

# San Joaquin Valley Unified Air Pollution Control District

Comprehensive Annual Financial Report  
Year Ended June 30, 2007

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, 2007

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# **Introductory Section**

# San Joaquin Valley Unified Air Pollution Control District

## Governing Board

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**J. Steven Worthley, Chair**  
Supervisor, Tulare County

**Leroy Ornellas, Vice Chair**  
Supervisor, San Joaquin County

**Jon McQuiston**  
Supervisor, Kern County

**Tony Barba**  
Supervisor, Kings County

**Michael G. Nelson**  
Supervisor, Merced County

**Raji Brar**  
Councilmember, City of Arvin

**William O'Brien**  
Supervisor, Stanislaus County

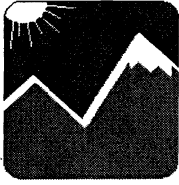
**Judith G. Case**  
Supervisor, Fresno County

**Henry T. Perea**  
Councilmember, City of Fresno

**Ronn Dominici**  
Supervisor, Madera County

**Chris Vierra**  
Councilmember, City of Ceres

**Seyed Sadredin**  
Executive Director - Air Pollution Control Officer



## **San Joaquin Valley Unified Air Pollution Control District**

December 20, 2007

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, 2007 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**

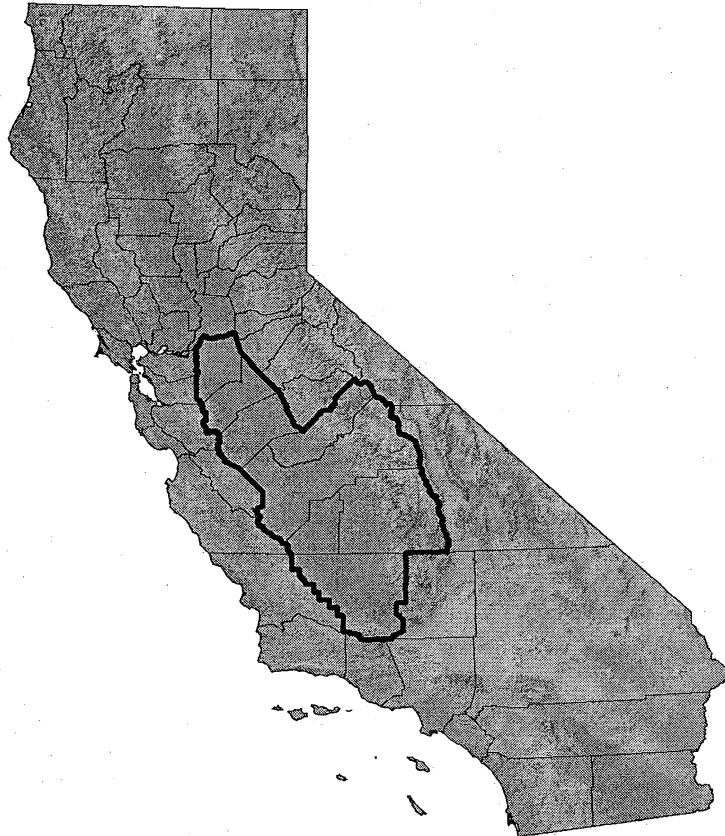
#### **Background**

The San Joaquin Valley Unified Air Pollution Control District (District) began operation on March 20, 1991 as a unified air pollution control 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 3.7 million residents in the year 2006. Major urban centers exist in Stockton, Modesto, Fresno, Visalia, 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 Environmental Protection Agency (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 30 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 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 San Joaquin Valley Air District is a public health agency whose mission is to improve the health and quality of life for all valley residents through efficient, effective, and entrepreneurial air quality management strategies. This mission is implemented by developing air quality plans, 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 *8-hr Ozone Attainment Demonstration Plan* was adopted April 30, 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 San Joaquin Valley 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, 2007. 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, 2007, provided no instances of material weaknesses in connection with the internal control structure or 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.

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, 2007 is \$67.9 million.

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.

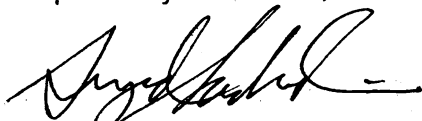
The District has coverage against claims up to a limit of \$10,000,000 for comprehensive general and auto liability and public officials liability, and up to \$400,000 for public employees blanket bond and for the replacement cost of property.

**Acknowledgments**

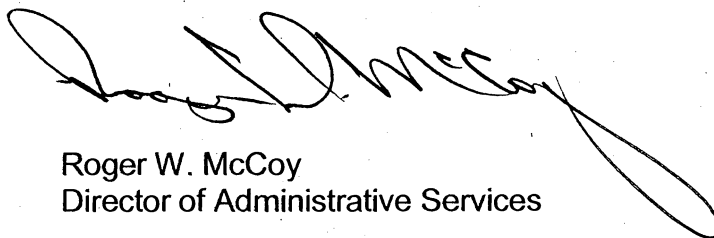
The dedicated services of the accountants and staff of the Finance Department made the preparation of our comprehensive annual financial report possible.

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 in an efficient and cost effective manner.

Respectively submitted,



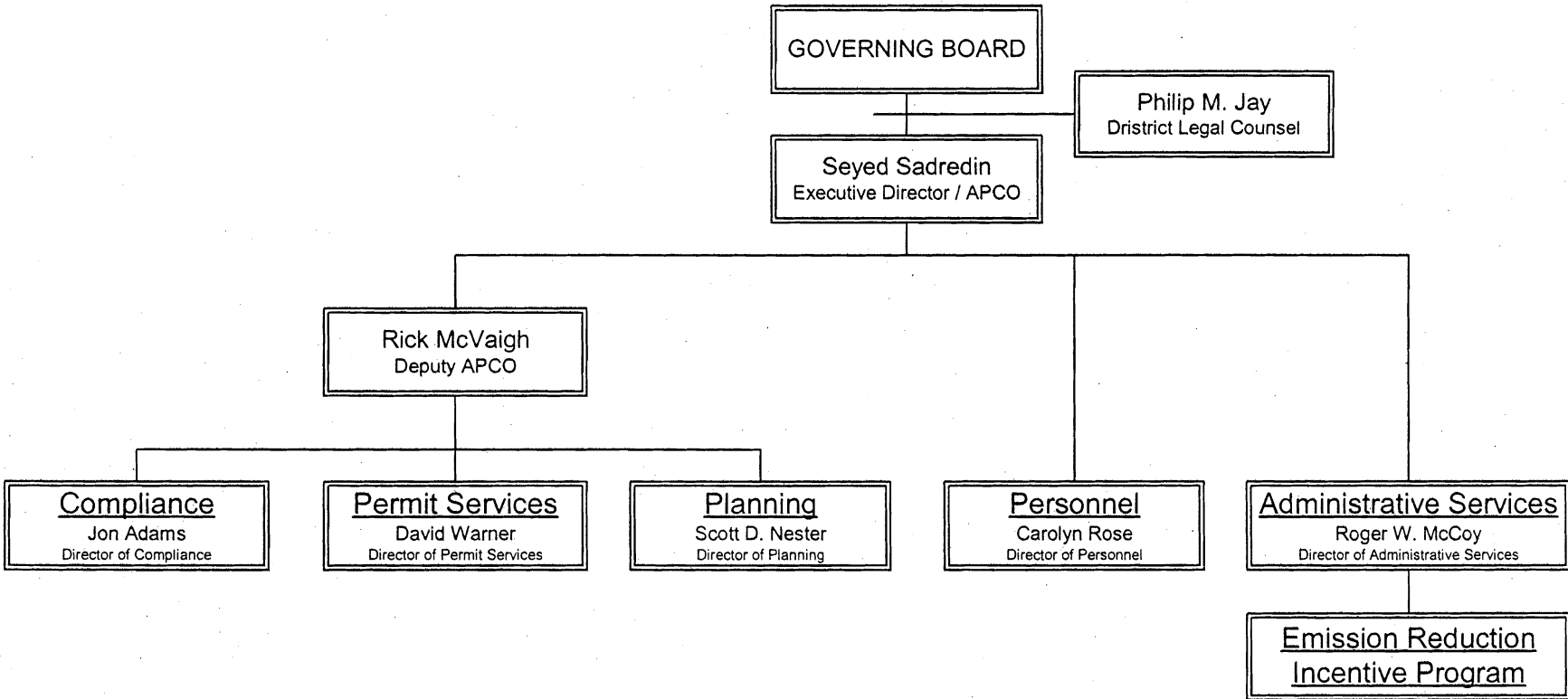
Seyed Sadredin  
Executive Director / APCO



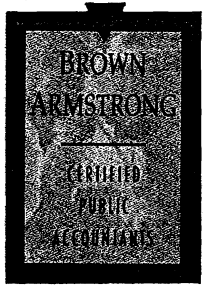
Roger W. McCoy  
Director of Administrative Services

# San Joaquin Valley Unified Air Pollution Control District

June 30, 2007



# **Financial Section**



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

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Steven R. Starbuck, CPA  
Aileen K. Keeter, CPA  
Chris M. Thornburgh, CPA  
Eric H. Xin, MBA, CPA

## INDEPENDENT AUDITOR'S REPORT

Lynn R. Krausse, CPA, MST  
Rosalva Flores, CPA  
Connie M. Perez, CPA  
Sharon Jones, CPA, MST  
Diana H. Branthoover, CPA  
Thomas M. Young, CPA  
Alicia Montgomery, CPA, MBA  
Matthew Gilligan, CPA  
Hanna J. Sheppard, CPA  
Ryan J. Nielsen, CPA  
Jian Ou-Yang, CPA  
Ryan S. Johnson, CPA  
Michael C. Olivares, CPA  
Amanda Fedewa, CPA  
Jialan Su, CPA  
Ariadne S. Prunes, CPA

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

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, 2007, 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.

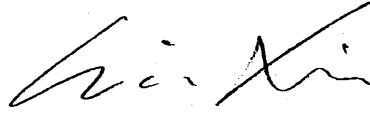
We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan 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, 2007, 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.

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 October 24, 2007 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 THORNBURGH & KEETER  
ACCOUNTANCY CORPORATION

A handwritten signature in black ink, appearing to read "G. A. Paulden", is written over the printed name of the firm.

Bakersfield, California  
October 24, 2007



# San Joaquin Valley Unified Air Pollution Control District

## Management's Discussion and Analysis June 30, 2007

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, 2007. 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 \$78.3 million (*net assets*). Of this amount \$10.7 million (*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 \$8.5 million as compared to the prior fiscal year. A decrease of \$12.3 million to the cash account combined with an increase of \$3.2 million to Capital Assets are the major factors in the decrease to net assets.
- The District's Expenditures exceeded Revenues by \$11.5 million. The District's Operating portion of the deficiency was \$6.5 million and the Non-operating portion was \$5.1 million.
- The District's General Fund reported total fund balances of \$70.4 million at year-end; \$7.7 million 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 16 to 17 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 18 and Statement of Revenues, Expenditures, and Changes in Fund Balance is presented on page 20 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 19 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 21 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 22 to 33 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. The Notes to Schedule of General Fund Budget and Actual Expenditures can be found on page 35 of this report

### 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, 2007, as compared to the prior fiscal year.

#### Statement of Net Assets (In Thousands)

	FY 2006-07	FY 2005-06	Increase (Decrease)	Percent Change
Current and Other Assets	\$72,106	\$83,825	(\$11,719)	-14.0%
Capital Assets	9,740	6,504	3,236	49.8%
Total Assets	<u>\$81,846</u>	<u>\$90,329</u>	<u>(\$8,483)</u>	<u>-9.4%</u>
Current Liabilities	\$1,712	\$1,849	(\$137)	-7.4%
Noncurrent Liabilities	1,837	1,723	114	6.6%
Total Liabilities	<u>\$3,549</u>	<u>\$3,572</u>	<u>(\$23)</u>	<u>-0.6%</u>
Net Assets:				
Invested in Capital Assets, net of related debt	\$9,740	\$6,504	\$3,236	49.8%
Restricted for Special Projects/Programs	57,905	66,096	(8,191)	-12.4%
Unrestricted	10,652	14,157	(3,505)	-24.8%
Total Net Assets	<u>\$78,297</u>	<u>\$86,757</u>	<u>(\$8,460)</u>	<u>-9.8%</u>

The District's total net assets decreased \$8.5 million as compared to the prior fiscal year. A decrease of \$12.3 million to the cash account combined with an increase of \$3.2 million to Capital Assets (purchase of the Northern Region Office Building) are the major factors in the decrease to net assets as compared to the prior fiscal year.

The District's total liabilities decreased \$22,860 as compared to the prior fiscal year. The combination of a decrease in Accounts Payable of \$260,326, and an increase of \$114,662 in Compensated Absences due in more than one year, are the major factors in the decrease to the District's total liabilities.

The largest portion of the District's net assets 74.0% is restricted. These funds are restricted to expenditures for specific purposes. Unrestricted net assets account for 13.6% 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 at 12.4% of the District's net assets 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, 2007, as compared to the prior year.

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

	Fiscal Year <u>2006-07</u>	Fiscal Year <u>2005-06</u>	<u>Difference</u>	<u>Percent Change</u>
Revenues:				
Program Revenues:				
Fees and Charges - Stationary Sources	\$11,317	\$10,413	\$904	8.7%
Fees and Charges - Mobile Sources	12,041	11,329	712	6.3%
Operating Grants	94	2,135	(2,041)	-95.6%
Restricted Special Revenue Sources	30,231	44,101	(13,870)	-31.5%
General Revenues:				
State Subvention - Not Restricted	868	884	(16)	-1.8%
Interest - Not Restricted	625	424	201	47.4%
Penalties/Settlements	3,010	5,393	(2,383)	-44.2%
Miscellaneous Revenue	81	46	35	76.1%
	<u>\$58,267</u>	<u>\$74,725</u>	<u>(\$16,458)</u>	<u>-22.0%</u>
Current Expenses:				
Permitting	\$11,230	\$9,614	\$1,616	16.8%
Enforcement	8,819	8,182	637	7.8%
Agricultural Burning	1,115	1,053	62	5.9%
Plan & Rule Development	1,854	2,894	(1,040)	-35.9%
Mobile Sources	1,526	1,182	344	29.1%
Public Education	1,675	1,806	(131)	-7.3%
Air Quality Analysis	1,246	1,421	(175)	-12.3%
Air Monitoring	1,495	1,520	(25)	-1.6%
Non-Operating Incentive Programs	37,768	10,762	27,006	250.9%
Total Expenses	<u>\$66,728</u>	<u>\$38,434</u>	<u>\$28,294</u>	<u>73.6%</u>
Increase/(Decrease) - Changes in Net Assets	<u>(\$8,461)</u>	<u>\$36,291</u>	<u>(\$44,752)</u>	<u>-123.3%</u>

**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, 2007, as compared to the prior year.

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

	<u>Fiscal Year 2006-07</u>	<u>Fiscal Year 2005-06</u>	<u>Increase (Decrease)</u>
Stationary Sources	\$11,317	\$10,413	\$904
Mobile Sources	12,041	11,329	712
Operating Grants	94	2,135	(2,041)
General Revenues *	4,584	6,747	(2,163)
Restricted Special Revenue Sources	<u>30,231</u>	<u>44,101</u>	<u>(13,870)</u>
	<u>\$58,267</u>	<u>\$74,725</u>	<u>(\$16,458)</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 fiscal year:

**Stationary Source Revenue**

- Stationary Source Revenue increased \$903,546 as compared to the prior fiscal year. Increases to Permit Fees of \$495,886, Indirect Source Review Fees of \$136,940, Indirect Source Review Administration Fees of \$131,209, Development Mitigation Contract Administration Fees of \$198,664 and a decrease in Ag Burn Fees of (\$213,569) are the major factors in this increase to Stationary Source Revenue.

**Mobile Source Revenue**

- Mobile Source Revenue increased \$712,722 as compared to the prior fiscal year. The major factors in this increase are an increase of \$198,911 to Administrative Fee Revenue from the Carl Moyer Program and an increase of \$405,132 to AB2766 DMV Surcharge Fee Revenue.

## Operating Grant Revenue

- Operating Grant Revenue decreased approximately \$2.0 million as compared to the prior fiscal year. The major factor in this decrease is the shortfall of \$1.8 Million to District Operating Revenues for the annual EPA 105 Grant. As of July 30, 2007 this grant had not been awarded to the District. It is expected that this grant will be granted to the District in the first quarter of FY 07/08.

## Restricted Special Revenue Sources

- Restricted Special Source Revenue decreased approximately \$13.9 million as compared to the prior fiscal year. Five items make up the majority of the decrease to Restricted Special Revenue. 1) DMV Surcharge Fee Revenue for SB709 and AB923 increased \$1.8 million as compared to the prior fiscal year. 2) Carl Moyer funds decreased \$4.1 million as compared to the prior fiscal year. The passage of SB1107 by the State of California during the prior fiscal year greatly increased the amount of Carl Moyer funds the District received in the first year of the enhanced program. Also, this fiscal year the funding allocation as determined by ARB was changed which resulted in our District receiving a smaller percentage of the total available funds for the Carl Moyer Program. 3) Traffic Congestion Relief Program Funds (TCRP) decreased \$9.4 million as compared to the prior fiscal year. The final distribution of this \$25 million program was received in the prior fiscal year as compared to zero funds received this fiscal year. 4) School Bus Retrofit/Replacement Program Funds from ARB decreased \$5.2 million as compared to the prior fiscal year. 5) Revenue for the ISR Rule Mitigation Program and Voluntary Development Mitigation Contracts increased \$2.9 million as compared to prior fiscal year.

The following is a schedule of District Expenses by Activity for the fiscal year ending June 30, 2007, as compared to the prior year.

**Expenses by Activities**  
**Governmental Activities**  
(In Thousands)

	Fiscal Year 2006-07	Fiscal Year 2005-06	Increase (Decrease)
Permitting	\$11,230	\$9,614	\$1,616
Enforcement	8,819	8,182	637
Agricultural Burning	1,115	1,053	62
Plan and Rule Development	1,854	2,894	(1,040)
Mobile Sorce	1,526	1,182	344
Public Education	1,675	1,806	(131)
Air Quality Analysis	1,246	1,421	(175)
Air Monitoring	1,495	1,520	(25)
Total Operating Expenses	<u>28,960</u>	<u>27,672</u>	1,288
Non-Operating Incentive Programs	<u>37,768</u>	<u>10,762</u>	27,006
Total District Expenses	<u>\$66,728</u>	<u>\$38,434</u>	<u>\$28,294</u>

Expenditures for the Permitting Division increased \$1.6 million and Plan and Rule Development expenses decreased \$1.0 Million as compared to the prior fiscal year. During the year the employees that evaluate and process the applications for the ISR Rule Mitigation Program were transferred from the Plan and Rule Development Division to the Permitting Division. This transfer of expenditures is the major factor in the increase in the Permitting Division and the decrease in the Plan and Rule Development Division.

Non-Operating Incentive Program expenses increased \$27.0 million as compared to the prior fiscal year. The table below details the major changes to the various Incentive Programs that make up this increase.

Incentive Program Name	Fiscal Year 2006-07	Fiscal Year 2005-06	Increase (Decrease)
DMV Heavy-Duty Program	\$ 7,498,839	\$ 2,643,239	\$ 4,855,600
Carl Moyer Program	10,702,671	4,249,556	6,453,115
Traffic Congestion Relief Program	8,979,396	2,692,549	6,286,847
School Bus Retro/Replace Program	3,870,000	154,426	3,715,574
State ERC Program	42,893	317,575	(274,682)
Peaker Plant Program	213,636	15,000	198,636
Backup Geerator Program	626,397	64,628	561,769
Development Mitigation Contracts	5,139,058	278,699	4,860,359
San Joaquin Valley Blueprint Program	250,000	-	250,000
Total	<u>\$ 37,322,890</u>	<u>\$ 10,415,672</u>	<u>\$ 26,907,218</u>



The increased funding of existing incentive grant programs (DMV, Carl Moyer, and the Traffic Congestion Relief Program) and the addition of several new programs are the major factors in the increased expenditures in Non-Operating Incentive Program Expenses.

#### **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 \$70.4 million, a decrease of \$11.6 million in comparison with the prior year. Approximately 89% of this fund balance, \$62.7 million is reserved and restricted for specific purposes. The long-term contractual commitments related to these restricted programs involve multiple-year expenditures.

At the end of the fiscal year, the District's unreserved fund balance was \$7.7 million, a decrease of \$2.2 million 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 \$9.7 million (net of accumulated depreciation of \$6.8 million) as of June 30, 2007. 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 30 of this report.

#### **F. Current Year's Budget**

The Adjusted Budget for the District for the fiscal year ended June 30, 2007 was \$89.9 million, an increase of \$140,000 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.

The Adjusted Operating Budget at June 30, 2007 was \$31.2 million, an increase of \$624,800 as compared to the Adopted Operating Budget. A \$450,000 budget increase to fund a portion of the 4% salary increase for the District's general bargaining unit was the major factor in the increase to the adopted budget.

The Adjusted Non-Operating Budget at June 30, 2007 was \$58.5 million, an increase of \$70,000 as compared to the Adopted Non-Operating Budget. The receipt of an unanticipated Voluntary Development Mitigation Contract in the amount of \$70,000 accounts for this increase.

Actual expenditures as compared to the Adjusted Budget at June 30, 2007:

### **Operating Budget**

#### Revenues

Actual Operating Revenues at June 30, 2007 were \$25.6 million as compared to the final Adjusted Budget of \$27.5 million, a negative variance of \$1.9 million. The delay of awarding of the FY07 Federal EPA 105 Grant in the amount of \$1.8 million until after the end of the fiscal year is the major factor in the negative variance of actual revenues compared to the final Adjusted Budget. It is expected that this grant will be awarded and received in the first quarter of FY 07/08.

#### Expenditures

Actual Operating Expenditures at June 30, 2007 were \$27.9 million as compared to the final Adjusted Budget of \$31.2 million, a positive variance of \$3.3 million.

#### Salaries and Benefits

Actual Salary and Benefit expenditures at year-end were \$23.5 million as compared to the final Adjusted Budget of \$24.9 million, a positive variance of \$1.4 million. Salary and benefit savings on vacant positions during the year were the major factor contributing to the positive variance.

#### Services and Supplies

Actual Service and Supplies expenditures at year-end were \$3.6 million as compared to the final Adjusted Budget of \$4.9 million, a positive variance of \$1.3 million. The major factor in this positive variance was the Professional and Specialized Services account that was under budget by \$805,205. Of this amount, \$589,882 was encumbered for binding commitments that were entered into prior to the end of the fiscal year, that will be expended in FY 07/08.

#### Fixed Assets

Actual Fixed Assets expenditures at year-end were 835,149 as compared to the final Adjusted Budget of \$1,435,200, a positive variance of \$600,051. Large positive variances in Computer Equipment of \$162,689 and Video Conferencing System of \$152,554 were due to an Executive Management decision to curtail all non-critical expenditure purchases during the final quarter of FY 06/07.

## Non-Operating Budget

### Revenues

Actual Non-Operating Revenues at June 30, 2007 were \$32.7 million as compared to the final Adjusted Budget of \$56.4 million, a negative variance of \$23.7 million. Listed in the table below are the revenues that make up the majority of negative variance in Non-Operating Revenues.

	Final Adusted Budget	Actual Revenues @ 6/30/07	Variance Positive (Negative)
ISR Rule Mitigation Funds	\$ 23,934,000	\$ 3,341,427	\$ (20,592,573)
Voluntary Development Mitigation Contracts	1,070,000	5,130,711	4,060,711
Winery Rule Mitigation Funds	8,650,000	-	(8,650,000)
Total	\$ 33,654,000	\$ 8,472,138	\$ (25,181,862)

The \$20.6 Million negative variance in ISR Rule Mitigation Funds was due to the downturn in the economy and the less than anticipated projects started during the fiscal year. Winery Rule Mitigation Fees were not collected because the Winery Industry chose to mitigate their air pollution impact with their own projects, as allowed by the Winery Rule, rather than pay mitigation fees to the District.

### Expenditures

Actual Non-Operating Expenditures at June 30, 2007 were \$3.2 million as compared to the final Adjusted Budget of \$58.5 million a positive variance of \$55.3 million. Listed in the table below are the expenditures that make up the majority of positive variances in Non-Operating Expenditures.

	Final Adusted Budget	Actual Expenditures @ 6/30/07	Variance Positive (Negative)	Amount Reserved
Dairy CEQA Program	\$ 450,000	\$ 6,000	\$ 444,000	\$ 17,657
Mobile Source Emission Programs	23,861,500	1,705,858	22,155,642	22,155,642
Devleopment Mitigation Contracts	6,135,795	1,180,779	4,955,016	4,955,016
ISR Rule Mitigation Program	18,869,505	-	18,869,505	3,393,218
Winery Rule Mitigation Program	8,650,000	-	8,650,000	-
Total	\$ 57,966,800	\$ 2,892,637	\$ 55,074,163	\$ 30,521,533

The District has a policy of not entering into incentive grant contracts until grant funds are received by the District. As detailed above, a significant amount of grant funds were received and appropriated in 2006-07 that will not be expended on incentive contracts until 2007-08. The large reductions in expenditures for the ISR Rule Mitigation Program and the Winery Rule Mitigation Program are in line with the reductions in revenues explained in the prior section on Non-Operating Revenues.

## G. Next Year's Budget

The Adopted Budget for fiscal year 2007-08 is \$73.0 million as compared to the Adjusted Budget for fiscal year 2006-07 of \$89.9 million, a reduction of \$16.9 million or 18.8%. Operating appropriations were reduced 1.2%, while Non-Operating appropriations were reduced 29.2%.

The FY 2007-08 Budget does not include a recommendation for a fee increase for any fee collected by the District. Since the District unified in 1991-92, the 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:** The Operating Budget shows a reduction of \$364,300, or 1.2% as compared to the prior year adjusted budget.

### Salaries and Benefits

Total Salaries and Benefits for the FY 2007-08 Adopted Budget is \$24.8 million as compared to FY 2006-07 Adjusted Budget of \$24.9 million, a reduction of \$91,000.

### Services and Supplies

Total Services and Supplies for the FY 2007-08 Adopted Budget is \$4.6 million as compared to FY 2006-07 Adjusted Budget of \$4.9 million, a reduction of \$249,600.

### Fixed Assets

Total Fixed Assets for the FY 2007-08 Adopted Budget were reduced \$23,700.

**Non-Operating Budget:** The Non-Operating Budget for the FY 2007-08 Adopted Budget is \$41.4 Million as compared to the FY 2006-07 Adjusted Budget of \$58.5 Million, a reduction of \$17.1 million. The decrease in the ISR Rule Mitigation Program of \$18.9 million, and the elimination of the Winery Rule Mitigation Program of \$8.7 million, were the major factors in this reduction to the Non-Operating Budget.

## H. Economic Factors

It is important to note that 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.

**San Joaquin Valley Unified Air Pollution Control District**  
**Statement of Net Assets**  
June 30, 2007

	<u>Governmental Activities</u>
<u>Assets</u>	
Current Assets:	
Cash and Cash Equivalents	\$67,942,443
Accrued Revenues	4,153,300
Prepaid Expenses	10,181
Total Current Assets	72,105,924
Noncurrent Assets:	
Land	904,208
Capital Assets, Net of Accumulated Depreciation	8,835,554
Total Noncurrent Assets	9,739,762
Total Assets	81,845,686
<u>Liabilities</u>	
Current Liabilities:	
Accounts Payable	269,198
Accrued Wages Payable	1,322,315
Compensated Absences Payable	120,058
Total Current Liabilities	1,711,571
Noncurrent Liabilities:	
Compensated Absences Payable Due In More Than One Year	1,837,410
Total Liabilities	3,548,981
<u>Net Assets</u>	
Invested in Capital Assets	9,739,762
Restricted for Special Projects/Programs	57,905,236
Unrestricted	10,651,707
Total Net Assets	\$78,296,705

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, 2007**

Programs	Expenses	Program Revenues			Restricted Special Revenue Sources	Net (Expense) Revenue and Changes in Net Assets	
		Fees & Charges for Services		Operating Grants			Governmental Activities
		Stationary Sources	Mobile Sources				
Governmental Activities:							
Permitting	\$11,230,458	\$5,077,574	\$992,891	-	-	(\$5,159,993)	
Enforcement	8,818,589	5,611,502	1,514,997	-	-	(1,692,090)	
Agricultural Burning	1,115,208	350,238	933	-	-	(764,037)	
Plan & Rule Development	1,853,564	-	1,580,048	-	-	(273,516)	
Mobile Sources	1,525,673	277,647	1,029,488	-	-	(218,538)	
Outreach & Communications	1,675,084	-	1,672,627	-	-	(2,457)	
Air Quality Analysis	1,245,566	-	1,052,122	-	-	(193,444)	
Air Monitoring	1,495,311	-	1,736,958	93,795	-	335,442	
Non-Operating	37,768,236	-	2,461,081	-	\$30,230,810	(5,076,345)	
Total Governmental Activities	<u>\$66,727,689</u>	<u>\$11,316,961</u>	<u>\$12,041,145</u>	<u>\$93,795</u>	<u>\$30,230,810</u>	<u>(13,044,978)</u>	
General Revenues:							
State Subvention - not restricted to specific programs						867,800	
Interest - not restricted to specific programs						625,236	
Penalties/Settlements						3,010,358	
Miscellaneous Revenue						81,065	
Total General Revenues						<u>4,584,459</u>	
Change in Net Assets						<u>(8,460,519)</u>	
Net Assets - beginning						<u>86,757,224</u>	
Net Assets - ending						<u>\$78,296,705</u>	

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

**San Joaquin Valley Unified Air Pollution Control District**  
**Balance Sheet - General Fund**  
**June 30, 2007**

Assets:

Cash and Cash Equivalents	\$ 67,942,444
Accrued Revenues	4,153,300
Suspense Accounts Receivable	10,181
Total Assets	\$ 72,105,925

Liabilities:

Accounts Payable	\$ 269,199
Accrued Wages Payable	1,322,315
Compensated Absences Payable	120,058
Total Liabilities	1,711,572

Fund Balance:

Reserved Fund Balance	62,684,508
Unreserved Fund Balance	7,709,845
Total Fund Balance	70,394,353

Total Liabilities and Fund Balance	\$ 72,105,925
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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, 2007

Fund Balance - General Fund	\$70,394,353
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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.	9,739,762
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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>(1,837,410)</u>
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Net Assets of Governmental Activities	<u><u>\$78,296,705</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, 2007

Revenues:	
Operating:	
License and Permit Fees	\$ 19,709,769
Administrative Fees	1,219,095
Penalties and Settlements	2,991,514
Interest	625,236
State Grants	867,800
Federal Grants	93,795
Miscellaneous Revenue	<u>68,070</u>
Total Operating Revenue	25,575,279
Non-Operating:	
Incentive Grants	\$ 29,625,271
Interest	2,950,770
Federal Grants	<u>115,850</u>
Total Non-Operating Revenue	32,691,891
Total Revenue	<u>58,267,170</u>
Expenditures:	
Operating:	
Salaries and Benefits	23,479,039
Services and Supplies	3,814,644
Capital Outlay	<u>4,786,429</u>
Total Operating Expenditures	32,080,112
Non-Operating:	
Pass Through and Non-Operating	<u>37,768,236</u>
Total Expenditures	69,848,348
Deficiency of Revenues under Expenditures	<u>(11,581,178)</u>
Fund Balance, July 1, 2006	<u>81,975,531</u>
Fund Balance, June 30, 2007	<u><u>\$ 70,394,353</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, 2007

Net Change in Fund Balance - General Fund (\$11,581,178)

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.

3,729,317

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.

(493,996)

Increase in compensated absences due in more than one year

(114,662)

Change in Net Assets of Governmental Activities

(\$8,460,519)

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, 2007**

### **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 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. 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
- Outreach & Communications
- 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 \$120,058 and \$1,837,410 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 \$57,905,236. 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	\$23,533,555
DMV Surcharge Fees - Incentives	21,042,266
DMV Fees - Rollover	828,674
DMV Administrative Fees	515,776
State ERC Bank Program	492,525
Backup Generator Program	718,709
Peaker Plant Program	1,055,863
Dairy CEQA Program	17,657
ISR Rule Mitigation Program	3,393,218
Development Mitigation Program	6,056,993
San Joaquin Valley Blueprint Project	250,000
Total Restricted Net Assets	<u>\$57,905,236</u>

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	289,000
Reserve for Encumbrances	1,490,272
Reserve for Heavy-Duty Program - Incentives	23,533,555
Reserve for DMV Surcharge Fees - Incentives	21,042,266
Reserve for DMV Fees - Rollover	828,674
Reserve for DMV Administrative Fees	515,776
Reserve for State ERC Bank Program	492,525
Reserve for Backup Generator Program	718,709
Reserve for Peaker Plant Program	1,055,863
Reserve for Dairy CEQA Program	17,657
Reserve for ISR Rule Mitigation Program	3,393,218
Reserve for Development Mitigation Program	6,056,993
Reserve for San Joaquin Valley Blueprint Project	250,000
Total Reserved Fund Balance	<u>\$62,684,508</u>
Unreserved Fund Balance	<u>7,709,845</u>
Total Fund Balance	<u>\$70,394,353</u>



- The \$3,000,000 general reserve was established by the District Governing Board to provide for additional financial stability.
- The \$289,000 was established by the District Governing Board to provide a reserve for Long-term Building Maintenance.
- The \$1,490,272 fund balance reserve for encumbrances outstanding at June 30, 2007 represents the amount of expenditures that would result if contracts in process at fiscal year end were completed. This reserve earmarks resources for specific future uses and legally segregates a portion of the fund balance.
- The \$23,533,555 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, California Energy Commission Funds (CEC), the Traffic Congestion Relief Program (TCRP), and the School Bus Retrofit/Replacement Program.
- The \$21,042,266 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 DMV Mobile Source Incentives Program.
- The \$828,674 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 \$515,776 fund balance reserve for the DMV Administrative Fees represents the administrative fee portion of DMV Surcharge Fees received at the fiscal year-end. This reserve will be released to the general fund as incentive contracts are executed and administrative funds are expended.
- The \$492,525 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 \$718,709 fund balance reserve for the Backup Generator Program represents monies received from the California Air Resources Board to mitigate emissions from back-up diesel generators or other sources with the same or similar emissions.

- The \$1,055,863 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 \$17,657 fund balance reserve for the Dairy CEQA Program represents monies received from dairy permit applicants within the San Joaquin Valley. These monies will be used to fund and execute agreements with dairy project applicants and environmental consultants to prepare CEQA documents for dairy projects where the District is the Lead Agency.
- The \$3,393,218 fund balance reserve for the ISR Rule Mitigation Program represents funds received from new development projects. These funds will be used as incentive grants for projects that will offset the projected emissions of proposed future development projects.
- The \$6,056,993 fund balance reserve for the Development Mitigation Program represents funds received from voluntary development mitigation contracts. These funds will be used as incentive grants for projects that will offset the projected emissions of proposed future development projects.
- The \$250,000 fund balance reserve for the San Joaquin Valley Blueprint Project represents monies committed by the District to provide matching funds for the blueprint project. The California Regional Blueprint Program makes available \$5 million per year for two years, 2006, and 2007, to Metropolitan Planning Organizations and Councils of Governments to conduct comprehensive scenario planning that results in consensus by regional leaders, local governments and stakeholders on a preferred growth scenario or "Blueprint" to achieve objectives over a twenty-year planning horizon.

#### **J. 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.

## 2. CASH ON HAND AND ON DEPOSIT

Cash on hand and on deposit of June 30, 2007 consisted of the following:

Cash on Hand	
Petty Cash	\$1,200
Postage Funds	18,333
Total Cash On Hand	<u>19,533</u>
Deposits with Financial Institutions	
Wells Fargo Bank	286,128
United States Post Office	2,047
Total Deposits with Financial Institutions	<u>288,175</u>
Investments with County Investment Pools	
Fresno County Treasurer	66,742,773
Kern County Treasurer	891,963
Total Investments with County Investment Pools	<u>67,634,736</u>
Total Cash on Hand and on Deposit	<u><u>\$67,942,444</u></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:

Investment Type	Amount	Remaining Maturity (in Months)			
		12 Months Or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
County Investment Pool	<u>\$67,634,736</u>	<u>\$67,634,736</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:

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year-End		
				AAA	Aa	Not Rated
County Investment Pool	<u>\$0</u>	<u>N/A</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$67,634,736</u>

### 3. CAPITAL ASSETS AND DEPRECIATION

Capital Assets of the District for the year ended June 30, 2007 consisted of the following:

	Capital Assets - Governmental Activities				
	Balance July 1, 2006	Depreciation Expense	Additions	Deletions	Balance June 30, 2007
Land	\$580,000		\$324,208		\$904,208
Building & Improvements	3,142,615		3,046,367		6,188,982
Machinery & Equipment	9,077,455		\$943,010	\$584,267	9,436,198
Totals	<u>12,800,070</u>		<u>4,313,585</u>	<u>584,267</u>	<u>16,529,388</u>
Less:					
Accumulated Depreciation	<u>6,295,630</u>	<u>916,955</u>	<u>103,856</u>	<u>526,815</u>	<u>6,789,626</u>
Net book value of Capital Assets	<u>\$6,504,440</u>	<u>\$916,955</u>	<u>\$4,209,729</u>	<u>\$57,452</u>	<u>\$9,739,762</u>

For the year ended June 30, 2007, the depreciation expense of \$493,996 on capital assets was charged to the District's activities as follows:

Permitting	\$97,201
Enforcement	169,802
Agricultural Burning	-16,937
Plan and Rule Development	34,125
Emission Reduction Incentives	19,110
Public Education	15,347
Air Quality Analysis	21,242
Air Monitoring	<u>154,106</u>
Total Depreciation Expense	<u>\$493,996</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, 2007:

July 1, 2006 Balance	\$1,819,608
Plus: Net Increase 7/1/06 - 6/30/07	<u>137,860</u>
June 30, 2007 Balance	<u>\$1,957,468</u>
Amount Due within One Year	<u>\$120,058</u>
Amount Due in More Than One Year	<u>\$1,837,410</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. The Average percentage was 4.0% during the year. The District is required to

contribute at an actuarially determined rate. The contribution is 30.51% 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>
2007	\$5,208,586	100%
2006	4,040,113	100%
2005	2,701,422	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 2006-07, the District contributed \$136,093 to the SDRMA. The District's contributions represented 0.6% 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 2006-07 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 \$288,716 for the year ended June 30, 2007. Future minimum lease payments under these leases are as follows:

Year Ending June 30, 2008	\$ 238,850
Year Ending June 30, 2009	<u>330,850</u>
Total	<u>\$ 569,700</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.

**San Joaquin Valley Unified Air Pollution Control District**  
**General Fund - Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2007**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance Positive (Negative)
	Adopted	Final Adjusted		
<b><u>Operating Budget</u></b>				
Revenues:				
Vehicle Registration Fees	\$ 9,134,600	\$ 9,134,600	\$ 8,690,843	\$ (443,757)
License & Permit Fees	13,170,200	13,170,200	12,238,022	(932,178)
Interest	360,000	360,000	625,236	265,236
Penalties & Settlements	2,049,600	2,049,600	2,991,514	941,914
State Grants	882,000	882,000	867,800	(14,200)
Federal Grants	1,760,400	1,760,400	93,795	(1,666,605)
Miscellaneous Revenue	30,000	100,000	68,070	(31,930)
Operating Amounts Available For Appropriations	<u>27,386,800</u>	<u>27,456,800</u>	<u>25,575,280</u>	<u>(1,881,520)</u>
Expenditures:				
Salaries and Benefits	24,420,700	24,870,700	23,479,793	1,390,907
Services & Supplies	4,676,600	4,851,400	3,575,824	1,275,576
Fixed Assets				
Office Improvements	51,300	51,300	28,695	22,605
Computer Equipment	377,200	377,200	214,511	162,689
Office Furniture/Equipment	51,400	51,400	6,010	45,390
Office Machines	64,800	64,800	23,278	41,522
Telephone System	19,000	19,000	5,875	13,125
Detection Equipment	22,600	22,600	14,857	7,743
Automobiles	288,500	288,500	235,328	53,172
Safety Equipment	7,800	7,800	-	7,800
Video Conferencing System	156,100	156,100	3,546	152,554
Air Monitoring Station Equipment	396,500	396,500	303,048	93,452
Total Fixed Assets	<u>1,435,200</u>	<u>1,435,200</u>	<u>835,148</u>	<u>600,052</u>
Total Operating Charges to Appropriations	<u>30,532,500</u>	<u>31,157,300</u>	<u>27,890,765</u>	<u>3,266,535</u>
Deficiency of Operating Revenues Over Expenditures	<u>(3,145,700)</u>	<u>(3,700,500)</u>	<u>(2,315,485)</u>	<u>1,385,015</u>
<b><u>Non-Operating Budget</u></b>				
Revenues:				
Air Toxics Fees - Pass Through	36,000	36,000	29,670	(6,330)
Heavy-Duty Engine Emission Program Funds	11,459,100	11,459,100	10,555,145	(903,955)
DMV Surcharge Fees - Pass Through	9,805,900	9,805,900	10,517,716	711,816
Interest - Non-Operating	820,100	820,100	2,950,770	2,130,670
Federal Grants - Non-Operating	198,400	198,400	115,850	(82,550)
Dairy CEQA Program	450,000	450,000	50,601	(399,399)
Development Mitigation Program Contracts	1,000,000	1,070,000	5,130,711	4,060,711
ISR Rule Mitigation Funds - Pending	23,934,000	23,934,000	3,341,427	(20,592,573)
Winery Rule Mitigation Funds	8,650,000	8,650,000	-	(8,650,000)
Non-Operating Amounts Available For Appropriations	<u>56,353,500</u>	<u>56,423,500</u>	<u>32,691,890</u>	<u>(23,731,610)</u>
Expenditures:				
Air Toxics-Pass Through	36,000	36,000	-	36,000
Dairy CEQA Program	450,000	450,000	6,000	444,000
DMV Surcharge Fees - PM Study	250,000	250,000	250,000	-
Heavy-Duty Engine Emission Program	23,861,500	23,861,500	1,705,858	22,155,642
Federal Grants - Non-Operating	198,400	198,400	89,700	108,700
Development Mitigation Program Contracts	1,001,300	6,135,795	1,180,779	4,955,016
ISR Rule Mitigation Program	23,934,000	18,869,505	-	18,869,505
Winery Rule Mitigation Program	8,650,000	8,650,000	-	8,650,000
Total Non-Operating Charges to Appropriations	<u>58,381,200</u>	<u>58,451,200</u>	<u>3,232,337</u>	<u>55,218,863</u>
Deficiency of Non-Operating Revenues Over Expenditures	<u>(2,027,700)</u>	<u>(2,027,700)</u>	<u>29,459,553</u>	<u>31,487,253</u>
Appropriation for Contingencies	<u>850,000</u>	<u>295,200</u>	<u>-</u>	<u>295,200</u>
Net Change to District Fund Balance, June 30, 2007	<u>\$ (6,023,400)</u>	<u>\$ (6,023,400)</u>	<u>\$ 27,144,068</u>	<u>\$ 33,167,468</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 34 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, 2007.

Deficiency of revenues under expenditures (GAAP Basis)	\$(11,581,178)
Adjustments for encumbrance activity	(1,247,828)
Adjustments from budget cash basis to modified accrual basis	<u>39,973,074</u>
Excess of revenues over expenditures (Budgetary Basis)	<u>\$ 27,144,068</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.

**SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT**

**STATEMENT OF NET ASSETS**

**Last Five Fiscal Years**

*(accrual basis of accounting)*

*(In Thousands)*

	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
Current and Other Assets	\$55,020	\$49,920	\$46,872	\$83,825	\$72,106
Capital Assets	6,232	5,840	6,605	6,504	9,740
Total Assets	<u>61,252</u>	<u>55,760</u>	<u>53,477</u>	<u>90,329</u>	<u>81,846</u>
Current Liabilities	2,083	1,092	1,430	1,849	1,712
Noncurrent Liabilities	1,435	1,432	1,581	1,723	1,837
Total Liabilities	<u>3,518</u>	<u>2,524</u>	<u>3,011</u>	<u>3,572</u>	<u>3,549</u>
Net Assets:					
Invested in Capital Assets, net of related debt	6,232	5,840	6,605	6,504	9,740
Restricted for Special Projects/Programs	34,084	30,494	27,454	66,096	57,905
Unrestricted	17,418	16,902	16,407	14,157	10,652
Total Net Assets	<u>\$57,734</u>	<u>\$53,236</u>	<u>\$50,466</u>	<u>\$86,757</u>	<u>\$78,297</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 Five Fiscal Years

*(accrual basis of accounting)*

*(In Thousands)*

	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
Revenue:					
Program Revenue					
Fees and Charges - Stationary Sources	\$8,423	\$8,581	\$9,312	\$10,413	\$11,317
Fees and Charges - Mobile Sources	9,907	10,100	13,007	11,329	12,041
Operating Grants	2,107	1,940	1,997	2,135	94
Restricted Special Revenue Sources	5,238	3,660	7,141	44,101	30,231
General Revenues					
State Subvention	866	868	876	884	868
Interest	412	328	354	424	625
Penalties/Settlements	2,813	3,306	3,239	5,393	3,010
Miscellaneous	79	141	243	46	81
Total Revenue	<u>\$29,845</u>	<u>\$28,924</u>	<u>\$36,169</u>	<u>\$74,725</u>	<u>\$58,267</u>
Expenses:					
Permitting	\$6,800	\$7,787	\$9,005	\$9,614	\$11,230
Enforcement	6,405	7,076	7,376	8,182	8,819
Agricultural Burning	637	1,422	1,286	1,053	1,115
Plan and Rule Development	2,090	2,109	2,472	2,894	1,854
Mobile Sources	890	882	1,052	1,182	1,526
Outreach & Communications	1,229	1,284	1,552	1,806	1,675
Air Quality Analysis	797	885	996	1,421	1,246
Air Monitoring	1,097	1,442	1,126	1,520	1,495
Non-Operating	15,701	10,535	14,075	10,762	37,768
Total Expenses	<u>\$35,646</u>	<u>\$33,422</u>	<u>\$38,940</u>	<u>\$38,434</u>	<u>\$66,728</u>
Increase / (Decrease) - Changes in Net Assets	<u><u>(\$5,801)</u></u>	<u><u>(\$4,498)</u></u>	<u><u>(\$2,771)</u></u>	<u><u>\$36,291</u></u>	<u><u>(\$8,461)</u></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 Five Fiscal Years**

*(modified accrual basis of accounting)*

*(In Thousands)*

	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
General Fund:					
Reserved	\$39,137	\$37,065	\$33,531	\$72,069	\$62,685
Unreserved	13,801	11,763	11,911	9,907	7,710
Total General Fund	<u>\$52,938</u>	<u>\$48,828</u>	<u>\$45,442</u>	<u>\$81,976</u>	<u>\$70,395</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 Five Fiscal Years

*(modified accrual basis of accounting)*

*(In Thousands)*

	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
Revenues:					
Program Revenues:					
Fees and Charges - Stationary Sources	\$8,423	\$8,581	\$9,312	\$10,413	\$11,317
Fees and Charges - Mobile Sources	9,907	10,100	11,013	11,329	12,041
Operating Grants	2,107	1,940	1,996	2,135	94
Restricted Special Revenue Sources	5,238	3,660	9,135	44,101	30,231
General Revenues:					
State Subvention - Not Resetricted	866	868	876	884	868
Interest - Not Resetricted	413	328	354	424	625
Penalties/Settlements	2,812	3,306	3,239	5,393	3,010
Miscellaneous Revenue	79	141	244	46	81
Total Revenue	<u>29,845</u>	<u>28,924</u>	<u>36,169</u>	<u>74,725</u>	<u>58,267</u>
Expenses:					
Operating:					
Salaries and Benefits	15,136	17,084	19,825	21,693	23,479
Services and Supplies	3,570	3,673	4,038	4,464	3,815
Capital Outlay	1,354	1,742	1,617	1,273	4,786
Total Operating Expenditures	<u>20,060</u>	<u>22,499</u>	<u>25,480</u>	<u>27,430</u>	<u>32,080</u>
Non-Operating:					
Pass Through and Non-Operating	<u>15,700</u>	<u>10,535</u>	<u>14,075</u>	<u>10,762</u>	<u>37,768</u>
Total Expenditures	<u>35,760</u>	<u>33,034</u>	<u>39,555</u>	<u>38,192</u>	<u>69,848</u>
Net Change in Fund Balance - Prior to Adjustment	(5,915)	(4,110)	(3,386)	36,533	(11,581)
Adjustment to Fund Balance	792	-	-	-	-
Net Change in Fund Balance	<u>(\$5,123)</u>	<u>(\$4,110)</u>	<u>(\$3,386)</u>	<u>\$36,533</u>	<u>(\$11,581)</u>

Source:

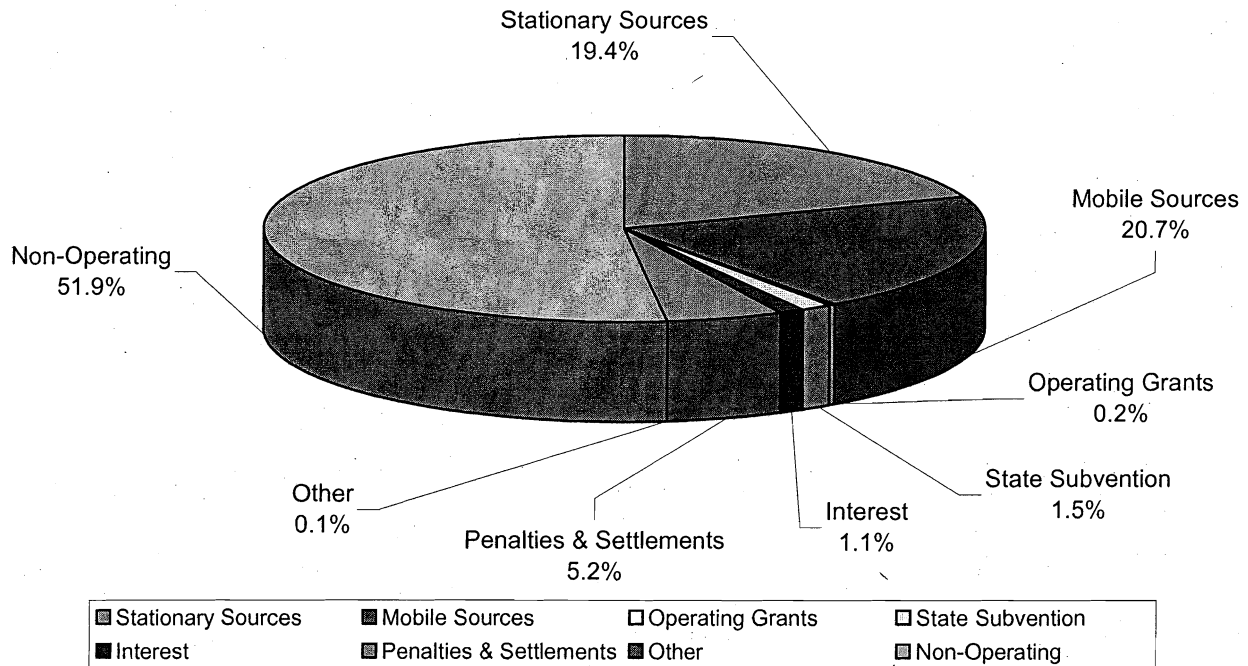
San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

# SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

## REVENUES BY PROGRAM ACTIVITY Last Five Fiscal Years

Program Activity	2002-03	2003-04	2004-05	2005-06	2006-07
Stationary Sources	8,423,118	8,581,027	9,312,515	10,413,416	11,316,961
Mobile Sources	9,906,955	10,100,150	11,012,746	11,328,423	12,041,145
Operating Grants	2,107,134	1,939,993	1,996,641	2,135,399	93,795
State Subvention	865,892	867,800	875,794	884,253	867,800
Interest	412,430	327,939	353,835	424,158	625,236
Penalties & Settlements	2,812,742	3,306,435	3,239,049	5,392,669	3,010,358
Other	78,755	140,711	243,502	46,446	81,065
Non-Operating	5,237,991	3,659,999	9,135,314	44,100,700	30,230,810
<b>Total Revenue</b>	<b>29,845,017</b>	<b>28,924,054</b>	<b>36,169,396</b>	<b>74,725,464</b>	<b>58,267,170</b>

### FY 06-07 REVENUES BY PROGRAM ACTIVITY



**Notes:**

Other includes: Miscellaneous Revenue and Subscriptions

**Source:**

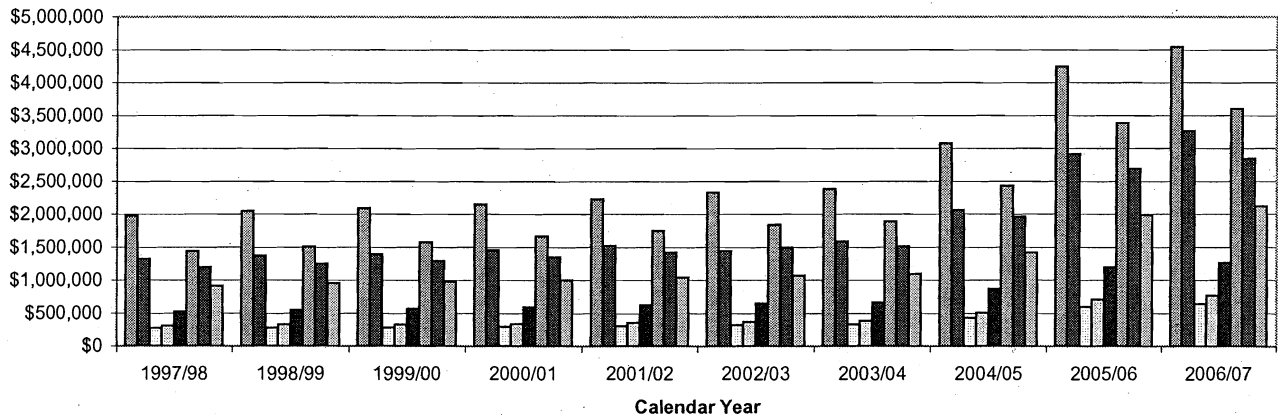
San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

# San Joaquin Valley Unified Air Pollution Control District

## DMV SURCHARGE FEES - EIGHT COUNTY AREA Last Ten Fiscal Years

Fiscal Year	Fresno County	Kern County	Kings County	Madera County	Merced County	San Joaquin County	Stanislaus County	Tulare County	Total	% Increase
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	2.95%
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	3.46%
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	29.49%
2005/06	4,242,477	2,912,463	596,583	705,113	1,195,142	3,386,635	2,686,686	1,980,099	17,705,198	38.84%
2006/07	4,540,457	3,262,092	638,027	764,935	1,264,960	3,600,963	2,844,147	2,121,519	19,037,100	7.52%

DMV Surcharge Fees - Eight County Area



**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.

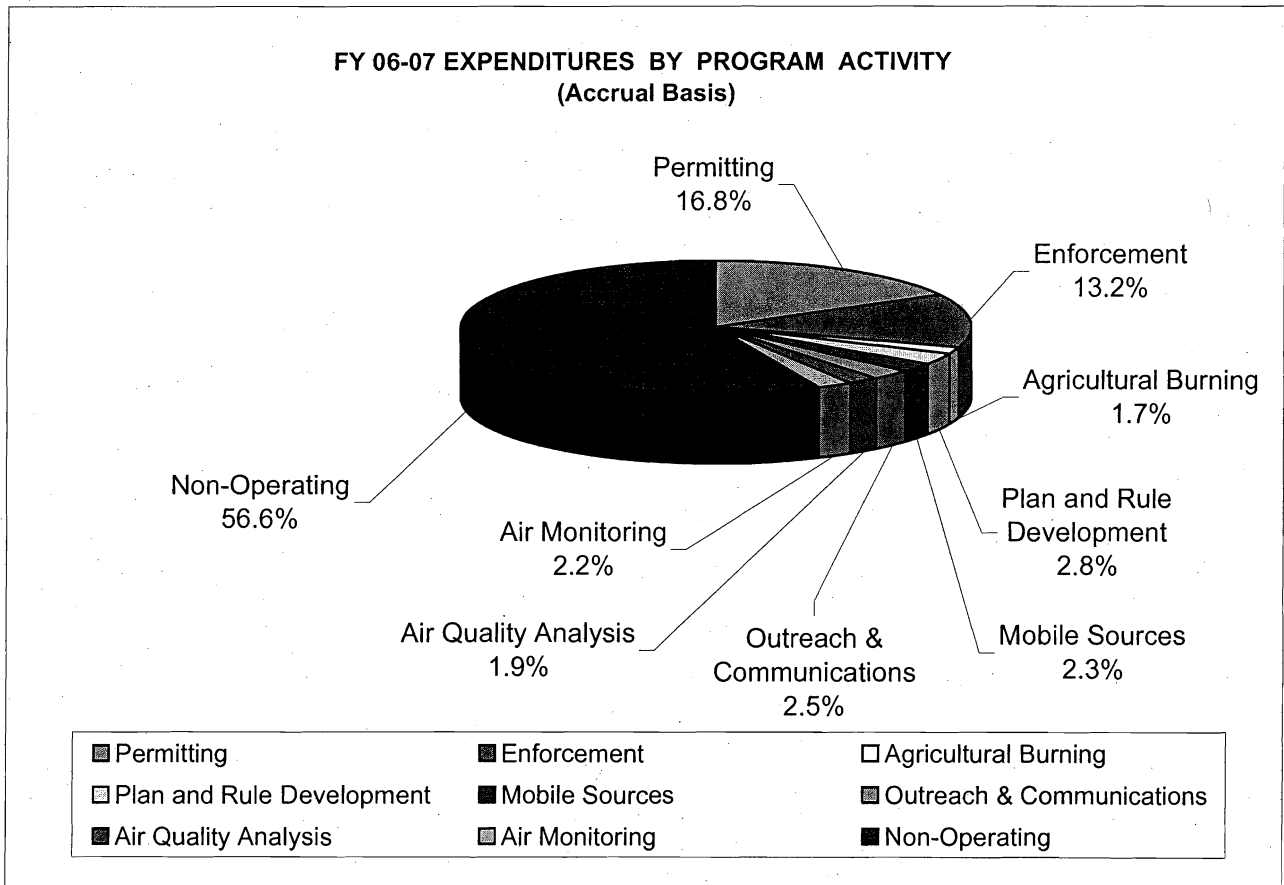
Starting in 2004/005 Total DMV Surcharge Fees include fund from AB2766, SB709, and AB923.

Source: California Department of Motor Vehicles

# SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

## EXPENDITURES BY PROGRAM ACTIVITY - (Accrual Basis) Last Five Fiscal Years

Program Activity	2002-03	2003-04	2004-05	2005-06	2006-07
Permitting	6,550,024	7,786,585	9,004,901	9,614,325	11,230,458
Enforcement	6,213,424	7,076,429	7,376,463	8,182,446	8,818,589
Agricultural Burning	791,354	1,422,298	1,285,614	1,052,751	1,115,208
Plan and Rule Development	2,010,417	2,108,605	2,471,801	2,893,886	1,853,564
Mobile Sources	855,101	882,217	1,051,588	1,181,484	1,525,673
Outreach & Communications	1,538,187	1,283,592	1,552,531	1,805,975	1,675,084
Air Quality Analysis	910,083	884,659	996,157	1,421,034	1,245,566
Air Monitoring	1,076,695	1,442,041	1,126,441	1,520,391	1,495,311
Non-Operating	15,700,625	10,535,266	14,074,560	10,761,689	37,768,236
<b>Total Expenditures</b>	<b>35,645,910</b>	<b>33,421,692</b>	<b>38,940,056</b>	<b>38,433,981</b>	<b>66,727,689</b>



Source:

San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

Input Note: Expenditures come from Statement of Activities. Total Includes Capital Asset Additions and Depreciation Expense.

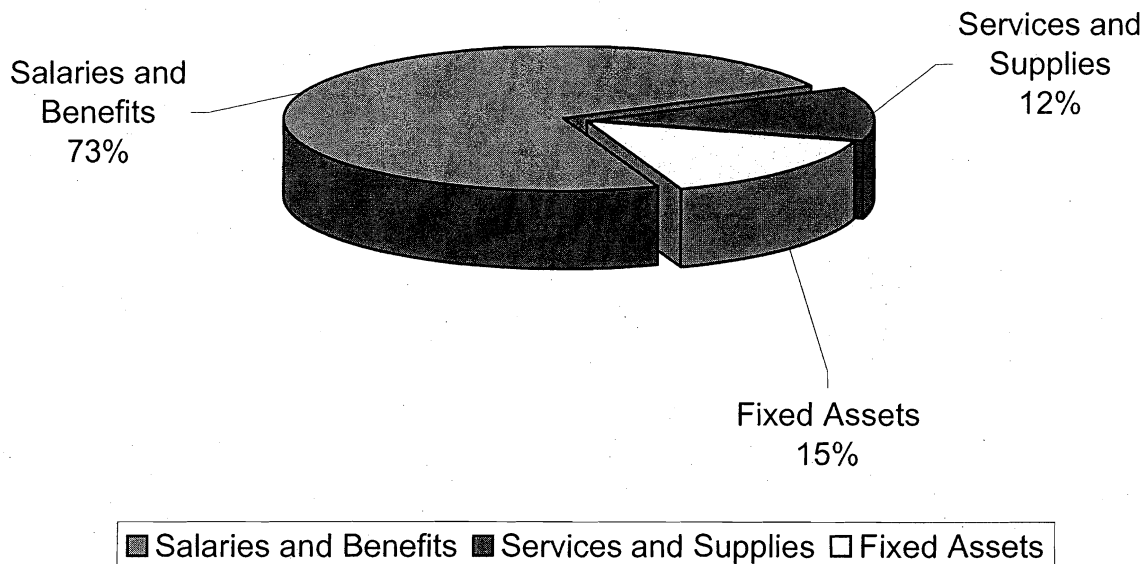


# SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

## OPERATING EXPENDITURES BY BUDGET OBJECT LEVEL Last Ten Fiscal Years

Fiscal Year	Salaries and Benefits	Services and Supplies	Fixed Assets	Total Operating Expenditures
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
2005/06	21,693,531	4,463,578	1,273,182	27,430,291
2006/07	23,479,039	3,814,644	4,786,429	32,080,112

**FY 06-07 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

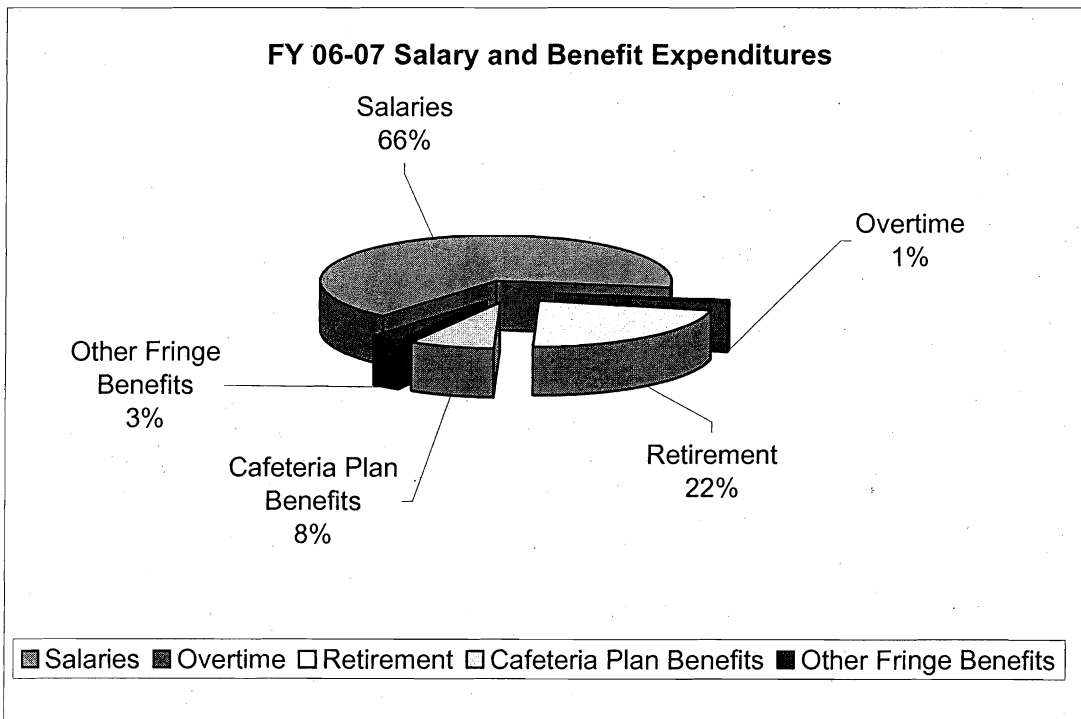
## SALARY AND BENEFIT EXPENDITURES Last Ten Fiscal Years

Fiscal Year	Salaries	Overtime	Retirement	Cafeteria Plan Benefits	Other Fringe Benefits	Total Salaries and Benefits
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	269,340	1,028,358	1,161,467	308,425	13,053,755
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
2005/06	14,850,007	254,625	4,040,114	1,700,021	848,764	21,693,531
2006/07	15,512,742	299,691	5,208,586	1,792,819	665,201	23,479,039

**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**

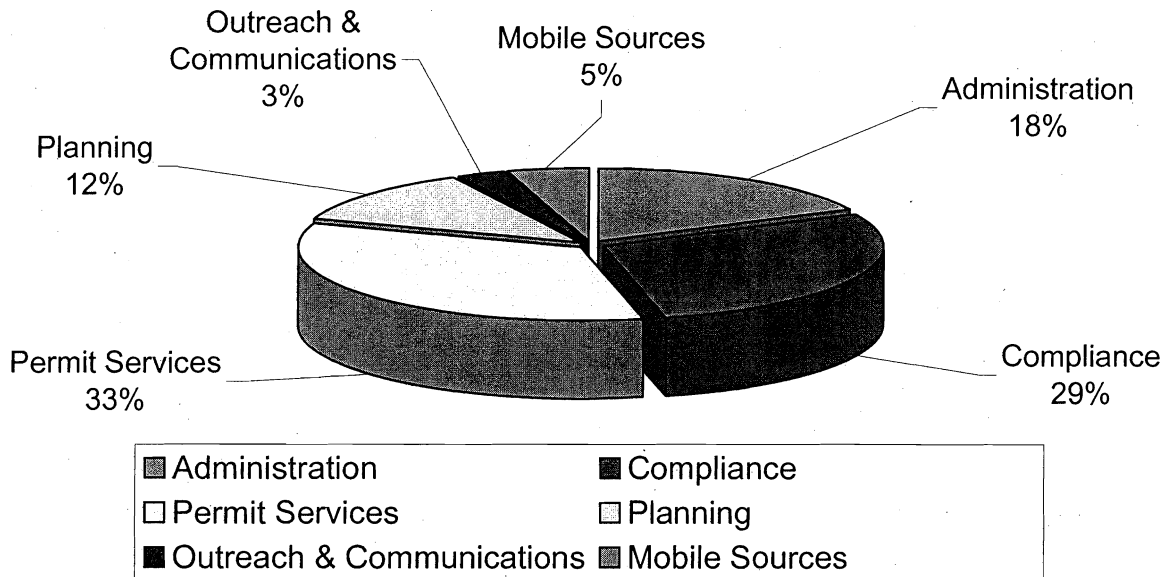
**DISTRICT EMPLOYEES BY PROGRAM**

Adjusted Budget @ June 30

Last Ten Fiscal Years

Fiscal Year	Administration	Compliance	Permit Services	Planning	Outreach & Communications	Mobile Sources	Total Employees
1997/98	42	61	61	37	3	0	204
1998/99	42	61	60	37	4	0	204
1999/00	42	61	59	37	4	0	203
2000/01	40	70	63	34	6	6	219
2001/02	41	70	67	37	6	9	230
2002/03	42	71	73	39	6	9	240
2003/04	49	78	89	40	6	9	271
2004/05	48	83	85	44	8	10	278
2005/06	50	83	89	45	8	14	289
2006/07	52	83	99	35	8	14	291

**FY 06-07 District Employees by Program**

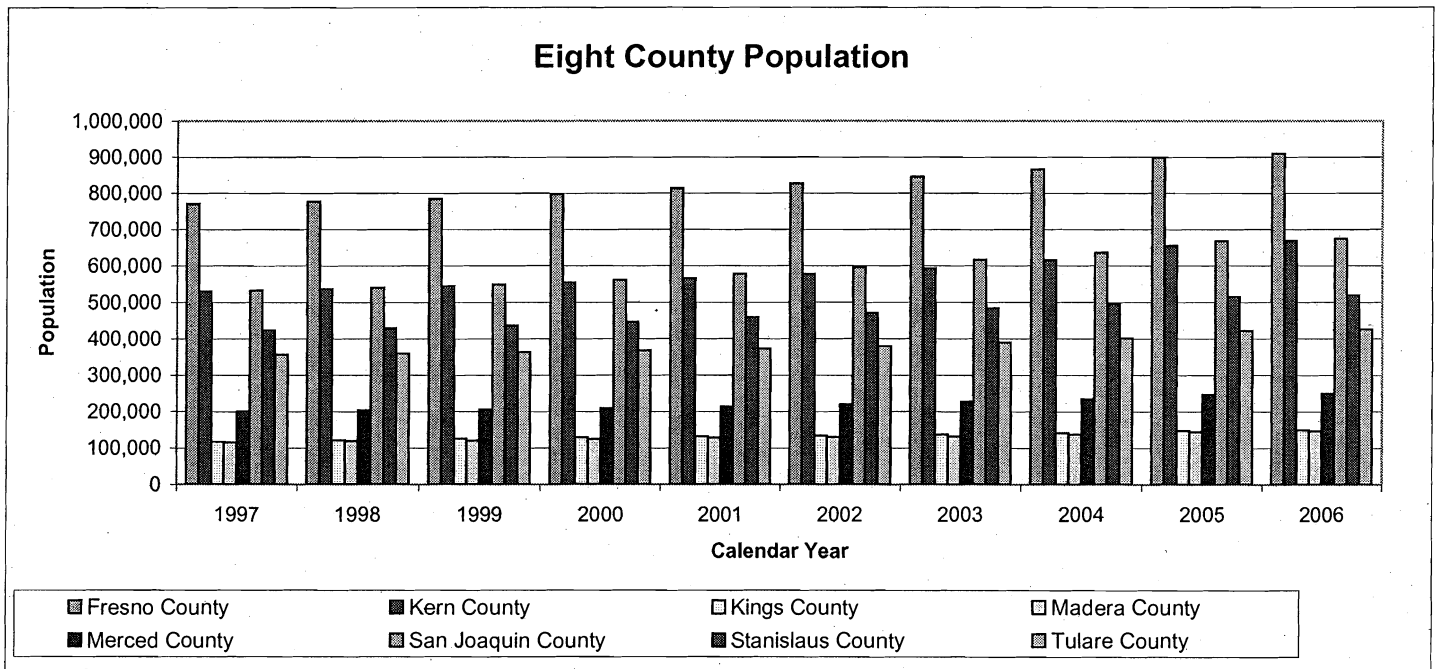


Source:  
San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

# SAN JOAQUIN VALLEY AIR POLLUTION CONTROL DISTRICT

## EIGHT COUNTY POPULATION Last Ten Calendar Years

Year	Fresno County	Kern County	Kings County	Madera County	Merced County	San Joaquin County	Stanislaus County	Tulare County	Total	% Increase
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	3.03%
2005	899,500	655,100	147,700	144,400	246,800	668,300	514,400	420,600	3,696,800	4.85%
2006	909,400	668,900	149,800	147,200	249,100	674,300	519,300	425,600	3,743,600	1.27%



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

## 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:	3,743,600 (2006)
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:	2,767,200 (6/30/07) Estimate
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 31,000 permits
Number of Air Monitoring Stations:	30, District, ARB, Tribal, and National Park Service Combined (Including 2 Lower Air Profilers)
District Full-time Authorized Positions:	291
Adopted FY 2007-08 Budget:	\$73,044,200