Agricultural Burning, Plan and Rule Development, Mobile Source, Public Education, Air Quality Analysis, Air Monitoring, and Non-Operating Incentive Programs.

The following is a schedule of Revenues by Major Source for the fiscal year ended June 30, 2005, as compared to the prior year.

**Revenues by Major Source
Governmental Activities
(In Thousands)**

	Fiscal Year <u>2004-05</u>	Fiscal Year <u>2003-04</u>	Increase (Decrease)
Stationary Sources	\$9,312	\$8,581	\$731
Mobile Sources	11,013	10,100	913
Operating Grants	1,997	1,940	57
General Revenues *	4,712	4,643	69
Restricted Special Revenue Sources	9,135	3,660	5,475
	<u>\$36,169</u>	<u>\$28,924</u>	<u>\$7,245</u>

* Includes State Subvention, Interest, Penalties and Settlements, and other Miscellaneous Revenues that are not restricted to specific programs

Following are explanations of the significant revenue variances as compared to the prior year:

Stationary Source Revenue

- Stationary Source Revenue increased approximately \$731,000 as compared to the prior fiscal year. Two new revenue sources contributed the majority of this increase in Stationary Sources Revenue. Permit to Operate Filing Fees for agricultural operations accounted for \$148,580 and Conservation Management Plan Revenue accounted for \$335,193.

Mobile Source Revenue

- Mobile Source Revenue increased approximately \$913,000 as compared to the prior fiscal year. AB2766 DMV Surcharge Fee Revenue increased \$850,857 and Administrative Fee Revenue from the new DMV Surcharge Fee Revenue for SB709 and AB923 for \$61,737 accounted for the majority of this increase.

Restricted Special Revenue Sources

- Restricted Special Source Revenue increased approximately \$5,475,000 as compared to the prior fiscal year. Three items make up the majority of the increase to Restricted Special Revenue: 1) New revenue from the new DMV Surcharge Fee Revenue from SB709 and AB923 account for \$1,989,974. 2) Carl Moyer funds were \$933,355 greater than the prior year. 3) TCRP Funds received were \$2,961,490 as compared to zero funds received the prior year.

The following is a schedule of District Expenses by Activity for the fiscal year ending June 30, 2005, as compared to the prior year.

Expenses by Activities Governmental Activities (In Thousands)

	Fiscal Year 2004-05	Fiscal Year 2003-04	Increase (Decrease)
Permitting	\$9,005	\$7,787	\$1,218
Enforcement	7,376	7,076	300
Agricultural Burning	1,286	1,422	(136)
Plan and Rule Development	2,472	2,109	363
Mobile Source	1,052	882	170
Public Education	1,552	1,284	268
Air Quality Analysis	996	885	111
Air Monitoring	1,126	1,442	(316)
Total Operating Expenses	24,865	22,887	1,978
Non-Operating Incentive Programs	14,075	10,535	3,540
Total District Expenses	\$38,940	\$33,422	\$5,518

Permitting Expenses

- Permitting expenses increased approximately \$1,218,000 as compared to the prior fiscal year. During the FY03/04 fiscal year 16 full time positions in the Permit Services Program were authorized by the District's Governing Board and added to the FY03/04 District Budget. The District started filling these positions in the fourth quarter of the 2003/04 fiscal year. The salaries and

benefits for these additional positions make up the majority of the increase in Permitting expenses as compared to the prior fiscal year.

Non-Operating Incentive Program Expenses

Non-Operating Incentive Program Expenses increased approximately \$3,540,000 as compared to the prior year. Following are explanations of the significant expense variances as compared to the prior year:

- The final expenditures for the REMOVE Program were made during this fiscal year. Expenditures were \$503,573 more than the prior year.
- Expenses for the DMV Heavy-Duty Program increased \$3,032,234. Contracts funded in prior years were completed this fiscal year.
- Increased funding for the Carl Moyer Program resulted in a corresponding increase in expenses for this program in the amount of \$194,979.

D. Financial Analysis of the District's General Fund

General Fund

As of the end of the fiscal year, the District's General Fund reported an ending balance of \$45,442,048, a decrease of \$3,385,871 in comparison with the prior year. Approximately 74% of this fund balance, \$33,530,987 is reserved and restricted for specific purposes. The long-term contractual commitments related to these restricted programs involve multiple-year spending.

At the end of the fiscal year, the District's unreserved fund balance was \$11,911,061, an increase of \$755,070 in comparison with the prior year.

E. Capital Assets

The District's investment in capital assets is for its governmental activities. The book value was \$6,604,702 (net of accumulated depreciation of \$5,623,433) as of June 30, 2005. This investment in capital assets includes land, buildings and improvements, equipment for air monitoring stations, computer and office equipment, video conferencing equipment, and District vehicles.

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

F. Current Year's Budget

The Adjusted Budget for the District for the fiscal year ended June 30, 2005 was \$41,060,654, an increase of \$5,313,854 as compared to the Adopted Budget.

The District Budget is divided into two sections. The Operating Budget represents those expenditures that directly support the everyday operations of the District. The Non-Operating Budget represents those expenditures for the incentive programs administered by the District. Various federal and state agencies provide funding for these programs in the form of grants or agreements. Listed below are the major factors that explain the change from the Adopted Budget to the final Adjusted Budget at year-end.

Operating Budget

The Adjusted Operating Budget at June 30, 2005 was \$27,380,152, an increase of \$345,652 as compared to the Adopted Operating Budget. A \$63,800 increase to the Professional and Specialized Services account for a District-wide Independent Management Audit and a \$137,252 increase to the Air Monitoring Station Equipment account for an insurance settlement for stolen air monitoring equipment are the major factors in this increase to the adopted Operating Budget.

Non-Operating Budget

The Adjusted Non-Operating Budget at June 30, 2005 was \$13,680,502, an increase of \$4,968,202 as compared to the Adopted Non-Operating Budget. The receipt of \$4,778,202 of unanticipated revenue during the year for Incentive Programs, as detailed below, is the major factor in this increase.

Backup Generator Program	\$1,284,812
Traffic Congestion Relief Program	2,961,490
Development Mitigation Contracts	<u>531,900</u>
	\$4,778,202

Actual expenditures as compared to the Adjusted Budget at June 30, 2005:

Operating Budget

Revenues

Actual Operating Revenues at June 30, 2005 were \$24,511,465 as compared to the final Adjusted Budget of \$23,406,952, a positive variance of \$1,104,513.

Major factors in this variance were:

- Annual Conservation Management Plan Revenue was budgeted at \$1,622,100. Actual revenue was only \$336,818, a negative variance of \$1,285,282. At the time the budget was prepared the rule for Conservation Management Plans was only in the planning stage. Estimates on the amount of revenue the District would receive and when it would be received during the fiscal year were overstated in the budget.
- Annual Penalty and Settlement Revenue was budgeted at \$1,053,000. Actual revenue for Penalties and Settlements was \$3,239,049, a positive variance of \$2,186,049. A combination of two factors explains this variance; 1) In the budget process the District uses a conservative approach in budgeting for penalties and settlements due to the unpredictable nature of this revenue, and 2) the District received a large unanticipated settlement \$725,000 that was not included in the Adjusted Budget.

Expenditures

Actual Operating Expenditures at June 30, 2005 were \$24,296,669 as compared to the final Adjusted Budget of \$27,380,152, a positive variance of \$3,083,483. Listed below are the positive variances, by budget object, of actual expenditures at year-end compared to the Adjusted Budget:

	Final Adusted Budget	Actual Expenditures @ 6/30/05	Variance Positive (Negative)
Salaries and Benefits	\$ 20,972,200	\$ 19,824,791	\$ 1,147,409
Services and Supplies	4,601,700	3,567,889	1,033,811
Fixed Assets	1,806,252	903,989	902,263
Total Operating Budget	<u>\$ 27,380,152</u>	<u>\$ 24,296,669</u>	<u>\$ 3,083,483</u>

Salary and benefit savings on position vacancies during the year are the major factor contributing to the positive variance of \$1,147,409 in Salaries and Benefits.

A positive variance of \$695,988 in the Professional and Specialized Services account is the major factor in the positive variance of \$1,033,811 in Services and Supplies. Of this total, \$692,970 was encumbered for binding budgetary

commitments entered into before year-end, which will not be expended until after year-end.

Positive variances in Computer Equipment \$86,558, Automobiles \$146,399, Air Monitoring Station Equipment \$171,443, Electronic Document Management Project \$197,572, Office Machines \$64,800 and Video Conferencing System \$152,870 account for the major portion of the positive variance of \$902,263 in Fixed Assets. Of this total, \$579,864 was encumbered for binding budgetary commitments entered into before year-end, which will not be expended until after year-end.

Non-Operating Budget

Revenues

Actual Non-Operating Revenues at June 30, 2005 were \$11,657,931 as compared to the final Adjusted Budget of \$10,189,090, a positive variance of \$1,468,841. The major factor in this variance was the positive variance of \$1,829,905 in DMV Surcharge Fees. The new SB709 and AB923 DMV Surcharge Fees which are received on a monthly basis were received earlier in the year than anticipated and the total amount of AB2766 DMV Surcharge Fees were greater than estimated.

Expenditures

Actual Non-Operating Expenditures at June 30, 2005 were \$610,969 as compared to the final Adjusted Budget of \$13,680,502, a positive variance of \$13,069,533. The majority of the Non-Operating Expenditures are for multi-year contracts that will not be expended until after year-end. Of this total, \$12,457,502 was placed in Fund Balance Reserve Accounts for incentive contracts that will not be expended until after year-end.

G. Next Year's Budget

The fiscal year 2005-06 Adopted Budget shows a 30.3% increase as compared to the FY 2004-05 Adjusted Budget. Operating appropriations decreased .4%, while Non-Operating appropriations increased 91.9%.

The FY 2005-06 Budget does not include a recommendation for a fee increase for any fee collected by the District. Since unification in 1991-92, the District Governing Board has approved only one across-the-board increase to the stationary source fee schedules, a 5% increase as a part of the 1997-98 Adopted Budget.

Operating Budget Decrease: The Operating Budget shows a decrease of \$121,252, or -.4% as compared to the prior year adjusted budget. The following is a breakdown of the decrease by object levels within the Operating Budget:

Salaries and Benefits	\$348,400	+1.7%
Services and Supplies	(112,300)	-2.4%
Fixed Assets	<u>(357,352)</u>	<u>-19.8%</u>
Total	\$121,252	-0.4%

Non-Operating Budget Increase: The Non-Operating Budget shows an increase of \$12,579,798, or 91.9% as compared to the prior year adjusted budget. An increase of \$6,780,000 in Carl Moyer funds and an increase of \$5,320,700 in DMV Surcharge Fees – Pass Through are the major factors in this increase.

H. Economic Factors

It is important to note the District is relatively self-sufficient with no significant dependence on the state. In addition, ongoing, long-term forecasts project good fiscal health for the District. So while the District does face a full agenda of challenges, the Governing Board has sufficient resources available to meet those challenges.

I. 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 the Director of Administrative Services, 1990 East Gettysburg Avenue, Fresno, California 93726-0244.

Basic Financial Statements

Government-wide Financial Statements

San Joaquin Valley Unified Air Pollution Control District
Statement of Net Assets
June 30, 2005

	<u>Governmental Activities</u>
<u>Assets</u>	
Current Assets:	
Cash and Cash Equivalents	\$43,490,378
Accrued Revenues	3,379,166
Prepaid Expenses	2,199
Total Current Assets	46,871,743
Noncurrent Assets:	
Land	580,000
Capital Assets, Net of Accumulated Depreciation	6,024,702
Total Noncurrent Assets	6,604,702
Total Assets	53,476,445
<u>Liabilities</u>	
Current Liabilities:	
Accounts Payable	334,721
Accrued Wages Payable	1,016,537
Compensated Absences Payable	78,437
Total Current Liabilities	1,429,695
Noncurrent Liabilities:	
Compensated Absences Payable Due In More Than One Year	1,581,009
Total Liabilities	3,010,704
<u>Net Assets</u>	
Invested in Capital Assets	6,604,702
Restricted for Special Projects/Programs	27,454,370
Unrestricted	16,406,669
Total Net Assets	\$50,465,741

The notes to the financial statements are an integral part of the this statement.

San Joaquin Valley Unified Air Pollution Control District
Statement of Activities
For the Year Ended June 30, 2005

Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Fees & Charges for Services		Operating Grants	Restricted Special Revenue Sources	Governmental Activities
		Stationary Sources	Mobile Sources			
Governmental Activities:						
Permitting	\$9,004,901	\$4,377,968	\$110,596	\$250,882	-	(\$4,265,455)
Enforcement	7,376,463	4,314,938	1,235,638	167,979	-	(1,657,908)
Agricultural Burning	1,285,614	524,162	12,317	103	-	(749,032)
Plan & Rule Development	2,471,801	-	2,138,929	454,950	-	122,078
Mobile Sources	1,051,588	-	931,688	182,877	-	62,977
Public Education	1,552,531	-	1,570,398	267,048	-	284,915
Air Quality Analysis	996,157	-	794,471	178,189	-	(23,497)
Air Monitoring	1,126,441	95,447	1,696,093	494,613	-	1,159,712
Non-Operating	14,074,560	-	2,522,616	-	\$9,135,314	(2,416,630)
Total Governmental Activities	\$38,940,056	\$9,312,515	\$11,012,746	\$1,996,641	\$9,135,314	(7,482,840)
General Revenues:						
State Subvention - not restricted to specific programs						875,794
Interest - not restricted to specific programs						353,835
Penalties/Settlements						3,239,049
Miscellaneous Revenue						243,502
Total General Revenues						4,712,180
Change in Net Assets						(2,770,660)
Net Assets - beginning						53,236,401
Net Assets - ending						\$50,465,741

The notes to the financial statements are an integral part of this statement.

Fund Financial Statements

San Joaquin Valley Unified Air Pollution Control District
Balance Sheet - General Fund
June 30, 2005

Assets:

Cash and Cash Equivalents	\$ 43,490,378
Accrued Revenues	3,379,166
Travel Advances	630
Prepaid Expenses	1,569
Total Assets	<u>\$ 46,871,743</u>

Liabilities:

Accounts Payable	\$ 334,721
Accrued Wages Payable	1,016,537
Compensated Absences Payable	78,437
Total Liabilities	<u>1,429,695</u>

Fund Balance:

Reserved Fund Balance	33,530,987
Unreserved Fund Balance	11,911,061
Total Fund Balance	<u>45,442,048</u>

Total Liabilities and Fund Balance	<u>\$ 46,871,743</u>
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The notes to the financial statements are an integral part of this statement.

San Joaquin Valley Unified Air Pollution Control District

Reconciliation of the General Fund Balance Sheet to the Government-wide Statement of Net Assets

June 30, 2005

Fund Balance - General Fund	\$45,442,048
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Land and Capital Assets Net of Accumulated Depreciation have not been included as financial resources in the General Fund activity. These capital assets are reported in the Statement of Net Assets as capital assets of the District as a whole.	6,604,702
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Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Assets.	<u>(1,581,009)</u>
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Net Assets of Governmental Activities	<u><u>\$50,465,741</u></u>
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The notes to the financial statements are an integral part of this statement.

San Joaquin Valley Air Pollution Control District
Statement of Revenue, Expenditures, and Changes in Fund Balance
General Fund
For the Year Ended June 30, 2005

Revenues:	
License and Permit Fees	\$ 22,026,471
Penalties and Settlements	3,239,049
Interest	895,438
State Grants	7,342,802
Federal Grants	2,092,087
Mitigation Contracts	356,373
Miscellaneous Revenue	217,176
Total Revenue	<u><u>36,169,396</u></u>
Expenditures:	
Operating:	
Salaries and Benefits	19,824,791
Services and Supplies	4,038,448
Capital Outlay	1,617,469
Total Operating Expenditures	<u><u>25,480,708</u></u>
Non-Operating:	
Pass Through and Non-Operating	14,074,559
Total Expenditures	<u><u>39,555,267</u></u>
Deficiency of Revenues under Expenditures	<u><u>(3,385,871)</u></u>
Fund Balance, July 1, 2004	<u><u>48,827,919</u></u>
Fund Balance, June 30, 2005	<u><u>\$ 45,442,048</u></u>

The notes to the financial statements are an integral part of this statement.

San Joaquin Valley Unified Air Pollution Control District

Reconciliation of the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance to the Government-wide Statement of Activities

For the Year Ended June 30, 2005

Net Change in Fund Balance - General Fund	(\$3,385,871)
<p>The General Fund reports capital outlays 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 the capital outlays recorded in the current period.</p>	1,470,708
<p>Depreciation expense on capital assets is reported in the Government-wide Statement of Activities but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the General Fund.</p>	(706,236)
Decrease in compensated absences due in more than one year	<u>(149,261)</u>
Change in Net Assets of Governmental Activities	<u><u>(\$2,770,660)</u></u>

The notes to the financial statements are an integral part of this statement.

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Reporting Entity

The San Joaquin Valley Unified Air Pollution Control District (the "District") is a special district operating under the provisions of Sections 40150 through 40162 of the California Health and Safety Code. The District exists to develop and implement programs on a local level to meet the requirements of state and federal air pollution control laws in the San Joaquin Valley. The San Joaquin Valley Air Basin (SJVAB) comprises eight counties (San Joaquin, Stanislaus, Merced, Madera, Fresno, Kings, Tulare, and the Valley portion of Kern), and covers about 25,000 square miles. The District Governing Board consists of eleven members, eight Supervisors appointed by the Board of Supervisors of each county plus three city members appointed by the cities within the eight counties. The District operates a network of air monitoring stations, analyzes air quality data and establishes maximum emission levels for stationary, commercial, and industrial facilities that are enforced through the District's permit system.

B. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resource measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers accrued revenue to be available if it is collected within 90 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and

claims and judgments, are recorded only when payment is due. State and Federal Grants, Vehicle Registration Fees, Licenses and Interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. All other revenue items are considered to be measurable and available only when the District receives cash.

Government-wide Financial Statements

The District government-wide financial statements include a Statement of Net Assets and Statement of Activities. These statements present summaries of governmental activities for the District as a whole.

These statements are presented on an economic resources measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets and liabilities including capital assets and long-term liabilities are included in the accompanying Statement of Net Assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

The Statement of Activities demonstrates the degree to which the direct expenses of a given functional activity are offset by program revenues directly connected with the functional activity. Direct expenses are those that are clearly identifiable with a specific functional activity.

The District's functional activities are broken down into the following categories:

- Permitting
- Enforcement
- Agricultural Burning
- Plan and Rule Development
- Mobile Sources
- Public Education
- Air Quality Analysis
- Air Monitoring

The types of transactions reported as program revenues are reported in three categories: 1) Fees and Charges, including stationary source fees from permitted facilities and mobile source fees derived from motor vehicle registrations, 2) Operating Grants that are in support of air pollution program activities, and 3) Restricted Special Revenue Sources. Program revenues are netted with program expenses to present the net cost of each functional activity. Interest income and other miscellaneous revenue that cannot be identified with a program are reported as General Revenues.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements rather than reporting them as expenditures.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balance.

Reconciliation of the fund financial statements to the government-wide financial statements is provided to explain the differences as a result of the integrated approach of GASB Statement Number 34 reporting.

All governmental funds are accounted for on a spending or current financial resources measurement focus and the modified accrual basis of accounting. Using the current financial resources measurement focus means that only current assets and current liabilities are generally included in the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended rather than recording them as fund assets.

C. Fund Types

General Fund

The primary operating fund of the District is used to record transactions relating to its general business operations.

D. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting is employed in the General Fund. Purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation. Unencumbered appropriations lapse at year-end and encumbrances outstanding at that time are recorded as reservations of fund balance for expenditure in a subsequent year. These outstanding encumbrances do not constitute expenditures or liabilities until performance has occurred on the part of the vendors with whom the District has entered into an agreement.

E. Capital Assets and Depreciation

Land, equipment, buildings and improvements are valued at cost unless obtained by donation in which case the assets are recorded at the appraised value at the date of receipt. Capital Asset purchases with values of at least \$2,000 and with an expected useful life greater than one year are capitalized.

Repair and maintenance costs are charged to current expenditures as incurred. Equipment disposed of or no longer required for its existing use is removed from the records at actual or estimated cost.

Depreciation is charged as an expense against operations, and accumulated depreciation is reported on the Statement of Net Assets. Property, plant, and equipment of the District are depreciated using the straight-line method over the following useful lives:

Buildings and Improvements	20-40 Years
Air Monitoring and Detection Equipment	5-10 Years
Office Furniture and Other Misc. Equipment	5-10 Years
Telephone Equipment	10 Years
Computer Equipment	5 Years
Automobiles	5 Years

F. Compensated Absences

Regular full-time employees accumulate annual leave. Certain restrictions apply with respect to the accumulation of annual leave and its payment at termination.

The current and noncurrent portion of compensated absences amounted to \$78,437 and \$1,581,009 respectively, and has been reflected in the Statement of Net Assets.

G. Self Insurance

The District is self-insured on comprehensive/collision coverage on all District automobiles. The Special District Risk Management Authority provides coverage for comprehensive general and auto liability, public officials liability, public employees blanket bond, and the replacement cost of property. (See note 6).

H. Restrictions on Net Assets

Total Restricted Net Assets at year-end were \$27,454,370. Restricted Net Assets are assets that are subject to restrictions beyond the District's control. The programs listed below are subject to restrictions imposed by the grantors of each program. The amounts for each program are as follows:

Heavy-Duty Program - Incentives	\$11,467,541
DMV Surcharge Fees - Incentives	7,897,945
DMV Fees – Rollover	4,360,714
DMV Administrative Fees	61,736
State ERC Bank Program	808,743
Backup Generator Emissions Program	1,313,007
Peaker Plant Mitigation Program	1,186,9730
Mitigation Program	<u>357,711</u>
Total Restricted Net Assets	\$27,454,370

As these restrictions are also reserves of fund balance, a description and the purpose of each program can be found in (Note I.) Reserved Fund Balances.

I. Reserved Fund Balances

Portions of the General Fund balance are reserved for specific future use and are, therefore, not available for appropriation. The amounts and purpose of these reserves are as follows:

General Reserve	\$ 3,000,000
Reserve for Long-term Building Maintenance	195,000
Reserve for Encumbrances	2,881,617
Reserve for Heavy-Duty Program - Incentives	11,467,541
Reserve for DMV Surcharge Fees - Incentives	7,897,944
Reserve for DMV Fees – Rollover	4,360,714
Reserve for DMV Administrative Fees	61,738
Reserve for State ERC Bank Program	808,743
Reserve for Backup Generator Emissions Program	1,313,007
Reserve for Peaker Plant Mitigation Program	1,186,972
Reserve for Mitigation Program	<u>357,711</u>
Total Reserved Fund Balance	33,530,987
Unreserved Fund Balance	<u>11,911,061</u>
Total Fund Balance	<u>\$45,442,048</u>

- The District Governing Board has established a \$3,000,000 general reserve of fund balance to provide for additional financial stability.
- The District Governing Board has established a \$195,000 Reserve for Long-term Building Maintenance.
- The encumbrances outstanding at June 30, 2005 represent the amount of expenditures ultimately to result if contracts in process at year-end are completed. This reserve earmarks resources for specific future uses and legally segregates a portion of the fund balance.
- The fund balance reserve for the Heavy-Duty Program - Incentives represents monies and related interest identified by the District Governing Board for distribution to qualifying Heavy-Duty Programs. The qualifying programs include the Carl Moyer Program, the Congestion Mitigation and Air Quality Grant (CMAQ), the California Energy Commission Funds (CEC), the Traffic Relief Congestion Program (TCRP), and the School Bus Retrofit Program.
- The fund balance reserve for DMV Surcharge Fees – Incentives represents monies identified by the District Governing Board for distribution to qualifying agencies or individuals in the District's DMV Heavy Duty Emissions Program and the REMOVE 2 Program.
- The fund balance reserve for the DMV Surcharge Fees – Rollover represents unanticipated revenue, unexpended appropriations specifically identified for District-managed Incentive programs, and interest earned on DMV Surcharge Fee monies.
- The fund balance reserve for the DMV Administrative Fees represents the administrative fee portion of DMV Surcharge Fees received during fiscal year 2004-05. This reserve will be released to the general fund as incentive contracts are executed and administrative funds are expended.
- The fund balance reserve for the State ERC Bank program represents monies from the California Air Resources Board's NOx and PM Emission Reduction Credit Bank Program. The District will use these funds for Heavy-Duty Engine Emission Reduction Program incentives.
- The fund balance reserve for the Peaker Plant Mitigation Program represents monies from new and expanding Power Plants to fund mitigation programs focused on Heavy-Duty Engine Projects. The District will use these funds for Heavy-Duty Engine Emission Reduction Program incentives.

- The fund balance reserve for the Mitigation Program represents funds received from voluntary developer mitigation contracts. These funds will be used as incentive grants for projects that will offset the projected emissions of proposed future development projects.

J. Reclassifications

Certain reclassifications have been made to the prior year financial statements to be in conformity with fiscal year 2005 presentation.

K. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, require management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

L. Implementation of New Accounting Pronouncements

During the fiscal year ended June 30, 2005, the District adopted GASB Statement No. 40, Deposit and Investment Risk Disclosures, which amends existing accounting guidance under GASB No. 3, Deposits with Financial Institutions, Investments (including repurchase agreements), and reverse repurchase agreements. GASB Statement No. 40 enhances the deposit and investment risk disclosures by updating the custodial credit risk disclosure requirements of GASB No. 3 and addressing other common risks, including concentrations of credit risk, interest rate risk, and foreign currency risk. Note 2 shows the disclosures as required by GASB Statement No. 40.

2. CASH ON HAND AND ON DEPOSIT

Cash on hand and on deposit of June 30, 2005 consisted of the following:

Cash on Hand	
Petty Cash	\$ 1,200
Postage Funds	<u>15,823</u>
Total Cash on Hand	17,023
Deposits with Financial Institutions	
Wells Fargo Bank	397,771
United State Post Office	<u>4,160</u>
Total Deposits with Financial Institutions	401,931
Investments with County Investment Pools	
Fresno County Treasurer	42,229,327
Kern County Treasurer	<u>842,097</u>
Total Investments with County Investment Pools	43,071,424
Total Cash on Hand and on Deposit	<u>\$43,490,378</u>

Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk and credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
County Investment Pool	N/A	100%	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

<u>Investment Type</u>	<u>Amount</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>More Than 60 Months</u>
County Investment Pool	<u>\$43,071,424</u>	<u>\$43,071,424</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of the rating required by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, and the actual rating as of year-end for each type. The column marked "exempt from disclosure" identifies those investment types for which GASB No. 40 does not require disclosure as to credit risk:

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year-End</u>		
				<u>AAA</u>	<u>Aa</u>	<u>Not Rated</u>
County Investment Pool	<u>\$0</u>	<u>N/A</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$43,071,424</u>

3. CAPITAL ASSETS AND DEPRECIATION

Capital Assets of the District for the year ended June 30, 2005 consisted of the following:

	<u>Capital Assets - Governmental Activities</u>			
	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2005</u>
Land	\$580,000			\$580,000
Building & Improvements	3,142,615			3,142,615
Machinery & Equipment	7,034,811	\$1,877,834	\$407,125	8,505,520
Totals	<u>10,757,426</u>	<u>1,877,834</u>	<u>407,125</u>	<u>12,228,135</u>
Less:				
Accumulated Depreciation	<u>4,917,196</u>	<u>998,022</u>	<u>291,785</u>	<u>5,623,433</u>
Net book value of Capital Assets	<u>\$5,840,230</u>	<u>\$879,812</u>	<u>\$115,340</u>	<u>\$6,604,702</u>

For the year ended June 30, 2005, the depreciation expense of \$706,236 on capital assets was charged to the District's activities as follows:

Permitting	\$ 75,400
Enforcement	413,215
Agricultural Burning	-26,088
Plan and Rule Development	11,466
Public Education	11,144
Air Quality Analysis	37,597
Air Monitoring	<u>183,502</u>
Total Depreciation Expense	<u>\$ 706,236</u>

4. COMPENSATED ABSENCES

Unused annual leave is paid at the time of termination. It may accumulate up to a maximum of 560 hours. It is paid at 100% of the hourly rate the employees were earning just prior to termination of their employment with the District.

The following is a summary of earned compensated absences of the District for the year ended June 30, 2005:

July 1, 2004 Balance	\$1,495,517
Plus: Net Increase 7/1/04 - 6/30/05	<u>163,929</u>
June 30, 2005 Balance	<u>\$1,659,446</u>
Amount Due within One Year	<u>\$78,437</u>
Amount Due in More Than One Year	<u>\$1,581,009</u>

5. RETIREMENT PLANS

Plan Description:

The District contributes to the Kern County Employees' Retirement Association (KCERA), a cost-sharing, multiple employer, defined benefit pension plan administered by the Board of Retirement. KCERA provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The County Employees' Retirement Law of 1937 assigns the authority to establish and amend benefit provisions to the Kern County Board of Supervisors. KCERA issues a stand-alone financial report and required supplementary information, which may be obtained by calling the Retirement Board at (661) 868-3790.

Funding Policy

Plan members must contribute a percentage of their annual covered salary, which varies depending upon their age at date of entry in the association and averaged 2.9% during the year. The District is required to contribute at an actuarially determined rate. The current contribution is 17.17% of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by the Board of Retirement. The District's contributions to KCERA for each of the last three fiscal years are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Annual</u> <u>Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>
2005	\$ 2,701,422	100%
2004	1,995,013	100%
2003	1,722,223	100%

6. RISK MANAGEMENT

The District participates in a joint powers authority, the Special District Risk Management Authority, (SDRMA) whose purpose is to develop and fund programs of excess insurance for comprehensive liability, property and employee blanket bonds for its member districts.

For the fiscal year 2004-05, the District contributed \$124,728 to the SDRMA. The District's contributions represented 0.8% of all member contributions.

The District has coverage against claims up to a limit of \$10,000,000 for comprehensive general and auto liability and public officials liability, and up to \$400,000 for public employees blanket bond and for the replacement cost of property.

The District's workers compensation insurance carrier during fiscal year 2004-05 was State Compensation Insurance Fund.

7. DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan permits them to defer a portion of their salary until future years. These funds are not available to employees until termination, retirement, death or unforeseen emergency.

The deferred compensation plan monies are invested in various investment funds as selected by the participating employees. The available investment options include a fixed return fund, stock fund, bond fund and a money market fund. All amounts of compensation deferred under the plan and all income attributed to those amounts are held in trust for the exclusive benefit of plan participants and their beneficiaries.

Effective January 1, 1999, federal legislation requires the Section 457 plan assets to be placed in trust for the exclusive use of the plan participants and their beneficiaries. The District's deferred compensation administrator, Hartford Life Insurance Co., qualifies as a plan trustee to meet the federal requirements. In accordance with GASB Statement 32, the District no longer reports plan assets and liabilities in its financial statements

8. COMMITMENTS

Operating Leases

The District is obligated under operating leases for the rental of office space. The District's rental expense was \$295,731 for the year ended June 30, 2005. Future minimum lease payments under these leases are as follows:

Year Ending June 30, 2006	\$ 381,276
Year Ending June 30, 2007	<u>198,000</u>
Total	<u>\$ 579,276</u>

9. PENDING LITIGATION

There are various lawsuits and claims filed against the District which, in the opinion of the District Counsel, will be resolved with no material adverse effect on the District's financial position or results of operations.

Required Supplementary Information

San Joaquin Valley Unified Air Pollution Control District
General Fund - Budgetary Comparison Schedule
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		Actual Amounts Budgetary Basis	Variance
	<u>Adopted</u>	<u>Final Adjusted</u>		Positive (Negative)
<u>Operating Budget</u>				
Revenues:				
Vehicle Registration Fees	\$ 8,200,000	\$ 8,200,000	\$ 8,428,392	\$ 228,392
License & Permit Fees	10,594,800	10,594,800	9,305,132	(1,289,668)
Interest	360,000	360,000	353,835	(6,165)
Penalties & Settlements	1,053,000	1,053,000	3,239,049	2,186,049
State Grants	936,000	936,000	875,794	(60,206)
Federal Grants	2,004,800	2,046,800	2,092,087	45,287
Miscellaneous Revenue	45,000	216,352	217,176	824
Operating Amounts Available For Appropriations	<u>23,193,600</u>	<u>23,406,952</u>	<u>24,511,465</u>	<u>1,104,513</u>
Expenditures:				
Salaries and Benefits	20,972,200	20,972,200	19,824,791	1,147,409
Services & Supplies	4,455,300	4,601,700	3,567,889	1,033,811
Fixed Assets				
Office Improvements	51,300	71,300	33,589	37,711
Computer Equipment	437,100	437,100	350,542	86,558
Office Furniture/Equipment	36,100	36,100	12,385	23,715
Office Machines	64,800	64,800	-	64,800
Telephone System	21,500	21,500	9,351	12,149
Detection Equipment	80,500	80,500	71,453	9,047
Automobiles	369,600	369,600	223,201	146,399
Video Conferencing System	156,100	156,100	3,230	152,870
Air Monitoring Station Equipment	190,000	369,252	197,809	171,443
Electronic Document Management Project	200,000	200,000	2,428	197,572
Total Fixed Assets	<u>1,607,000</u>	<u>1,806,252</u>	<u>903,989</u>	<u>902,263</u>
Total Operating Charges to Appropriations	<u>27,034,500</u>	<u>27,380,152</u>	<u>24,296,669</u>	<u>3,083,483</u>
Excess (deficiency) of Revenues Over (Under) Expenditures	<u>(3,840,900)</u>	<u>(3,973,200)</u>	<u>214,796</u>	<u>4,187,996</u>
<u>Non-Operating Budget</u>				
Revenues:				
Air Toxics Fees - Pass Through	33,000	33,000	31,042	(1,958)
Heavy-Duty Engine Emission Program Funds	3,500,000	6,461,490	6,418,508	(42,983)
DMV Surcharge Fees - Pass Through	2,432,000	2,432,000	4,261,905	1,829,905
Lawnmower Trade-In Program	-	48,500	48,500	-
Interest - Non-Operating	408,400	408,400	541,603	133,203
Federal Grants - Non-Operating	-	273,800	-	(273,800)
Development Mitigation Program Contracts	-	531,900	356,373	(175,527)
Non-Operating Amounts Available For Appropriations	<u>6,373,400</u>	<u>10,189,090</u>	<u>11,657,931</u>	<u>1,468,841</u>
Expenditures:				
Air Toxics-Pass Through	33,000	33,000	-	33,000
Heavy-Duty Engine Emission Program	7,679,300	11,925,602	339,623	11,585,979
DMV Surcharge Fees - PM Study	250,000	250,000	250,000	-
Federal Grants - Non-Operating	-	273,800	21,346	252,454
Development Mitigation Program Contracts	-	531,900	-	531,900
Appropriation for Contingencies	750,000	666,200	-	666,200
Total Non-Operating Charges to Appropriations	<u>8,712,300</u>	<u>13,680,502</u>	<u>610,969</u>	<u>13,069,533</u>
Excess (deficiency) of Revenues Over (Under) Expenditures	<u>(2,338,900)</u>	<u>(3,491,412)</u>	<u>11,046,961</u>	<u>14,538,373</u>
Net Change to District Fund Balance, June 30, 2005	<u>\$ (6,179,800)</u>	<u>\$ (7,464,612)</u>	<u>\$ 11,261,757</u>	<u>\$ 18,726,369</u>

NOTES TO SCHEDULE OF GENERAL FUND BUDGETED AND ACTUAL EXPENDITURES BUDGETARY BASIS

Note 1 – GENERAL FUND BUDGETARY BASIS RECONCILIATION

The General Fund Budgetary Basis on page 33 presents comparisons of the legally Adopted Budget with actual data on a budgetary basis. Since accounting principles applied for purposes of developing expenditures data on a budgetary basis differ from those used to present financial statements in conformity with generally accepted accounting principles (GAAP), a reconciliation of differences is presented below for the year ended June 30, 2005.

Deficiency of revenues under expenditures (GAAP Basis)	(\$3,385,871)
Adjustments for encumbrance activity	(494,007)
Adjustments from budget cash basis to modified accrual basis	<u>15,141,635</u>
Excess of revenues over expenditures (Budgetary Basis)	<u>\$11,261,757</u>

A reconciliation of revenue is not presented since budgetary practices and GAAP do not differ with respect to revenue.

Note 2 - BUDGETING

In accordance with the provisions of the State Health and Safety Code Section 40131, the District's Formation Agreement, and the District's Administrative Code, the District prepares and legally adopts a final balanced budget on or before June 30 of each fiscal year. The final Adopted Budget is available for review in the District's Finance Office.

Budgetary control is exercised at the object level. All amendments or transfers of appropriations between these levels are authorized by the Executive Director/APCO and must be approved by the District Governing Board. The Board also must approve supplemental appropriations financed by unanticipated revenues.

Expenditures, except for Fixed Assets, are controlled at the object level for all program budgets within the District. Fixed Assets are controlled at the sub-object level.

Statistical Section

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

STATEMENT OF NET ASSETS Last Three Fiscal Years

(accrual basis of accounting)

(In Thousands)

	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>
Current and Other Assets	\$55,020	\$49,920	\$46,872
Capital Assets	6,232	5,840	6,605
Total Assets	<u>61,252</u>	<u>55,760</u>	<u>53,477</u>
Current Liabilities	2,083	1,092	1,430
Noncurrent Liabilities	1,435	1,432	1,581
Total Liabilities	<u>3,518</u>	<u>2,524</u>	<u>3,011</u>
Net Assets:			
Invested in Capital Assets, net of related debt	6,232	5,840	6,605
Restricted for Special Projects/Programs	34,084	30,494	27,454
Unrestricted	17,418	16,902	16,407
Total Net Assets	<u>\$57,734</u>	<u>\$53,236</u>	<u>\$50,466</u>

Source:

San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

CHANGES IN NET ASSETS Last Three Fiscal Years

(accrual basis of accounting)

(In Thousands)

	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>
Revenue:			
Program Revenue			
Fees and Charges - Stationary Sources	\$8,423	\$8,581	\$9,312
Fees and Charges - Mobile Sources	9,907	10,100	13,007
Operating Grants	2,107	1,940	1,997
Restricted Special Revenue Sources	5,238	3,660	7,141
General Revenues			
State Subvention	866	868	876
Interest	412	328	354
Penalties/Settlements	2,813	3,306	3,239
Miscellaneous	79	141	243
Total Revenue	<u>\$29,845</u>	<u>\$28,924</u>	<u>\$36,169</u>
Expenses:			
Permitting	\$6,800	\$7,787	\$9,005
Enforcement	6,405	7,076	7,376
Agricultural Burning	637	1,422	1,286
Plan and Rule Development	2,090	2,109	2,472
Mobile Sources	890	882	1,052
Public Education	1,229	1,284	1,552
Air Quality Analysis	797	885	996
Air Monitoring	1,097	1,442	1,126
Non-Operating	15,701	10,535	14,075
Total Expenses	<u>\$35,646</u>	<u>\$33,422</u>	<u>\$38,940</u>
Increase / (Decrease) - Changes in Net Assets	<u>(\$5,801)</u>	<u>(\$4,498)</u>	<u>(\$2,771)</u>

Source:

San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

FUND BALANCES , GENERAL FUND

Last Three Fiscal Years

(modified accrual basis of accounting)

(In Thousands)

	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>
General Fund:			
Reserved	\$39,137	\$37,065	\$33,531
Unreserved	13,801	11,763	11,911
Total General Fund	<u>\$52,938</u>	<u>\$48,828</u>	<u>\$45,442</u>

Source:

San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

CHANGES IN FUND BALANCE, GENERAL FUND

Last Three Fiscal Years

(modified accrual basis of accounting)

(In Thousands)

	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>
Revenues:			
Program Revenues:			
Fees and Charges - Stationary Sources	\$8,423	\$8,581	\$9,312
Fees and Charges - Mobile Sources	9,907	10,100	11,013
Operating Grants	2,107	1,940	1,996
Restricted Special Revenue Sources	5,238	3,660	9,135
General Revenues:			
State Subvention - Not Resetricted	866	868	876
Interest - Not Resetricted	413	328	354
Penalties/Settlements	2,812	3,306	3,239
Miscellaneous Revenue	79	141	244
Total Revenue	<u>29,845</u>	<u>28,924</u>	<u>36,169</u>
Expenses:			
Operating:			
Salaries and Benefits	15,136	17,084	19,825
Services and Supplies	3,570	3,673	4,038
Capital Outlay	1,354	1,742	1,617
Total Operating Expenditures	<u>20,060</u>	<u>22,499</u>	<u>25,480</u>
Non-Operating:			
Pass Through and Non-Operating	15,700	10,535	14,075
Total Expenditures	<u>35,760</u>	<u>33,034</u>	<u>39,555</u>
Net Change in Fund Balance - Prior to Adjustment	(5,915)	(4,110)	(3,386)
Adjustment to Fund Balance	792	-	-
Net Change in Fund Balance	<u>(\$5,123)</u>	<u>(\$4,110)</u>	<u>(\$3,386)</u>

Source:

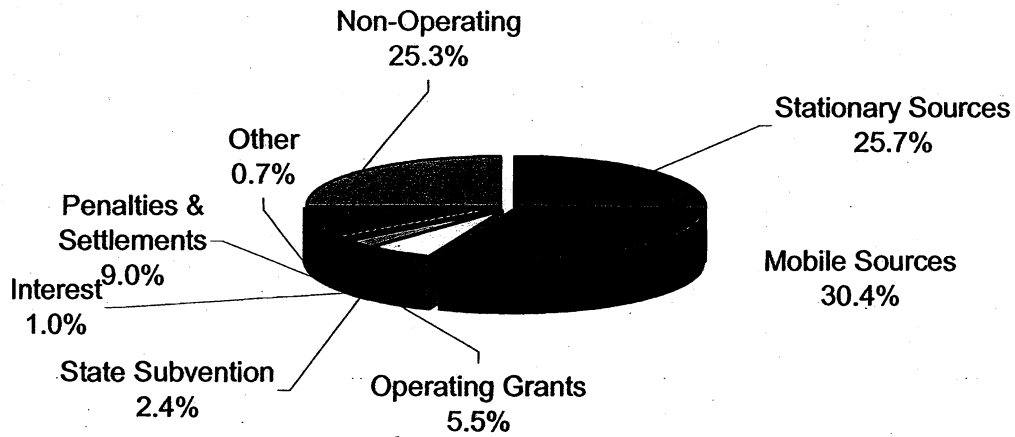
San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

OPERATING REVENUES BY PROGRAM ACTIVITY Last Three Fiscal Years

Stationary Sources	8,423,118	8,581,027	9,312,515
Mobile Sources	9,906,955	10,100,150	11,012,746
Operating Grants	2,107,134	1,939,993	1,996,641
State Subvention	865,892	867,800	875,794
Interest	412,430	327,939	353,835
Penalties & Settlements	2,812,742	3,306,435	3,239,049
Other	78,755	140,711	243,502
Non-Operating	5,237,991	3,659,999	9,135,314
Total Expenditures	29,845,017	28,924,054	36,169,396

FY 04-05 OPERATING REVENUES BY PROGRAM ACTIVITY



■ Stationary Sources	■ Mobile Sources	□ Operating Grants
■ State Subvention	■ Interest	■ Penalties & Settlements
■ Other	■ Non-Operating	

Notes:

Other includes: Miscellaneous Revenue and Subscriptions

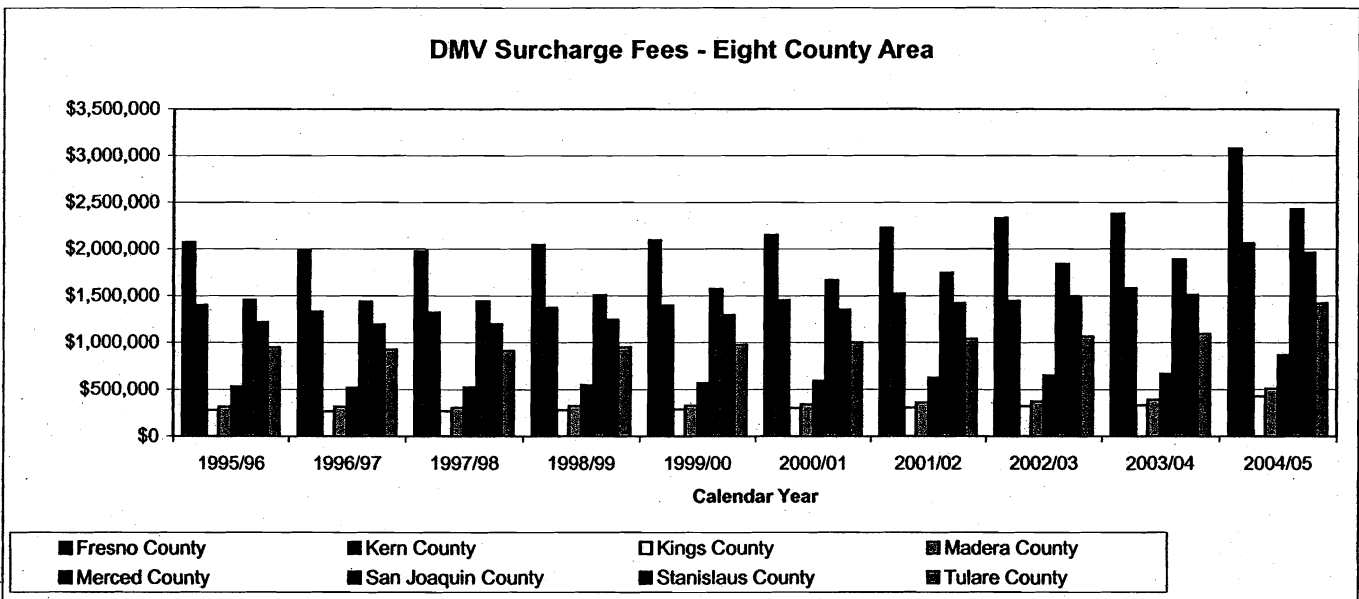
Source:

San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

San Joaquin Valley Unified Air Pollution Control District

DMV SURCHARGE FEES - EIGHT COUNTY AREA Last Ten Fiscal Years

1995/96	2,071,302	1,401,206	278,845	315,017	530,090	1,457,521	1,216,615	950,030	8,220,626	1.42%
1996/97	1,989,797	1,331,817	266,888	313,317	520,005	1,437,875	1,193,623	926,485	7,979,807	-2.93%
1997/98	1,975,546	1,323,147	270,975	305,438	520,958	1,439,693	1,196,882	910,597	7,943,236	-0.46%
1998/99	2,046,657	1,372,778	278,390	325,006	546,936	1,508,702	1,247,101	952,512	8,278,082	4.22%
1999/00	2,094,622	1,397,104	285,207	327,130	565,313	1,573,808	1,293,200	975,501	8,511,885	2.82%
2000/01	2,150,677	1,455,402	299,542	336,909	589,162	1,665,743	1,351,551	1,000,762	8,849,748	3.97%
2001/02	2,227,493	1,523,782	308,038	357,055	623,319	1,748,164	1,419,123	1,038,981	9,245,955	4.48%
2002/03	2,332,851	1,443,497	321,647	373,073	647,110	1,839,549	1,494,038	1,067,073	9,518,838	7.56%
2003/04	2,379,559	1,584,515	331,516	387,595	664,317	1,893,093	1,514,331	1,093,248	9,848,174	6.51%
2004/05	3,079,191	2,061,601	426,999	509,137	867,833	2,428,456	1,959,813	1,419,005	12,752,035	33.97%



Notes:

The San Joaquin Valley Unified Air Pollution Control District encompasses all of Fresno, Kings, Madera, Merced, San Joaquin, Stanislaus, Tulare, and the valley portion of Kern County.

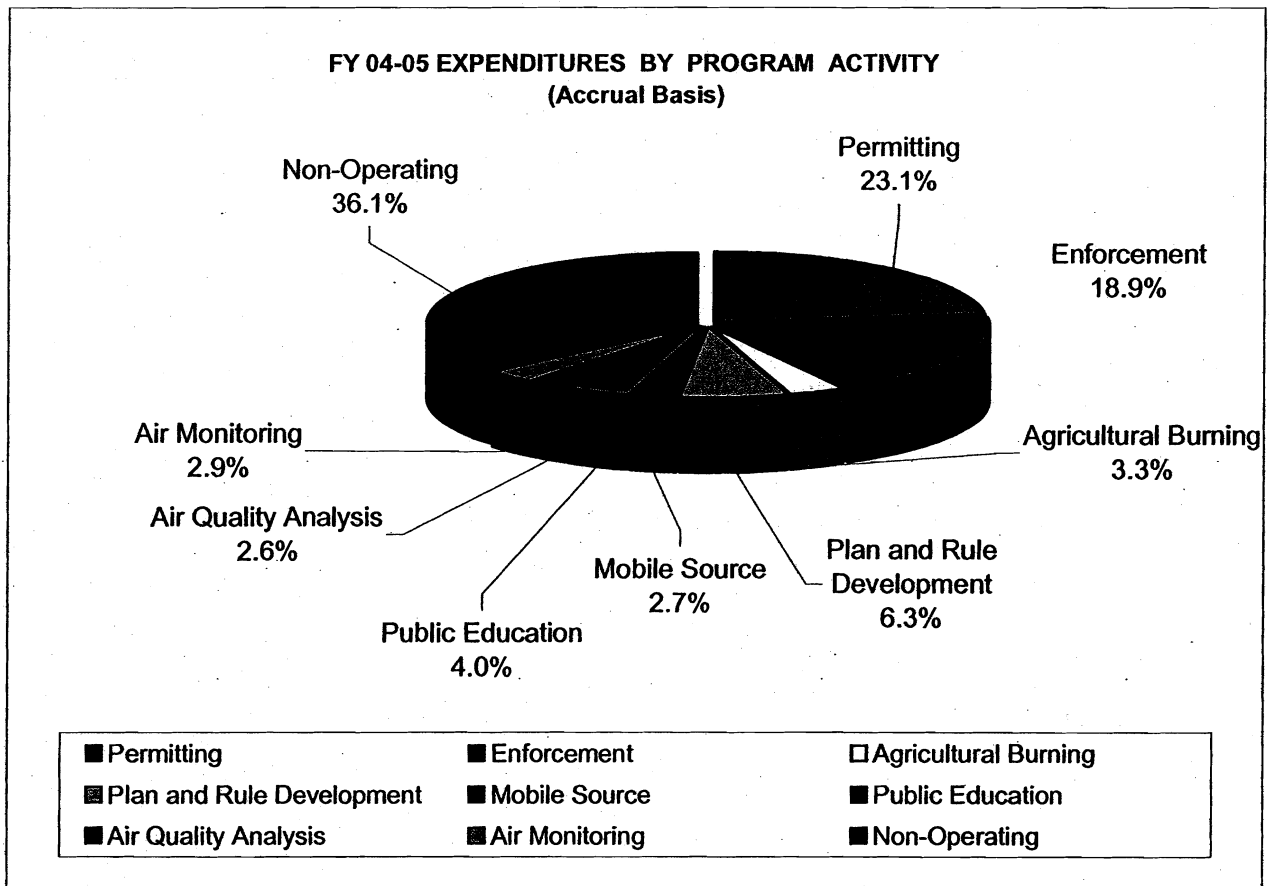
Starting in 2004/005 Total DMV Surcharge Fees include fund from AB2766, SB709, and AB923.

Source: California Department of Motor Vehicles

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

OPERATING EXPENDITURES BY PROGRAM ACTIVITY - (Accrual Basis) Last Three Fiscal Years

Permitting	6,550,024	7,786,585	9,004,901
Enforcement	6,213,424	7,076,429	7,376,463
Agricultural Burning	791,354	1,422,298	1,285,614
Plan and Rule Development	2,010,417	2,108,605	2,471,801
Mobile Source	855,101	882,217	1,051,588
Public Education	1,538,187	1,283,592	1,552,531
Air Quality Analysis	910,083	884,659	996,157
Air Monitoring	1,076,695	1,442,041	1,126,441
Non-Operating	15,700,625	10,535,266	14,074,560
Total Expenditures	35,645,910	33,421,692	38,940,056



Source:

San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

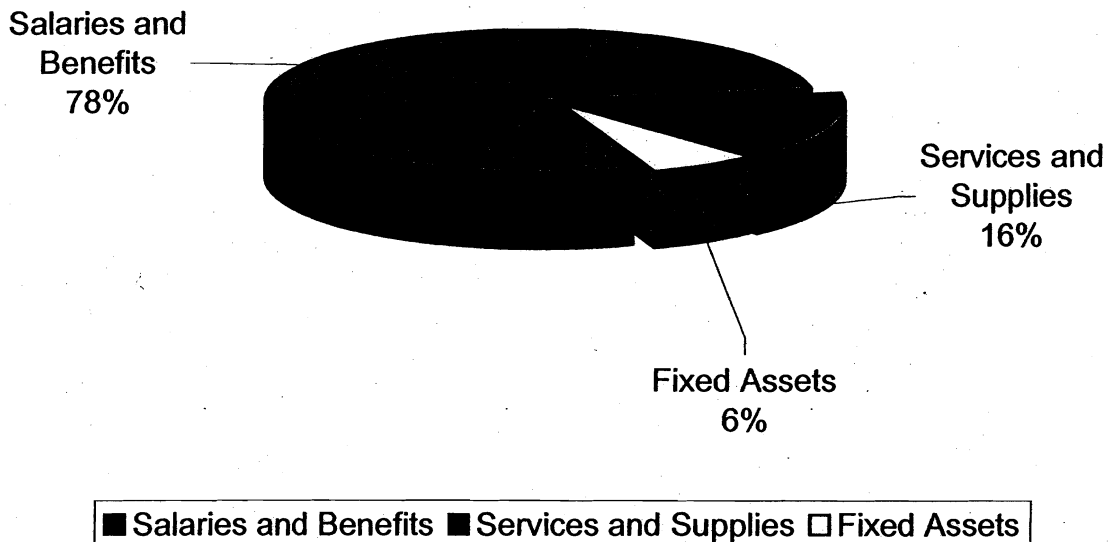
SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

OPERATING EXPENDITURES BY BUDGET OBJECT LEVEL

Last Ten Fiscal Years

1995/96	10,217,052	2,712,272	1,244,120	14,173,444
1996/97	10,861,833	2,950,513	1,661,982	15,474,328
1997/98	10,849,743	2,788,296	1,244,565	14,882,604
1998/99	10,847,610	2,813,565	4,541,909	18,203,084
1999/00	10,855,699	2,747,996	1,133,363	14,737,058
2000/01	11,399,829	2,953,265	1,021,780	15,374,874
2001/02	13,053,755	3,460,986	1,708,566	18,223,307
2002/03	15,135,708	3,570,051	1,354,016	20,059,775
2003/04	17,083,592	3,673,348	1,741,708	22,498,648
2004/05	19,824,791	4,038,448	1,617,469	25,480,708

FY 04-05 Operating Expenditures by Budget Object Level



Source:

San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

SALARY AND BENEFIT EXPENDITURES

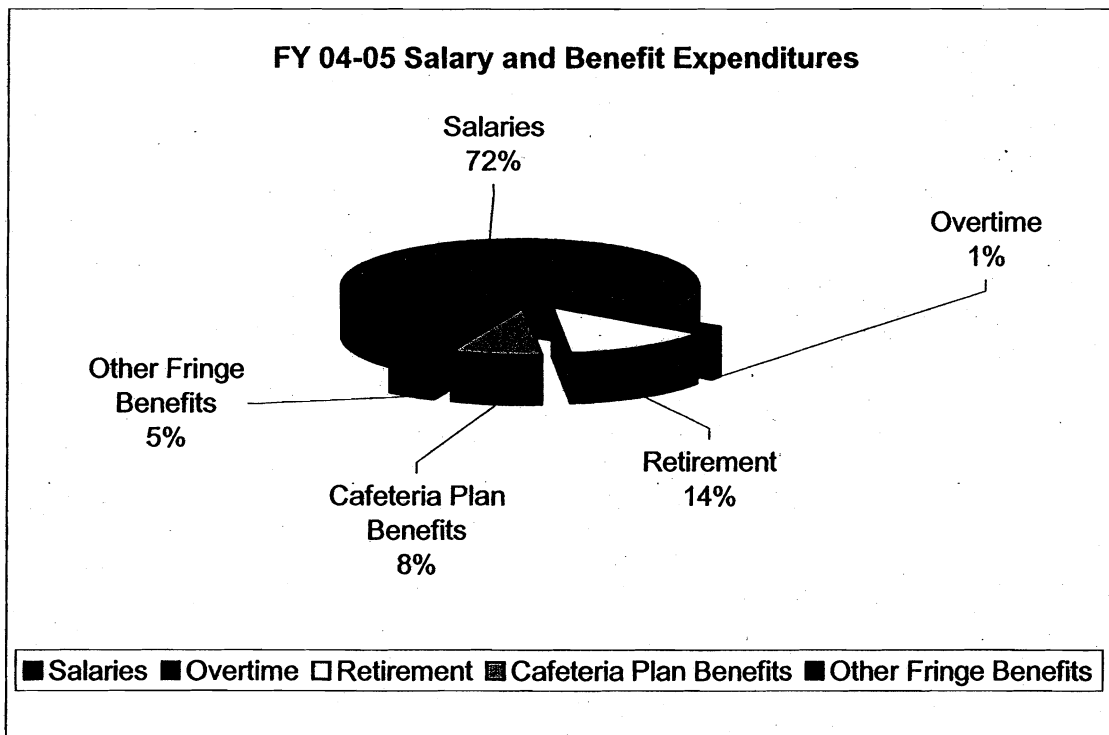
Last Ten Fiscal Years

1993/94	6,778,339	66,888	839,324	633,774	317,005	8,635,330
1994/95	7,511,441	79,842	906,298	670,956	263,224	9,431,761
1995/96	8,197,863	76,803	947,309	757,332	286,996	10,266,303
1996/97	8,667,393	88,298	866,728	780,808	326,120	10,729,347
1997/98	8,718,119	72,861	991,179	763,771	289,137	10,835,067
1998/99	8,728,060	160,989	928,848	762,857	267,169	10,847,923
1999/00	8,840,651	156,885	824,692	775,262	269,208	10,866,698
2000/01	8,955,997	209,668	914,024	878,958	214,213	11,172,860
2001/02	10,286,165	209,668	914,024	878,958	308,425	12,597,240
2002/03	11,431,697	251,189	1,722,223	1,255,852	474,747	15,135,708
2003/04	12,760,813	226,307	1,995,013	1,398,170	703,289	17,083,592
2004/05	14,325,161	269,618	2,701,422	1,572,390	956,200	19,824,791

Notes:

Salaries Includes: Regular Salaries, Temporary Help, and On Call Pay.

Other Fringe Benefits Includes: Unemployment Insurance, OASDI Insurance, Worker's Compensation Contributions, Long Term Disability Insurance, and Alternate Transportation Incentive.



Source:

San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

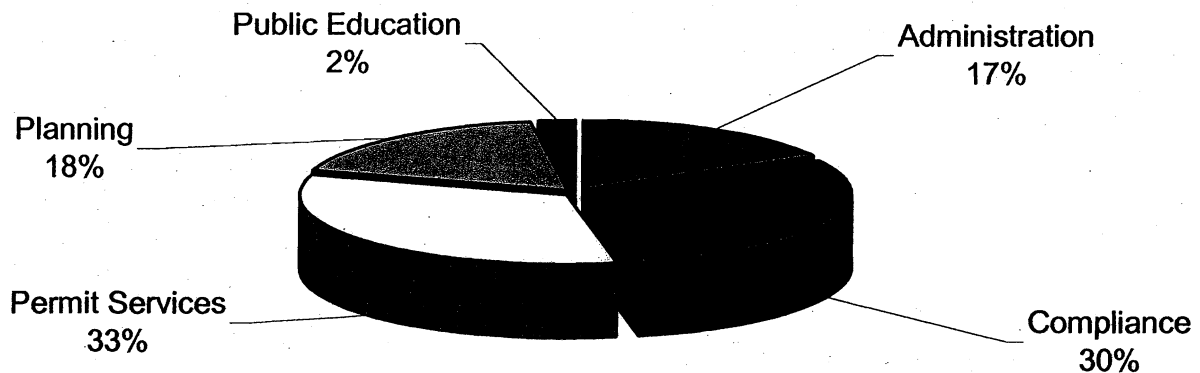
SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

DISTRICT EMPLOYEES BY PROGRAM

Adjusted Budget @ June 30
Last Ten Fiscal Years

1995/96	41	59	69	37	3	209
1996/97	45	60	61	37	3	206
1997/98	42	61	61	37	3	204
1998/99	42	61	60	37	4	204
1999/00	42	61	59	37	4	203
2000/01	40	70	63	42	4	219
2001/02	41	70	67	46	6	230
2002/03	42	71	73	48	6	240
2003/04	46	78	89	49	6	268
2004/05	46	81	89	49	6	271

FY 04-05 District Employees by Program



■ Administration ■ Compliance □ Permit Services ■ Planning ■ Public Education

Source:

San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

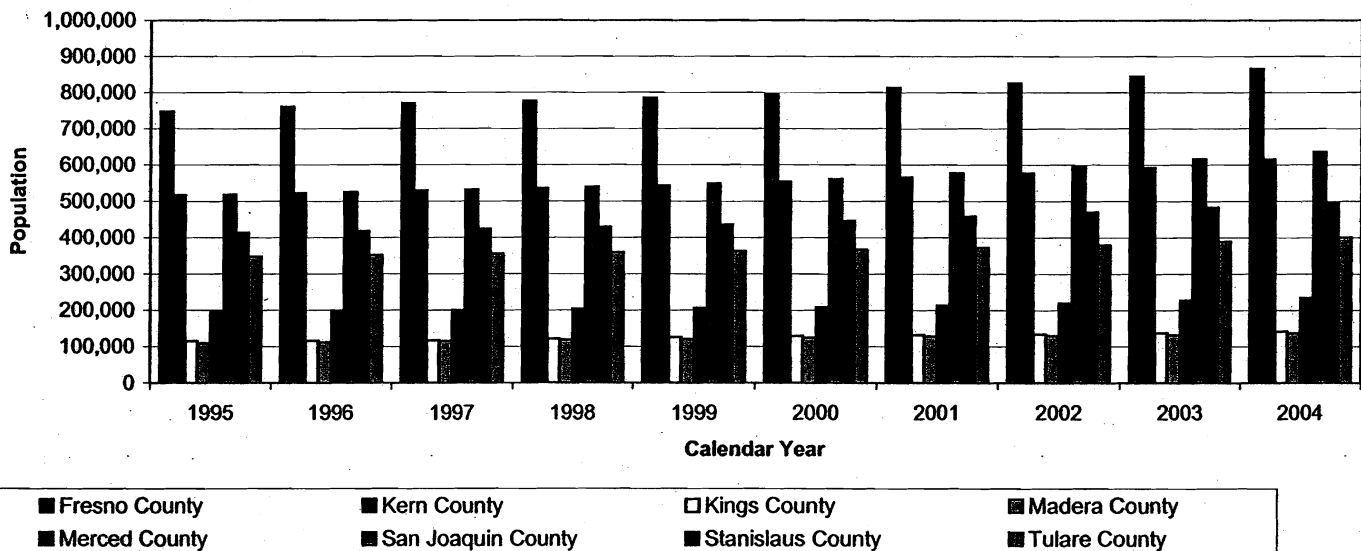
SAN JOAQUIN VALLEY AIR POLLUTION CONTROL DISTRICT

EIGHT COUNTY POPULATION

Last Ten Calendar Years

1995	748,400	517,100	114,800	108,800	198,700	517,900	413,000	347,500	2,966,200	
1996	761,100	522,800	116,000	111,700	198,600	525,400	417,500	351,900	3,005,000	1.31%
1997	770,600	529,900	117,100	115,300	200,100	532,600	423,200	355,100	3,043,900	1.29%
1998	777,600	536,100	120,700	118,100	203,200	540,100	429,100	358,700	3,083,600	1.30%
1999	785,000	543,500	125,400	120,300	205,900	549,200	436,100	362,200	3,127,600	1.43%
2000	797,900	554,600	128,800	124,500	208,800	561,200	445,900	367,000	3,188,700	1.95%
2001	813,200	565,800	131,300	128,600	213,000	578,600	457,700	372,400	3,260,600	2.25%
2002	826,600	577,600	133,100	129,700	218,900	596,000	469,500	379,200	3,330,600	2.15%
2003	845,600	592,500	137,400	131,500	227,000	616,500	483,000	388,600	3,422,100	2.75%
2004	866,500	615,200	141,500	136,900	234,200	636,500	494,800	400,100	3,525,700	5.86%

Eight County Population

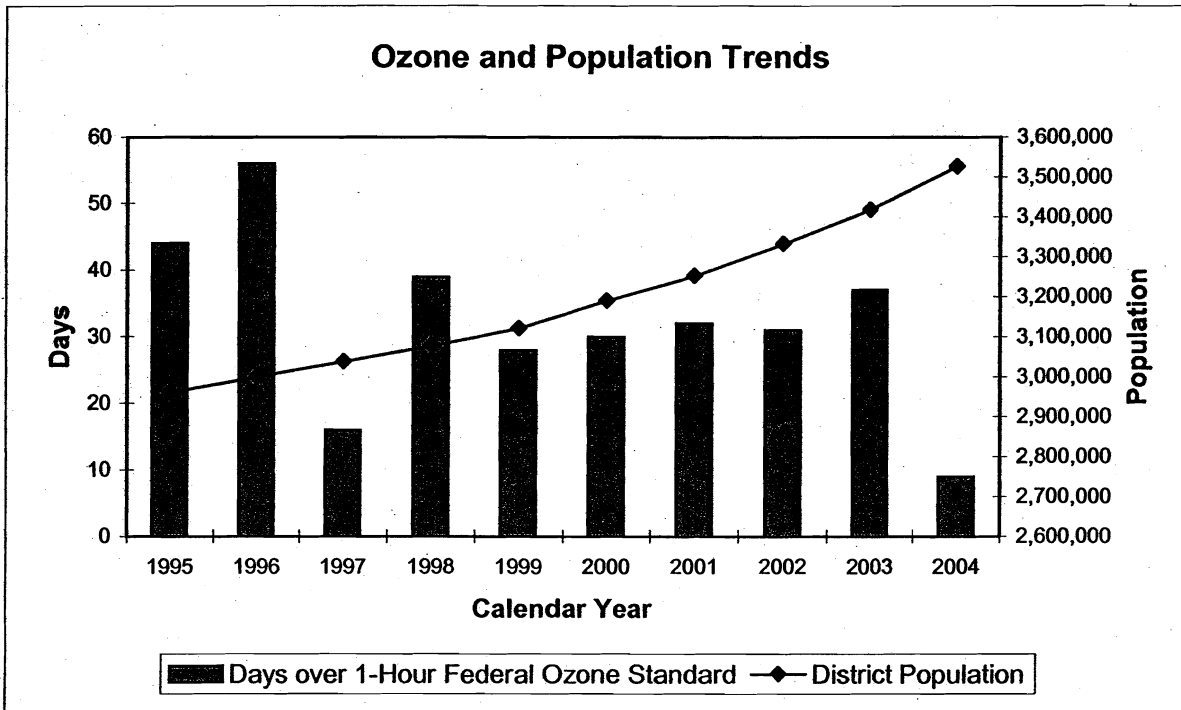


Notes:
 The San Joaquin Valley Unified Air Pollution Control District encompasses all of Fresno, Kings, Madera, Merced, San Joaquin, Stanislaus, Tulare, and the valley portion of Kern County.

Source: California State Department of Finance - Demographic Research Unit - (SJVUAPCD Portion of Kern County estimated at 84%)

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

OZONE AND POPULATION TREND Last Ten Calendar Years



1995	44	2,960,000
1996	56	2,999,000
1997	16	3,038,000
1998	39	3,077,000
1999	28	3,121,000
2000	30	3,190,000
2001	32	3,252,000
2002	31	3,332,000
2003	37	3,418,000
2004	9	3,525,700

Notes:

The average number of days in the Basin exceeding the federal 1-hour ozone standard of the three-year period of 2000-02 decreased by 61 percent from the 1977-1979 period.

The average number of days in the Basin exceeding the federal 24-hour PM10 standard decreased by 80 percent between the 1988-90 and 2000-02 periods.

The District was declared attainment for the federal 8-hour CO standard on November 6, 1991.

Sources:

Air quality information is from ARB website (<http://www.arb.ca.gov/homepage.htm>)

Population data is from California State Department of Finance - Demographic Research Unit

San Joaquin Valley Unified Air Pollution Control District

Demographic and Miscellaneous Statistics

District Established:	March 21, 1991
Area Covered:	25,000 Square Miles
Counties Included in District:	San Joaquin, Stanislaus, Merced, Madera, Fresno, Kings, Tulare, and the valley portion of Kern County
Population:	3,525,700 (2004)
Transportation:	Two Transcontinental Railroads – Burlington Northern Santa Fe and the Union Pacific Six Commercial Airports – Stockton Metro, Modesto, Merced Municipal, Fresno Yosemite, Visalia Municipal, and Meadows Field (Bakersfield) Two Major Interstate Freeways – California State Highway 99 and U.S. Interstate Highway 5 One Major Port – Port of Stockton
Visitor Destinations:	Yosemite National Park, Kings Canyon, National Park, Sequoia National Park
Number of Registered Vehicles:	2,681,800 (6/30/05)
Stationary Sources of Air Pollution Regulated	Oil Refineries, Oil Production Equipment, Power Plants, Manufacturing and Processing Facilities, Emergency Generators, Paint Spray Booths, Service Stations, Agricultural Operations, and Dry Cleaners
Number of Sources:	Approximately 13,500 operating locations with more than 6,000 Agricultural Conservation Management Practice Plans and 25,000 permits
Number of Air Monitoring Stations:	29, District and ARB combined
District Full-time Authorized Positions:	271
Adopted FY 2005-06 Budget:	\$53,519,200