San Joaquin Valley
UNIFIED AIR POLLUTION CONTROL DISTRICT
State of California

ANNUAL COMPREHENSIVE FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2021

Prepared by
Administrative Services Department

This page is intentionally left blank.

San Joaquin Valley Unified Air Pollution Control District

Annual Comprehensive Financial Report
Fiscal Year Ended June 30, 2021

Table of Contents

INTRODUCTORY SECTION

This page is intentionally left blank

January 12, 2022

Governing Board
San Joaquin Valley Unified Air Pollution Control District

This Annual Comprehensive Financial Report (ACFR) of the San Joaquin Valley Unified Air Pollution Control District (District) is for the fiscal year ended June 30, 2021. 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 and reported in a manner designed to present fairly the financial position, changes in financial position, and all disclosures necessary to enable the reader to gain an understanding of the District's financial activities.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

ABOUT THE SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

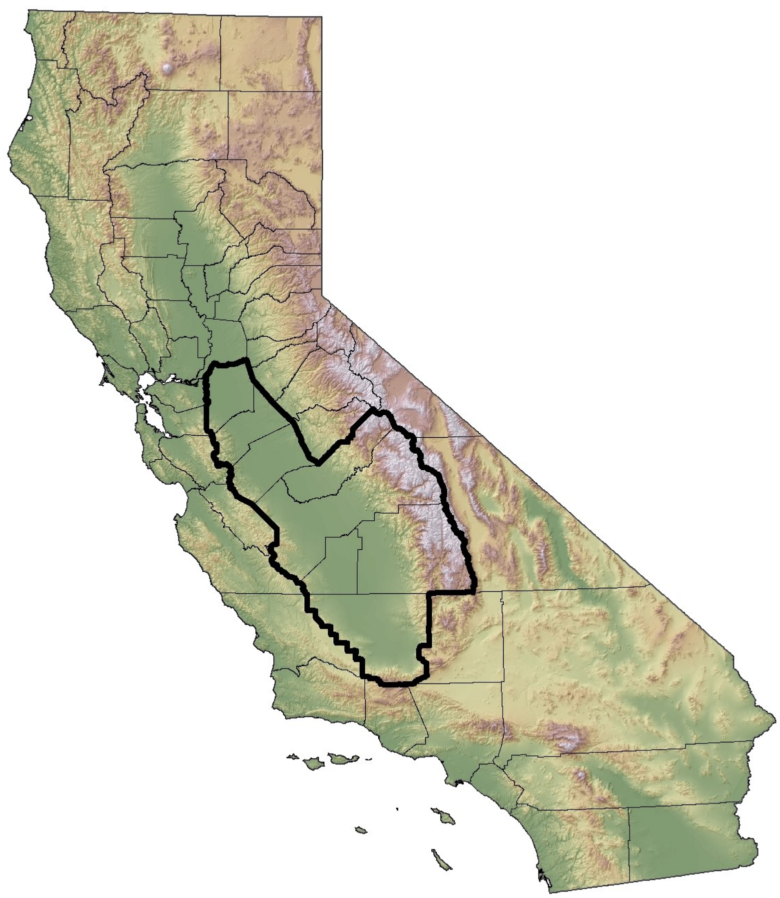
Background

The 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 is a regional agency responsible for air quality management in the eight counties in the San Joaquin Valley Air Basin: San Joaquin, Stanislaus, Merced, Madera, Fresno, Kings, Tulare and the Valley portion of Kern. The San Joaquin Valley Air Basin is the largest air basin in California and covers about 25,000 square miles (see map next page). The San Joaquin Valley (Valley) is one of California's fastest growing population areas, with a total estimated population of about 4.2 million residents in the calendar year 2020. Major urban centers exist in Stockton, Modesto, Fresno, Visalia, and Bakersfield.

The District works with local, state and federal government agencies, the business community and the residents of the Valley to reduce emissions that create harmful air quality conditions.

The District is governed by a fifteen member Board that consists of one representative from each of the Boards of Supervisors of all eight counties, five Council Members from Valley cities and two Governor-appointed public members. These locally elected and appointed officials ensure that the implementation of state and federal air pollution mandates in the Valley are tailored to local conditions and responsive to local needs.

San Joaquin Valley Unified Air Pollution Control District
Jurisdictional Boundaries



Achieving Cleaner Air in the San Joaquin Valley

Through decades of implementing innovative clean air strategies, the District has made significant strides towards achieving cleaner air in the San Joaquin Valley. In 2014, the Valley's air quality data demonstrated attainment of the federal 1-hour ozone standard, and subsequently the District submitted an official redesignation request to the California Air Resources Board (CARB) and U.S. Environmental Protection Agency (EPA) in July 2015. In July 2016, the EPA published in the Federal Register a final action determining that the San Joaquin Valley has attained the 1-hour ozone national ambient air quality standard. By contrast, in 1996 the Valley experienced 281 individual 1-hour exceedances of this standard throughout the eight-county region. Reaching this milestone was the key focus of the Valley's air quality management strategies for more than two decades. In 2004, the U.S. EPA classified the Valley as "Extreme" nonattainment for this standard, meaning that reaching the standard at that time was deemed impossible. The Valley is the first and only region in the nation to attain a standard after being classified as "Extreme" nonattainment by the federal EPA.

The Valley continues to make strides towards attainment of several PM2.5 standards. In light of this progress, in September 2021, the EPA proposed a finding that the Valley had attained the 1997 24-hour PM2.5 standard based on air monitoring data through the year 2020. The Valley has also made significant progress in improving annual average PM2.5 since 1997, where twenty years ago almost the entire region was not attaining the federal 1997 annual average PM2.5 standard, and now in 2020, the entire Valley has attained this standard except for one air monitoring site in Bakersfield, which was heavily impacted by wildfire smoke and data collection issues.

In addition, despite strings of triple digit temperatures, stagnant atmospheric conditions, and added emissions from wildfires in the area, the Valley has continued to reduce ozone concentrations across the region. Outside of days impacted by wildfire emissions, the Valley is closer to attaining the 1997 8-hour ozone standard than ever before, and is on the cusp of meeting this initial 8-hour standard set by EPA. These ongoing improvements continue the trend toward bringing the region into attainment of all of the federal ozone air quality standards.

These improvements would not be possible without the success of the District's control strategy through its various attainment planning efforts, its robust incentive programs, and the commitment from the Valley's stakeholders in doing their part to reduce emissions as much as possible.

The District has the primary authority in regulating stationary sources of pollution, such as factories, businesses, and industries. Although state and federal laws preempt the District from setting new tailpipe standards for mobile sources of emissions, the District implements indirect source regulations and incentive-based programs to reduce emissions from on-road and off-road sources of air pollution. The primary authority to regulate emissions from mobile sources of air pollution, such as cars and trucks, lies with the state and federal government. In achieving clean air goals, the District partners with a number of other governmental agencies:

- The **federal government**, primarily through the EPA, sets health-based standards for air pollutants. The EPA also oversees state and local actions to improve air quality.
- The **state government,** through the California Air Resources Board (ARB) and the Bureau of Automotive Repair, develops programs to reduce pollution from vehicles and consumer products. The state also oversees the actions of local air districts and city and county agencies.
- **County and city governments** are responsible for land-use planning to address issues such as "urban sprawl" as well as transportation and mass transit planning.

Progress in cleaning our air is often measured in relation to the health-based standards established by the federal government. The State of California also establishes ambient air quality standards that serve as ultimate goals in achieving clean air.

In a regulatory sense, the road to cleaner air can be described as follows:

- EPA establishes the health standards.
- EPA identifies the regions that do not meet the new standards.
- EPA establishes deadlines for meeting the new standards and for submitting plans to get there.
- In collaboration with ARB, the District develops air quality plans outlining strategies needed to reduce emissions and meet the new standards.
- ARB forwards the plans for EPA approval after it reviews, approves, and adds state strategies.
- The District, ARB, and EPA adopt and implement plan commitments.
- The District provides routine updates and progress reports.

<u>How the District Does Its Job</u>

The 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. Our Core Values have been designed to ensure that our mission is accomplished through commonsense, feasible measures that are based on sound science. Towards that end, the District conducts the following activities:

- Develops and adopts air quality plans outlining strategies needed to reduce emissions.
- Develops, adopts and implements rules and regulations to reduce emissions.
- Leaves no stone unturned in crafting, promoting, and implementing innovative emission reduction strategies to achieve early attainment.
- Administers voluntary incentive grants offering financial assistance to reduce air pollution.

- Administers an efficient and comprehensive permitting system for stationary sources and offers meaningful business assistance to the regulated community in meeting applicable regulations.
- Maintains and updates an inventory of emissions from various Valley sources on an ongoing basis.
- Maintains an active and effective enforcement program.
- Operates an extensive air monitoring network to measure air pollutants throughout the Valley and track air quality improvements.
- Conducts comprehensive public education and outreach.
- Continues to set high standards in legal activities.
- Collaborates with state and local agencies.

MAJOR ACCOMPLISHMENTS FOR 2020-21

Air Quality Plans

The District has written several air quality plans (State Implementation Plans, or SIPs) over the years that serve as road maps for effective measures needed for the Valley to attain federal air quality standards. The District continues to implement commitments in previously adopted air quality plans, bringing additional emissions reductions and improved air quality to the Valley.

The District's air quality plans include emissions inventories showing the sources of air pollutants, evaluations of how well different control methods have achieved reductions, and a strategy for emissions to be further reduced. The air quality plans also use complex computer modeling to estimate future levels of pollution and to ensure that the Valley will meet air quality goals as expeditiously as practicable.

The District continues to work with CARB and EPA as the multi-faceted strategies and elements of the 2018 PM2.5 Plan are implemented, reducing emissions and improving PM2.5 air quality across the region. The comprehensive 2018 PM2.5 Plan, which addresses the federal 1997, 2006, and 2012 PM2.5 standards set by EPA, includes both regulatory and incentive-bases strategies, which have already been effective in reducing emissions throughout the Valley. Ongoing implementation of the measures within the 2018 PM2.5 Plan will be ongoing over the coming years.

The District is also continuing to develop the 2022 Ozone Plan, which addresses the 2015 8-hour ozone standard of 70 ppb set by EPA. The development of this plan includes the further development of the emissions inventory, modeling analysis, and strategy development. This analysis includes reviewing and identifying potential opportunities for regulatory and incentive based emissions reductions, which build on the extensive analyses conducted for several recently adopted air quality attainment plans. The District has held a number of public workshops over this past year as the elements of this plan continue to be developed. The attainment plan to address this standard is due to EPA by August 3, 2022.

Rules and Regulations

The District continues its leadership in developing groundbreaking regulatory strategies to reduce emissions. During this past year, the District adopted new rules and made amendments to existing rules, as summarized below:

- **Rule 4311 (Flares), Rule 4306/4320 (Boilers, Steam Generators, Process Heaters), Rule 4702 (Internal Combustion Engines):** In December 2020 the District completed an extensive amount of work to amend rules related to industrial flares, boilers, steam generators, and process heaters. This assessment included the analysis of the latest emission control technology and the feasibility of additional NOx emissions reductions from these various sources. The District Governing Board approved amendments to the flares and boilers rules in December 2020, which will ensure ongoing NOx emissions reductions from these processes.

- **Rule 4702 (Internal Combustion Engines):** Over this last year, the District worked to develop amendments to its Internal Combustion Engines Rule 4702 to address the 2018 PM2.5 Plan commitment to evaluate potential emission reduction opportunities for a number of agricultural and non-agricultural IC engines categories. These rule amendments lower the emission limits for NOx and VOCs for several categories of engines, and established PM requirements for IC engines operated in the Valley, as well as SOx control requirements for agricultural engines.

- **Rule 4352 (Solid Fuel-Fired Boilers, Steam Generators and Process Heaters):** Over this last year, the District developed amendments to Rule 4352 to address the 2018 PM2.5 Plan commitments to work with affected operators to further reduce NOx emissions for municipal solid waste-fired units to the extent that such controls are technologically and economically feasible.

- **Rule 4354 (Glass Melting Furnaces):** Over this last year, the District developed amendments to evaluate potential emission reduction opportunities for container glass melting furnaces to the extent that such controls are technologically and economically feasible.

- **LADR Rules: Rule 4401 (Steam-Enhanced Crude Oil Production Wells), Rule 4409 (Components at Light Crude Oil Production Facilities, Natural Gas Production Facilities, and Natural Gas Processing Facilities), Rule 4455 (Components at Petroleum**

Refineries, Gas Liquids Processing Facilities, and Chemical Plants), Rule 4623 (Storage of Organic Liquids), and Rule 4624 (Transfer of Organic Liquid): Following the evaluations conducted under the District's expedited review of Best Available Retrofit Control Technology (BARCT) required by AB 617, the District has begun a public process to evaluate potential rule amendments to ensure these rules meet BARCT requirements. The purpose of these rules is to limit Volatile Organic Compound (VOC) emissions from oil and natural gas production and processing facilities and associated wells and tanks.

- **Rule 4905 (Natural Gas-Fired, Fan-Type Central Furnaces):** Over this last year, the District developed amendments to Rule 4905 to extend the compliance deadline for manufactured home furnaces to meet the new low-NOx requirements. Due to COVID-19 complications causing delays with manufacturing timelines and supply chain processes, manufacturers requested additional time to develop a large enough stock of compliant manufactured home furnaces to make them widely commercially available for public use.

Permitting

The District has the responsibility for issuing or denying permits, registrations and plan approvals for more than 30,000 non-mobile sources of air contaminants, and for tracking and assessing the impacts of these facilities' annual pollutant emissions. During the fiscal year 2020-21 reporting period, permitting activities included:

- 1,773 Authority to Construct permits issued
- 189 new Permits to Operate issued
- 133 Permit-Exempt Equipment Registrations issued
- 11 new Title V permits issued to 3 facilities
- 1,347 Title V permit renewals issued to 21 facilities
- 290 Title V permit modifications
- 572 Conservation Management Practices plans issued
- 131 Emission Reduction Credit certificates issued or transferred
- 744 toxic air contaminant risk-management reviews performed
- 1,639 toxic risk prioritizations for AB 2588 completed
- 5,785 annual emissions inventory statements and surveys processed
- 2,293 California Environmental Quality Act (CEQA) review requests processed
- 410 CEQA comment letters
- 495 CEQA documents prepared
- 338 Indirect Source Review applications processed

Enforcement

The District maintains an active and effective enforcement program to assure real and continued reductions in emissions. The District inspects sources of air pollution, including all facilities with permits issued by the District. When sources are found in violation of District rules and regulations, citations are issued and monetary fines are levied. For 2020-21:

- 32,602 units inspected
- 2,796 Notices of Violation issued
- 3,474 public complaints investigated
- 7,896 incentive funding units (i.e., trucks, engines) inspected
- 47 asbestos projects reviewed and inspected

Emission Reduction Incentive Grants

To attain the current health-based air quality standards, the Valley must achieve an additional 90% reduction in emissions from current levels. The District, however, has limited legal authority to achieve these emission reductions, as mobile sources comprise 85% of the Valley's NOx emission inventory. Thus, District regulations alone will not bring the Valley into attainment of federal air quality standards. Emission reduction incentive programs play a critical role in achieving and accelerating the reductions required for the Valley's attainment.

Since inception, over $3.0 billion in public/private investment in clean air projects has been made through these incentive programs, resulting in more than 173,100 tons of emission reductions. During the 2019-20 fiscal year, the District executed more than 14,000 agreements for more than $240 million. These projects are expected to reduce more than 19,200 tons of emissions.

The District's incentive program has become a model for grant programs throughout the State. In recent state audits, the District was noted for its efficient, robust and effective use of incentive grant funds in reducing air pollution. The District funds the following types of projects:

- Diesel agriculture irrigation pump replacements
- New electric agricultural irrigation pump purchase
- Emerging technology demonstration projects
- Electric forklift purchases
- Bicycle path construction
- On-road and off-road vehicle engine replacements, engine retrofit and vehicle replacements
- Wood-stove replacements
- School bus replacements, retrofits, and CNG tank replacements
- Gross-polluting vehicle crushing and replacements
- New, clean vehicle purchases

- Transit pass subsidies
- Locomotive replacements
- E-mobility equipment
- Vanpools
- Lawn and garden equipment
- Alternate fuel mechanic training
- Advanced transit and transportation
- Electric vehicle charging stations for public use
- Alternative to Open Burning Incentive Pilot Program
- Zero-Emission Ag Utility Terrain Vehicle (UTV)
- Electric School Bus Incentive Program
- Low Dust Nut Harvester Pilot Program
- Agricultural Truck Replacement Program
- Agricultural Tractor Trade-Up Program

The District has received high marks for efficiency and accountability in our administration of these programs by ARB and EPA auditors in the past. In fact, District incentive program policies and procedures are often used as examples of "best practices" that other programs throughout the State can emulate, and the District has been awarded administration of grant funds for other air agencies as a result.

Comprehensive Public Education and Outreach

The District's Outreach and Communications Department continues to set the standard for innovative, effective and efficient outreach strategies and campaigns. Operating with a budget much less than other air management agencies statewide, the District's outreach team nonetheless is just as effective in conveying critical public information, policy and air quality news.

A highly skilled group of communications professionals with expertise in public relations, media, graphics and web design, audio-video production and event organization, the outreach team continues to expand its activities and District messaging in the Valley air basin through programs tailored to each sector in the broader community. The District outreach team continues to spearhead many important public outreach campaigns, including:

- **Residential Wood Smoke Reduction Program (Check Before You Burn):** This annual multimedia, multilingual outreach campaign runs from November through the end of February, and is credited with the Valley achieving unprecedented improvements in wintertime air quality.

- **Burn Cleaner:** This campaign focuses on encouraging residents to replace their dirty wood burning devices with cleaner devices through the District's Burn Cleaner incentive program.

- **Healthy Air Living "Together":** The summer Healthy Air Living outreach campaign focused on those voluntary action residents can collectively take "together" to reduce vehicle emissions during the important back-to-school season.

- **Drive Clean In the San Joaquin:** Under the umbrella of the Drive Clean in the San Joaquin Program, the District offers a suite of incentives to help Valley residents drive cleaner passenger vehicles. The program has options for residents to repair vehicles with emission-related issues; replace older, high-polluting vehicles with newer and cleaner alternatives; and receive rebates to reduce the cost of purchasing or leasing new zero- and near-zero emission vehicles. Through this program, Valley residents have the opportunity to select an option that works for their particular situation.

- **Community Air Protection Program AB 617:** The Community Air Protection Program works in multiple Valley communities to address air quality concerns on a local level and with direct community participation. The program facilitates full engagement of all sectors within each of the San Joaquin Valley's selected disadvantaged communities to bring additional clean air resources and strategies to protect the health of Valley residents.

- **Wildfire Air Quality Impact Response:** During major wildfire events, the District strives to provide timely information to the public on current air quality conditions and impacts to public health through a variety of outreach tools working closely with media, schools, land management agencies, the weather service, and other partners.

FACTORS AFFECTING FINANCIAL CONDITIONS

The District's operations are supported by a variety of operating revenues, including permit fees, vehicle registration fees, state operating grants, federal operating grants, and other revenues. In addition, the District receives penalties, settlements, interest and other miscellaneous revenues.

The District has been able to maintain low permit fees and administrative overhead through implementation of zero-based budgeting, ongoing cost-cutting efforts through efficiency and streamlining measures, and investment in technology and automation. During this period, the District continued to devise and implement a number of efficiency and streamlining measures aimed at minimizing operating costs while delivering a high level of customer service. Additionally, through strict position control, the District was able to achieve 7% in salary savings.

The District uses a combination of fees and other operating revenues to cover total program costs. The District had no fee increases in fiscal year 2020-21, but will continue to monitor program costs to ensure sufficient fee revenues in future years.

Long-term Financial Planning

While the District's permit fee and DMV revenues are relatively stable, operating costs continue to grow due to inflation, increased state and federal mandates, and rising pension costs. As new state mandates and programs are established that increase District program costs such as new incentive funding and AB 617 implementation, the District continues to successfully advocate for the required state resources to offset these costs. In the coming years, ongoing advocacy for needed incentive funding (e.g. cap and trade funds, AB 2522/Moyer extension), AB 617, and other resources will be important to ensure continued and successful implementation of these programs.

Over the past several years, the District has placed a high priority on addressing rising pension costs and unfunded pension liability. As a first step, the District negotiated with employees to add a second retirement tier for new employees hired on or after July 31, 2012. In 2015, the District took significant steps to reduce the District's future unfunded pension obligations by transitioning to an employee contribution of a 50% share of total normal retirement costs resulting in a reduction in employer contribution rates, which was achieved in 2017. Additionally, during the 2016-17 Budget process, to address the District's share of Kern County Employees' Retirement Association Unfunded Accrued Actuarial Liability (UAAL), the Governing Board approved funding a new Pension Stabilization Reserve Fund of $1,250,000, which equaled to 2% of the District's share of Kern County Employees' Retirement Association Unfunded Accrued Actuarial Liability (UAAL) as of June 30, 2016, and an additional annual contribution equivalent to 1% of the UAAL balance each year thereafter. The Pension Stabilization Reserve Fund balance is $4,580,000 as of June 30, 2021. The Pension Stabilization Reserve Fund can be utilized to fund the District's Employer Required Contribution in circumstances of large unexpected Retirement Rate increase or for funding District's UAAL. Future funding and utilization of the Pension Stabilization Reserve Fund will require the Governing Board's approval. The District will continue to look for additional opportunities within the bounds of applicable laws to reduce the District's long-term pension costs.

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. Price Paige and Company conducted the independent audit of the District's financial statements for the fiscal year ended June 30, 2021. The auditor's unmodified 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 the fiscal year ended June 30, 2021 provided no instances of material weaknesses in connection with the internal control structure or violations of applicable laws and regulations.

As a recipient 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, is included in a separately issued report.

Relevant Financial Policies

The District's budget process is mandated by Section 40131 of the Health and Safety Code. Section 40131 places the following three requirements on the adoption of the District's annual budget:

1. The District shall notice and hold a public hearing for the exclusive purpose of allowing the public an opportunity to comment on the Budget. This hearing must be separate from the hearing at which the District adopts the Budget.
2. The District must have summary information regarding the Budget available to the public at least 30 days prior to the public hearing.
3. The District must notify each person subject to fees imposed by the District in the preceding year of the availability of the Budget summary information.

In addition to Health and Safety Code, the District Administrative Code requires the Executive Director/Air Pollution Control Officer to present the recommended budget to the Board prior to June 30th.

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 District are protected against loss, theft or misuse; ensure the reliability of adequate accounting data for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America; and provide reasonable, but not absolute, assurances that these objectives are met. The concept of reasonable assurance recognizes that the costs of a 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 on the District's Website, **www.valleyair.org**.

Budgetary control is exercised at the object level. All amendments or transfers of appropriations between these levels are authorized by the Executive Director/Air Pollution Control Officer (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 capital outlays, are controlled at the object level for all program budgets within the District. Capital outlays are controlled at the sub-object level. There are no 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.

Unencumbered appropriations lapse at year-end and encumbrances outstanding at that time are reported as assigned 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 accounting principles generally accepted in the United States of America. Reconciliation of the differences is presented in the Required Supplementary Information section of this report.

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the San Joaquin Valley Unified Air Pollution Control District for its annual comprehensive financial report for the fiscal year ended June 30, 2020. This was the seventh consecutive year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the District must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The dedicated services of the District Finance team made the preparation of our annual comprehensive 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 promote technology and improve operations to accomplish the District’s mission of protecting public health from air pollution in an efficient and cost effective manner.

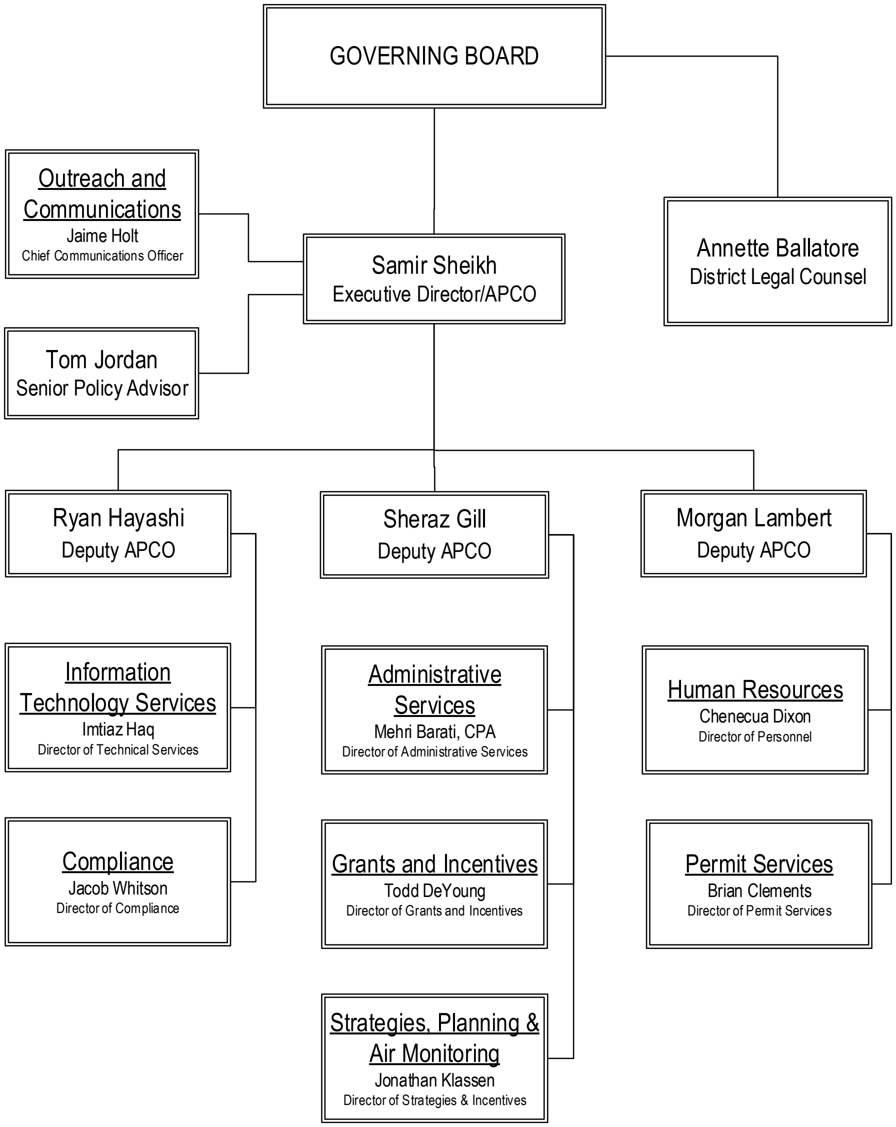
Respectfully submitted,

Samir Sheikh
Executive Director/Air
Pollution Control Officer

Mehri Barati, C.P.A.
Director of Administrative
Services

San Joaquin Valley Unified Air Pollution Control District
Organizational Chart

June 30, 2021



San Joaquin Valley Unified Air Pollution Control District

Governing Board
June 30, 2021

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

San Joaquin Valley
Unified Air Pollution Control District
California

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morrill

Executive Director/CEO

This page is intentionally left blank.

FINANCIAL SECTION

This page is intentionally left blank.

PRICE PAIGE & COMPANY
Accountancy Corporation

The Place to Be

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and General Fund of the San Joaquin Valley Unified Air Pollution Control District (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

570 N. Magnolia Avenue, Suite 100
Clovis, CA 93611

tel 559.299.9540
fax 559.299.2344

www.ppcpas.com

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and General Fund of the District, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Price Paige & Company

Clovis, California
January 12, 2022

San Joaquin Valley Unified Air Pollution Control District
Management's Discussion and Analysis
June 30, 2021

Our discussion and analysis of the San Joaquin Valley Unified Air Pollution Control District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2021. Please read it in conjunction with the transmittal letter and the basic financial statements.

A. Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $551.5 million *(net position).* Of this amount, $497.7 million is restricted for specific purposes, $13.5 million represents the net investment in capital assets and $40.3 million *(unrestricted net position)* may be used to finance the District's day-to-day operations without constraints established by legal requirements.

- The District's total net position increased $10.9 million as compared to the prior fiscal year. The majority of this increase was related to a significant increase in special revenue sources, such as Voluntary Emission Reduction Program, Carl Moyer, Volkswagen Mitigation, and State Cap and Trade, that was received this year in comparison to last year.

- At the close of the current fiscal year, the District's Governmental Fund reported a total fund balance of $631.2 million at year-end, a $19.2 million increase as compared to the prior year-end balance. Approximately 4.96% of this amount ($31.3 million) is available for spending at the government's discretion (*unassigned fund balance*).

- At the end of the current fiscal year, unrestricted fund balance (the total of the *assigned* and *unassigned* components of *fund balance*) for the general fund was $133.2 million, or approximately 53.7% of total general fund expenditures.

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 Annual Comprehensive Financial Report (ACFR) also includes required supplementary information to the Basic Financial Statements. In general, the purpose of financial reporting is to provide 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 Position and the Statement of Activities.

The Statement of Net Position presents information on all of the District's Assets and Deferred Outflows of Resources and Liabilities and Deferred Inflows of Resources with the difference reported as Net Position. This difference is comparable to total stockholders' equity presented by a commercial enterprise. Over time, increases or decreases in net position 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 of accounting. 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. 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 20 and 21 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. See Note 1, section (B), which explains the modified accrual basis of accounting. In contrast, the government-wide financial statements are prepared on the full accrual basis of accounting.

The District's Balance Sheet is presented on page 22 and Statement of Revenues, Expenditures, and Changes in Fund Balance is presented on page 24 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 financial statements and the government-wide financial statements. The reconciliation of the total fund balance and total net position reported in these two statements can be found on page 23 of this report.

The reconciliation of the total changes in fund balance for the governmental fund to the change in net position can be found on page 25 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 can be found on pages 26 to 49 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 Schedule of General Fund Budgeted and Actual Expenditures can be found on page 53 of this report with the Notes to the Schedule on page 54. The Schedule of the District's Proportionate Share of the Net Pension Liability and the Schedule of the District's Contributions can be found on page 55.

C. Government-wide Financial Analysis

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

The following schedule is a condensed Statement of Net Position as of the fiscal year ended June 30, 2021, as compared to the prior fiscal year.

Statement of Net Position
(In Thousands)

	Fiscal Year 2020-21	Fiscal Year 2019-20	Increase (Decrease)	Percent Change
Current and other assets	$ 651,010	$ 638,132	$ 12,878	2.0%
Capital assets	13,474	13,698	(224)	-1.6%
Total assets	664,484	651,830	12,654	1.9%
Total deferred outflows of resources	40,215	28,816	11,399	39.6%
Current liabilities	20,207	26,428	(6,221)	-23.5%
Noncurrent liabilities	128,031	106,843	21,188	19.8%
Total liabilities	148,238	133,271	14,967	11.2%
Total deferred inflows of resources	4,992	6,810	(1,818)	-26.7%
Net position:				
Net investment in capital assets	13,474	13,698	(224)	-1.6%
Restricted for special projects/programs	497,658	491,983	5,675	1.2%
Unrestricted	40,337	34,884	5,453	15.6%
Total net position	$ 551,469	$ 540,565	$ 10,904	2.0%

The District's total net position increased $10,903,538 from the prior fiscal year. This was primarily due to Voluntary Emission Reduction Program, Carl Moyer, Volkswagen Mitigation, and Cap and Trade funding received and not spent by the end of the year as well as increased permitting revenue.

The District's total liabilities increased $14,967,356 from the prior year; of this, current liabilities decreased $6,220,991 and noncurrent liabilities increased $21,188,347. The decrease in current liabilities can be attributed to a decrease in advances to grantors. The increase in noncurrent liabilities is due to an increase in net pension liability.

Of the District's total net position, 90.2% is legally or contractually restricted to expenditures for incentives and grants, and 7.3% is unrestricted and may be used to meet the District's ongoing obligations without legal constraint. Additionally, 2.4% is net position in the form of capital assets (e.g., land, buildings, equipment, and vehicles). Consequently, these assets are not available for future spending.

The following is a condensed schedule of Changes in Net Position for the fiscal year ended June 30, 2021, as compared to the prior year.

Changes in Net Position
(In Thousands)

	Fiscal Year 2020-21	Fiscal Year 2019-20	Increase (Decrease)	Percent
Revenues:				
Program revenues:				
Fees and charges - stationary sources	$ 32,921	$ 37,535	$ (4,614)	-12.3%
Fees and charges - mobile sources	23,908	31,369	(7,461)	-23.8%
Operating grants	12,382	12,554	(172)	-1.4%
Restricted special revenue sources	189,475	324,283	(134,808)	-41.6%
General revenues:				
State subvention - not restricted	967	957	10	1.0%
Interest - not restricted	3,978	5,135	(1,157)	-22.5%
Penalties/settlements	3,521	5,747	(2,226)	-38.7%
Miscellaneous revenue	134	93	41	44.1%
Total revenues	267,286	417,673	(150,387)	-36.0%
Expenses:				
Permitting	17,620	16,685	935	5.6%
Enforcement/agricultural burning	20,558	19,193	1,365	7.1%
Plan and rule development	1,571	1,550	21	1.4%
Mobile sources	9,781	9,062	719	7.9%
Outreach and communications	3,508	3,478	30	0.9%
Air quality analysis/air monitoring	8,407	6,084	2,323	38.2%
Restricted for grants and other uses	194,937	224,559	(29,622)	-13.2%
Total expenses	256,382	280,611	(24,229)	-8.6%
Increase (decrease) in net position	10,904	137,062	(126,158)	-92.0%
Net position - beginning	540,565	403,503	137,062	34.0%
Net position - ending	$ 551,469	$ 540,565	$ 10,904	2.0%

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 position changed during the year. All changes in net position 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 the governmental functions of the District. The primary governmental activities of the District include the following: Permit Services, Enforcement/Air Monitoring/Agricultural Burning, Plan and Rule Development, Mobile Source, Outreach and Communications, Air Quality Analysis, and Grants and Other Special Uses. The following is a schedule of Revenues by Major Source for the fiscal year ended June 30, 2021, as compared to the prior year.

Revenues by Major Source
Governmental Activities
(In Thousands)

	Fiscal Year 2020-21	Fiscal Year 2019-20	Increase (Decrease)
Stationary Sources	$ 32,921	$ 37,535	$ (4,614)
Mobile Sources	23,908	31,369	(7,461)
Operating Grants	12,382	12,554	(172)
General Revenues *	8,600	11,932	(3,332)
Restricted Special Revenue Sources	189,475	324,283	(134,808)
	$ 267,286	$ 417,673	$ (150,387)

* 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 from the prior fiscal year:

Stationary Source Revenue

- Stationary Source Revenue decreased $4,614,078 compared to the prior fiscal year. The majority of this increase was due to increased permitting revenue and fee collections.

Mobile Source Revenue

- Mobile Source Revenue shows a decrease of $7,460,841 compared to the prior fiscal year. This was primarily due to an increase in administrative fee revenue received.

Operating Grant Revenue

- Operating Grant Revenue decreased this year by $172,231 as compared to the prior fiscal year. This was a result of fewer Operating Grants awards received during fiscal year 2020-21.

Grant Revenue	Fiscal Year 2020-21	Fiscal Year 2019-20	Increase (Decrease)
EPA 105 Grant	$ 1,961,737	$ 1,933,734	$ 28,003
State Grants-Rules 2260 & 3156	355,000	710,000	(355,000)
Miscellaneous State Revenue	-	25,000	(25,000)
State Operating Grant	9,893,985	9,782,137	111,848
EPA 103 Grant	171,459	103,541	67,918
Total Grant Revenue	$ 12,382,181	$ 12,554,412	$ (172,231)

General Revenues

- General Revenues decreased $3,332,398 as compared to the prior fiscal year due to decreased revenue from Penalties and Interest Revenue.

Restricted Special Revenue Sources

- Restricted Special Revenue decreased $134,808,503 compared to the prior fiscal year. The table below details the major changes to the various incentive programs that make up this decrease. Changes are due to the availability of and/or timing of the receipt of grant and other funding sources.

Incentive Program	Fiscal Year 2020-21	Fiscal Year 2019-20	Increase (Decrease)
DMV Surcharge Fees	$ 50,452,115	$ 47,507,705	$ 2,944,410
Carl Moyer Program	364,609	14,636,012	(14,271,403)
Proposition 1B	93,779	238,336	(144,557)
State Cap and Trade and Air Quality Improvement Program	116,674,069	193,565,990	(76,891,921)
Diesel Emission Reduction Act	4,910,461	2,126,943	2,783,518
Voluntary Emission Reduction	950,596	11,924,909	(10,974,313)
Agriculture Tractor Replacement Program	6,022,209	954,782	5,067,427
Indirect Source Mitigation Fees	4,598,822	7,423,654	(2,824,832)
Volkswagen mitigation	910,967	41,386,543	(40,475,576)
Other Miscellaneous Incentives	1,191,970	3,089,109	(1,897,139)
CEC - Energy Efficiency Grant	3,305,201	1,429,318	1,875,883
Total	$ 189,474,798	$ 324,283,301	$ (134,808,503)

Total District Expenses decreased by $24,229,524. The majority of this decrease was due to grant related expenses for various emission reduction incentives as well as additional cost for implementing AB617 state mandates. The following is a schedule of District expenses by activity for the fiscal year ended June 30, 2021 with a comparison of prior year expenses.

Expenses by Activities
Governmental Activities

	Fiscal Year 2020-21	Fiscal Year 2019-20	Increase (Decrease)
Permitting	$ 17,620,134	$ 16,684,825	$ 935,309
Enforcement/Agricultural Burning	20,557,914	19,193,489	1,364,425
Plan and Rule Development	1,571,316	1,550,158	21,158
Mobile Source	9,780,587	9,061,698	718,889
Outreach & Communications	3,507,581	3,478,074	29,507
Air Quality Analysis/Air Monitoring	8,407,605	6,084,535	2,323,070
Total Operating Expenses	61,445,137	56,052,779	5,392,358
Restricted for Grants and Special Uses	194,936,640	224,558,522	(29,621,882)
Total District Expenses	$ 256,381,777	$ 280,611,301	$ (24,229,524)

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 fund balance of $631,174,481, an increase of $19,220,165 in comparison with the prior year. Of the ending fund balance, 78.8%, or $497,657,477, is restricted for grants and incentives. The long-term contractual commitments related to these restricted programs involve multiple-year expenditures. The ending fund balance also includes less than 0.1%, or $316,323, not in spendable form for items that are not expected to be converted to cash, such as prepaid expenses, and 16.2%, or $101,918,502, assigned to be used for Community Incentive programs, encumbrances and other assignments of Fund Balance listed in Note 1.K on page 31 of this report.

At the end of the fiscal year, the District's Unassigned Fund Balance was $31,282,179, a decrease of $326,085 compared with the prior year. The majority of this increase was related to increased revenue from Ag Burn Abatement Penalties and Interest Revenue and a decrease in Reserves for Encumbrances.

Operating Revenues

- Total Operating Revenues decreased $15,579,547, which was mainly due to decreases in State Grants, Rule 4905 and Administrative Revenues.

Operating Expenditures

Total Operating Expenditures increased $2,424,756 as compared to the prior fiscal year.

- Total salaries and benefits increased $2,301,502 compared to the prior fiscal year. The major factors in this increase, offset by salary savings, were due to a scheduled salary increase per the employees' Memorandum of Understanding and increases in retirement costs.

- Total services and supplies increased $246,875 from the prior fiscal year. This increase was due to increased expenditures in computer maintenance, insurance and professional services.

- Total capital outlay decreased $123,621 as compared to the prior fiscal year. This was primarily the result of fewer Community Monitoring equipment purchases and fewer automobile purchases. The table below details the major changes to the various capital asset accounts that make up this decrease.

Account Title	Fiscal Year 2020-21	Fiscal Year 2019-20	Increase (Decrease)
Computer Equipment	$ 739,826	$ 484,682	$ 255,144
Telephone System	5,104	8,138	(3,034)
Automobiles	286,503	289,348	(2,845)
Office Improvements	191,709	160,669	31,040
Community Monitoring	831,294	1,484,395	(653,101)
Central Region Bldg Expansion	-	100,841	(100,841)
Video Conferencing System	12,730	10,633	2,097
Air Monitoring Station Automation Project	-	-	-
Air Monitoring Station Equipment	655,456	307,537	347,919
Monitoring Near Roadways	-	-	-
Total	$ 2,722,622	$ 2,846,243	$ (123,621)

Non-Operating Revenues

- Non-Operating Revenues decreased $134,808,503 mainly due to funding received through the Voluntary Emission Reduction Program, Carl Moyer, Volkswagen Mitigation, and State Cap and Trade and Air Quality Improvement Program.

Non-Operating Expenditures

- Non–Operating Incentive Program expenditures decreased $31,421,882 compared to the prior fiscal year. This was primarily due to project expenditures such as State Cap and Trade and Air Quality Improvement Program, Voluntary Emission Reduction Program, and Proposition 1B Program. The table below details the major changes to the various Incentive Programs that make up this increase.

Incentive Program Name	Fiscal Year 2020-21	Fiscal Year 2019-20	Increase (Decrease)
DMV Heavy-Duty Program	$ 33,636,473	$ 33,826,677	$ (190,204)
Carl Moyer Program	8,090,219	5,972,440	2,117,779
School Bus Retro/Replace Program	-	2,469,027	(2,469,027)
Federal EPA Incentive Program	6,863,015	2,779,382	4,083,633
State Cap and Trade and AQIP	91,679,625	139,425,644	(47,746,019)
Voluntary Emission Reduction Agreements	26,977,104	10,220,187	16,756,917
Indirect Source Review Rule Mitigation Program	7,669,379	10,115,871	(2,446,492)
Proposition 1B Program	1,243,889	7,858,000	(6,614,111)
Diesel Emission Reduction Act	4,924,232	2,131,796	2,792,436
Community Incentive Programs	7,572,147	6,195,873	1,376,274
Air Toxics	320,467	898,835	(578,368)
Misc. Incentive Grants	90	853,445	(853,355)
Hearing Board Incentive Grant	-	11,345	(11,345)
CEC - Energy Efficiency Grant	5,000,000	1,800,000	3,200,000
Volkswagen Mitigation Funding	960,000	1,800,000	(840,000)
Total	$ 194,936,640	$ 226,358,522	$ (31,421,882)

E. Capital Assets

The District's capital assets are used for governmental activities. The book value was $13,474,257 (net of accumulated depreciation of $18,188,181) as of June 30, 2021. Capital assets include land, buildings and improvements, equipment for air monitoring stations, computer and office equipment, video conferencing equipment, and District vehicles.

Additional information on capital assets can be found in the "Notes to the Basic Financial Statements" on page 39 of this report.

F. Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred Outflows of Resources

Deferred outflows of resources, although similar to assets, are set apart because these items do not meet the technical definition of being a District asset on the date of these financial statements. In other words, these amounts are not available to pay liabilities in the way assets are available. When all the recognition criteria are met, the deferred outflows of resources will become expenses/expenditures.

The most significant deferred outflows of resources reported are related to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68 and GASB Statement No. 71 for pension liability reporting. GASB Statement No. 71 requires that contributions made during the fiscal year to the retirement system be reported as deferred outflows of resources. Consequently, the majority of the deferred outflows of resources reported are comprised of current year contributions to the retirement system. However, there may be some deferred outflows of resources attributable to the various components that impact pension changes, and can include investment changes, amortization, changes due to actuarial assumptions, and differences between expected or actual experience.

Deferred Inflows of Resources

Deferred inflows of resources are the counterpart to deferred outflows of resources on the Statement of Net Position. Deferred inflows of resources are not technically liabilities of the District as of the date of the financial statements. When all the recognition criteria are met, the deferred inflows of resources will become revenue or increases to net position. The only types of deferred inflows of resources being reported on the District's Statement of Net Position are those related to pensions.

Deferred inflows of resources related to pensions represent a net amount attributable to the various components that impact pension changes, and can include investment changes, amortization, changes due to actuarial assumptions, and differences between expected or actual experience.

G. Current Year's Long-Term Debt

At the end of the current fiscal year, the District had total long-term debt outstanding of $4,685,432. This amount is comprised solely of compensated absences, including the portion due within one year of $372,054. Additional information on the

District's compensated absences can be found in Note 4 under the Notes to the Basic Financial Statements section of this report.

H. Current Year's Budget

The District Budget is divided into two sections. The Operating Budget represents those expenditures that directly support the everyday operations of the District, including administration of incentive programs. The Non-Operating Budget represents those expenditures for the emission reduction incentive programs administered by the District. In addition to funding provided 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 original Operating Budget adopted in June 2020 was $61,274,404. The Final Adjusted Budget was $61,457,644. Under District budget policy, all prior unused appropriations lapse at year-end and are re-budgeted. Revenues unrealized as of the fiscal year 2020-21 year-end are re-budgeted in 2021-22. Revenues already received, but unspent, are included in the 2021-22 budget as available Fund Balance.

The Adjusted Non-Operating Budget at June 30, 2021 was $769,557,369 including $850,000 appropriated for contingencies. This was an increase of $332,500,169 over the originally adopted Non-Operating Budget. This increase was due to fewer than expected expenditures occurring in fiscal year 2018-19, which increased that year's ending fund balance. That fund balance was a revenue source for fiscal year 2019-20, supporting the same expenditures as the previous year. Listed below are the major budget additions made during the year:

- The mid-year non-operating budget true-up of $284,581,600, including increases to DMV Surcharge Fees, Carl Moyer Program, Proposition 1B, Voluntary Emission Reduction Program, Agricultural Replacement Measures for Emissions Reductions (FARMER) Program, Greenhouse Gas Reduction Funds, and Cap and Trade and Air Quality Improvement Program (AQIP) funds.
- $6,436,466 EPA 2020 Diesel Emission Reduction Act (DERA) National Clean Diesel Funding Assistance Program funding for Replacement of Agricultural Tractors and Yard Trucks.
- $28,468,777 EPA 2019/2020 Targeted Airshed Grant Program funding for Replacement of Agricultural Tractors and Nut Harvesting Equipment.
- $10,000,000 from Community Incentives Reserves for Alternatives to Open Burning of Agricultural Materials Incentive Program.
- $2,218,558 California Air Resources Board Proposition 1B for Goods Movement Emission Reduction Program.

Operating Budget

Revenues
Actual Operating Revenues at June 30, 2021 were $80,560,631, as compared to the final Adjusted Budget of $70,726,979, a positive variance of $9,833,652. Revenues were higher than expected in fiscal year 2020-21 due to an increase in administrative fees, interest, and license and permit fees received.

Expenditures
Actual Operating Expenditures at June 30, 2021 were $53,772,966 as compared to the final Adjusted Budget of $61,210,454, a positive variance of $7,437,488.

Salaries and Benefits
Actual salary and benefit expenditures at year-end were $45,659,140 as compared to the final Adjusted Budget of $50,037,261, a positive variance of $4,561,361. Salary and benefit savings on vacant positions during the year were the major factors contributing to the positive variance.

Services and Supplies
Actual services and supplies expenditures at year-end were $5,037,417 as compared to the final Adjusted Budget of $7,347,679, a positive variance of $2,623,291. Of the total expenditure amount, $1,107,134 was encumbered at year-end. Listed in the table below are the expenditures that make up the variances in the services and supplies accounts.

	Final Adjusted Budget	Actual Expenditures June 30, 2021	Variance With Final Budget Positive (Negative)
Mobile Communications	$ 319,608	$ 289,243	$ 30,365
Equipment Maintenance	1,477,196	1,319,269	157,927
Professional and Specialized Services	5,796,014	3,399,025	2,396,989
Publications and Legal Notices	68,520	29,880	38,640
Total	$ 7,661,338	$ 5,037,417	$ 2,623,921

Capital Assets
Actual Capital Outlay expenditures at year-end were $3,058,010 as compared to the final Adjusted Budget of $3,642,274, a positive variance of $584,263. Several planned purchases were delayed until fiscal year 2021-22, contributing to this variance. Listed in the table on the following page are the expenditures that make up the variances in the Capital Assets accounts.

	Final Adjusted Budget	Actual Expenditures June 30, 2021	Variance With Final Budget Positive (Negative)
Office Improvements	$ 461,000	$ 457,399	$ 3,601
Computer Equipment	784,854	784,853	1
Automobiles	432,000	431,999	1
Office Machines and Equipment	56,250	51,560	4,690
Telephone System	39,770	2,869	36,901
Audio/Visual Equipment	-	-	-
Central Region Bldg Expansion	-	-	-
Video Teleconferencing System	70,000	12,730	57,270
Air Monitoring/Detection Equipment	2,040,590	1,316,600	723,990
Air Monitoring Station Automation Project	5,000	-	5,000
Total	$ 3,889,464	$ 3,058,010	$ 831,454

Non-Operating Budget

Revenues

Actual Non-Operating Revenues at June 30, 2021 were $135,612,071 as compared to the final Adjusted Budget of $249,468,960, a negative variance of $113,856,889. Listed in the table below are the revenues that make up the major variances in Non-Operating Revenues.

	Final Adjusted Budget	Actual Revenues June 30, 2021	Variance With Final Budget Positive (Negative)
Air Toxics	$ 667,738	$ 319,375	$ (348,363)
DMV Surcharge Fees	45,611,000	50,201,870	4,590,870
Carl Moyer Program	18,198,700	-	(18,198,700)
Proposition 1B	2,218,558	-	(2,218,558)
School Bus Programs	-	-	-
Federal and Heavy Duty Grants	51,737,848	11,787,246	(39,950,602)
CEC - Energy Efficiency Block Grant	6,200,000	3,330,000	(2,870,000)
VERA/ISR Rule Mitigation Funds	7,900,177	5,477,601	(2,422,576)
State Cap and Trade and AQIP Funding	102,915,839	59,060,450	(43,855,389)
Volkswagen Mitigation Funding	7,880,000	-	(7,880,000)
Non-Operating Interest	6,119,100	5,435,530	(683,570)
Other Miscellaneous Incentives	20,000	-	(20,000)
Total	$ 249,468,960	$ 135,612,071	$ (113,856,889)

The negative variances of $2,422,576 for VERA/ISR Rule Mitigation funds and $43,855,389 for State Cap and Trade funds are due to the delay in receipt of this revenue because of program milestones that must be met prior to receiving the revenue. These funds are anticipated to be available during the 2021-22 fiscal year.

Expenditures

Actual Non-Operating Expenditures at June 30, 2021 were $194,936,640 as compared to the final Adjusted Budget of $695,756,592, a positive variance of $500,819,952. Listed in the table below are the expenditures that make up the variances in Non-Operating Expenditures.

	Final Adjusted Budget	Actual Expenditures June 30, 2021	Variance With Final Budget Positive (Negative)
Air Toxics-Pass Through	$ 667,700	$ 320,467	$ 347,233
Federal and Heavy Duty Grants	51,737,766	11,787,246	39,950,520
Carl Moyer Program	31,492,600	8,090,219	23,402,381
DMV Surcharge Fees	108,069,700	33,636,474	74,433,226
VERA/ISR Rule Mitigation Program	83,205,100	34,646,483	48,558,617
Proposition 1B Program	12,793,958	1,243,889	11,550,069
School Bus Programs	37,400	-	37,400
Drought Relief Program	-	-	-
Community Incentive Programs	27,746,800	7,572,147	20,174,653
State Cap and Trade and AQIP Funding	305,968,668	91,679,626	214,289,042
CEC - Energy Efficiency Block Grant	6,200,000	5,000,000	1,200,000
Volkswagen Mitigation Funding	67,652,500	960,000	66,692,500
Miscellaneous Incentive Programs	184,400	90	184,310
Total	$ 695,756,592	$ 194,936,640	$ 500,819,952

The District has a policy of not entering into incentive agreements for non-federal grant contracts until grant funds are received by the District. This occasionally results in delayed expenditures. A significant amount of grant funds that were received and appropriated in fiscal year 2020-21 (Carl Moyer Program, Proposition 1B Program, Cap and Trade Program, VERA/ISR Rule Mitigation Program, and Volkswagen Mitigation funds) will not be expended on incentive contracts until fiscal year 2021-22 or later. Federal incentive grant contracts are reimbursable grants whereby the District must expend the incentive grant funds prior to receiving reimbursement from the Federal government.

I. Next Year's Budget

The Adopted Budget for fiscal year 2021-22 is $583,894,140 as compared to the Adjusted Budget for fiscal year 2020-21 of $543,651,413, an increase of $40,242,727. In June 2011, the District Governing Board adopted a change in the District's non-operating budgeting approach which combined the Prior Year and Current Year Budgets used previously, into a single ongoing budget for the current and future years. Since the adopted budget is based on estimated revenues, expenditures, and encumbrances occurring, and due to the length of the budget development process, every year after the financial closing, the budget is adjusted to reflect the actual available fund balance based on the year-end closing actuals. The 2021-22 adopted budget will be also adjusted to include year-end encumbrances and reflect actual year-end reserves.

J. Economic Factors

It is important to note that the District is relatively self-sufficient with no significant dependence on the state or federal funding for its operating expenditures. In addition, ongoing, long-term forecasts project stable fiscal health for the District. While the District does face a full agenda of challenges, the Governing Board generally has sufficient resources available to meet them.

K. 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.

This page is intentionally left blank.

San Joaquin Valley Unified Air Pollution Control District
Statement of Net Position
June 30, 2021

	Governmental Activities
Assets	
Current assets:	
Cash and investments	$ 626,763,598
Accrued revenues	23,930,066
Prepaid expenses	316,323
Total current assets	651,009,987
Noncurrent assets:	
Land	1,595,549
Depreciable assets, net of accumulated depreciation	11,878,708
Total noncurrent assets	13,474,257
Total assets	664,484,244
Deferred outflows of resources	
Deferred pension	40,215,264
Total deferred outflows of resources	40,215,264
Liabilities	
Current liabilities:	
Accounts payable	788,007
Accrued wages payable	1,323,621
Advances from grantors	17,723,878
Compensated absences payable:	
Due within one year	372,054
Total current liabilities	20,207,560
Noncurrent liabilities:	
Compensated absences payable:	
Due in more than one year	4,313,378
Net pension liability	123,717,825
Total noncurrent liabilities	128,031,203
Total liabilities	148,238,763
Deferred inflows of resources	
Deferred pension	4,992,013
Total deferred inflows of resources	4,992,013
Net position	
Net investment in capital assets	13,474,257
Restricted for:	
VERA/ISR mitigation programs	39,385,006
DMV surcharge programs	109,266,522
Carl Moyer funds	20,815,973
Proposition 1B programs	9,175,988
State cap and trade	257,331,946
Volkswagen mitigation	60,325,632
Other special projects/programs	1,356,410
Unrestricted	40,336,998
Total net position	$ 551,468,732

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, 2021

		Program Revenues				Net (Expense) Revenue and Changes in Net Position
		Fees and Charges for Services			Restricted	
Programs	Expenses	Stationary Sources	Mobile Sources	Operating Grants	Special Revenue Sources *	Governmental Activities
Governmental Activities:						
Permitting	$ 17,620,134	$ 23,016,001	$ 2,944,324	$ 2,929,559	$ -	$ 11,269,750
Enforcement/agricultural burning	20,557,914	9,905,292	3,464,284	1,943,716	-	(5,244,622)
Plan and rule development	1,571,316	-	1,864,865	682,264	-	975,813
Mobile sources	9,780,587	-	11,441,049	76,060	-	1,736,522
Outreach and communications	3,507,581	-	2,754,873	1,517,753	-	765,045
Air quality analysis/air monitoring	8,407,605	-	1,438,233	5,232,830	-	(1,736,542)
Restricted for grants and other special uses	194,936,640	-	-	-	189,474,798	(5,461,842)
Total governmental activities	$ 256,381,777	$ 32,921,293	$ 23,907,628	$ 12,382,182	$ 189,474,798	2,304,124

General Revenues:	
State subvention - not restricted to specific programs	967,016
Interest - not restricted to specific programs	3,978,036
Penalties / settlements	3,520,826
Miscellaneous revenue	133,536
Total general revenues	8,599,414
Change in net position	10,903,538
Net position - beginning, July 1, 2020	540,565,194
Net position - ending, June 30, 2021	$ 551,468,732

* Restricted Special Revenue Sources consist of pass-through and/or one-time limited duration funding sources that are restricted for specific programs such as the Carl Moyer Program Fund and the Proposition 1B Program Fund.

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

San Joaquin Valley Unified Air Pollution Control District

Balance Sheet - Governmental Fund
General Fund
June 30, 2021

Assets		
Cash and investments	$	626,763,598
Accrued revenues		23,930,066
Prepaid items		316,323
Total assets	$	651,009,987
Liabilities		
Accounts payable	$	788,007
Accrued wages payable		1,323,621
Advances from grantors		17,723,878
Total liabilities		19,835,506
Fund Balance		
Nonspendable fund balance		316,323
Restricted fund balance		497,657,477
Assigned fund balance		101,918,502
Unassigned fund balance		31,282,179
Total fund balance		631,174,481
Total liabilities and fund balance	$	651,009,987

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

San Joaquin Valley Unified Air Pollution Control District
Reconciliation of the Balance Sheet of the Governmental Fund to the Statement of Net Position
June 30, 2021

Amounts reported for governmental activities in the statement of net position are different because:

Fund balance - governmental fund	$ 631,174,481
Land and capital assets net of accumulated depreciation have not been included as financial resources in the governmental fund activity. These capital assets are reported in the Statement of Net Position as capital assets of the District as a whole.	13,474,257
Deferred outflows of resources reported in the Statement of Net Position.	40,215,264
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Position.	(128,403,257)
Deferred inflows of resources reported in the Statement of Net Position.	(4,992,013)
Net position of governmental activities	$ 551,468,732

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

San Joaquin Valley Unified Air Pollution Control District

Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
General Fund
For the Year Ended June 30, 2021

Revenues:	
License and permit fees	$ 47,284,649
Administrative fees	9,544,274
Penalties and settlements	3,520,826
Interest	3,978,036
State grants	11,216,001
Federal grants	2,133,196
Miscellaneous revenue	133,536
Incentive grants	172,252,022
Incentive grant interest	5,435,530
Federal incentive grants	11,787,246
Total revenues	267,285,316
Expenditures:	
Current:	
Salaries and benefits	45,624,717
Services and supplies	4,781,172
Grants and other special uses	194,936,640
Capital outlay	2,722,622
Total expenditures	248,065,151
Net change in fund balance	19,220,165
Beginning fund balance, July 1, 2020	611,954,316
Ending fund balance, June 30, 2021	$ 631,174,481

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

San Joaquin Valley Unified Air Pollution Control District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Fund to the Statement of Activities

For the Year Ended June 30, 2021

Amounts reported for governmental activities in the statement of activities are different because:		
Net Change in Fund Balance - governmental fund		$ 19,220,166
The governmental fund reports capital outlays as expenditures. However, in the statement of activities, the cost of these 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.		2,044,750
Depreciation expense on capital assets is reported in the Statement of Activities but does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in the governmental fund.		(2,266,173)
The net effect of disposal of assets.		(2,646)
Certain pension expenses in the Statement of Activities are recognized on the accrual basis of accounting in accordance with GASB Statement No. 68.		
Amount of pension expenditures at fund modified accrual level	11,956,037	
Amount of pension expenses recognized at government-wide level	(20,320,740)	(8,364,703)
Increase in long-term compensated absences		272,144
Change in net position of governmental activities		$ 10,903,538

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Reporting Entity

The San Joaquin Valley Unified Air Pollution Control District (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 is governed by a fifteen member Governing Board that consists of one representative from the board of supervisors of all eight counties, five council members from Valley cities and two governor-appointed public members. 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 resources 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.

Governmental 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 the accrual basis of accounting. However, debt service expenditures, as well as expenditures related to compensated absences, 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 Position 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, deferred outflows of resources, liabilities, including capital assets and long-term liabilities and deferred inflows of resources are included in the accompanying Statement of Net Position. 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 and 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 the Governmental Accounting Standards Board (GASB) Statement No. 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 assignment 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. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and governmental fund financial statements. The cost is recorded as an expense as prepaid items are consumed.

Prepaid Expenses of the District for the fiscal year ended June 30, 2021 consisted of the following:

Travel Advances	$	327
Loans Receivable		8,133
Prepaid Payroll		24
Prepaid Medical Insurance		307,839
Total Prepaid Expenses	$	316,323

F. 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 acquisition 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. Likewise, building improvements totaling $100,000 and with an expected useful life greater than one year are capitalized. The District implemented GASB Statement No. 51 and started capitalizing intangible software that was developed internally and met the threshold of $100,000 for intangible asset capitalization.

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 Position. Property, plant, and equipment of the District are depreciated using the straight-line method over the following useful lives:

Buildings and Improvements	15-25 Years
Air Monitoring and Detection Equipment	5-8 Years
Office Furniture and Other Misc. Equipment	5-10 Years
Telephone Equipment	10 Years
Computer Equipment and Software	5 Years
Automobiles	5 Years

G. Compensated Absences

Regular employees accumulate annual leave. Certain restrictions apply with respect to the accumulation of annual leave and its payment at termination. The compensated absences due within one year and due in more than one year amounted to $372,054 and $4,313,378, respectively, and have been reflected in the Statement of Net Position.

H. Pensions

In government-wide financial statements, retirement plans (pensions) are required to be recognized and disclosed using the accrual basis of accounting (see Note 5 and the Required Supplementary Information (RSI) section immediately following the Notes to Financial Statements), regardless of the amount recognized as pension expenditures on the governmental fund statements, which use the modified accrual basis of accounting.

In general, the District recognizes a net pension liability, which represents the District's proportionate share of the excess of the total pension liability over the fiduciary net position of the pension reflected in the actuarial report provided by the Kern County Employees' Retirement Association (KCERA). The net pension liability is measured as of the District's prior fiscal year-end. Changes in the net pension liability are recorded, in the period incurred, as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) are amortized over the weighted average remaining service life of all participants in the respective pension plan and are recorded as a component of pension expense beginning with the period in which they are incurred.

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

Projected earnings on pension investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed basis five-year period of recognition.

I. 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, workers' compensation liability, public officials liability, public employees blanket bond, and the replacement cost of property. (See Note 6)

J. Restrictions on Net Position

Total Restricted Net Position at year-end was $497,657,477. Restricted Net Position is net position that is 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:

VERA/ISR mitigation programs	$ 39,385,006
DMV surcharge programs	109,266,522
Carl Moyer funds	20,815,973
Proposition 1B programs	9,175,988
State cap and trade	257,331,946
Volkswagen mitigation	60,325,632
Other special projects/programs	1,356,410
Total Restricted Net Position	$ 497,657,477

As these restrictions are also restrictions of fund balance, a description and the purpose of each program can be found in Note 1.K.

K. Fund Balance

Beginning in fiscal year 2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This statement provides more clearly defined fund balance categories to make the nature and extent of the constraint placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance—amounts that are not in spendable form (such as inventory or prepaid expenses) or are required to be maintained intact.

- Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provision, or by enabling legislation.

- Committed fund balance—amounts constrained to a specific purpose by the District itself, using its highest level of decision-making authority (i.e., District Governing Board). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same level of action to remove or change the constraint.

- Assigned fund balance—amounts the District intends to use for a specific purpose. Intent can be expressed by the District Governing Board or by an official or body to which the District Governing Board delegates the authority.

- Unassigned fund balance—amounts that are available for any purpose. Only the General Fund reports positive amounts.

The District Governing Board establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the Governing Board through adoption or amendment of the budget as intended for specific purpose.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balance is available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

The amounts of various fund balance categories required by GASB Statement No. 54 are as follows:

Nonspendable Fund Balance	$ 316,323
Restricted Fund Balance:	
VERA/ISR mitigation programs	39,385,006
DMV surcharge programs	109,266,522
Carl Moyer funds	20,815,973
Proposition 1B programs	9,175,988
State cap and trade	257,331,946
Volkswagen mitigation	60,325,632
Other special projects/programs	1,356,410
Total Restricted Fund Balance	497,657,477
Assigned Fund Balance:	
Encumbrances	5,827,655
Community Incentive Programs	84,228,773
Long-Term Building Maintenance	500,000
Contingency Reserve	850,000
Pension Stabilization Reserve	4,580,000
Video Teleconferencing and Computer Equipment	500,000
Modeling Center Reserve	500,000
Modeling Equipment Reserve	100,000
Appropriated FY 2020-21 Budgetary Deficit	4,832,074
Total Assigned Fund Balance	101,918,502
Unassigned Fund Balance:	
General Reserve	6,400,000
Unassigned	24,882,179
Total Unassigned Fund Balance	31,282,179
Total Fund Balances	$ 631,174,481

Nonspendable Fund Balance:

- The $316,323 fund balance is for prepaid medical, payroll and other expenses and long-term notes receivable to the flex spending bank account.

Restricted Fund Balance:

- The $39,385,006 fund balance for the Indirect Source Review (ISR) Rule Mitigation Program and Voluntary Emission Reduction Program represents funds received from new development projects and voluntary development mitigation contracts. These funds will be used as incentive grants for projects that will offset the future projected emissions generated by these development projects.

- The $109,266,522 fund balance for DMV Surcharge Fees 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 $20,815,973 fund balance for the Carl Moyer Program represents funds received from the California Air Resources Board. The District will use these funds for Heavy Duty Engine Emission Reduction Program incentives.

- The $9,175,988 fund balance for the Proposition 1B Program represents funds received from the California Air Resources Board. These funds will be used for the replacement and retrofit of heavy-duty trucks.

- The $257,331,946 fund balance for the State Cap and Trade and Air Quality Improvement Program (AQIP) Funds represents monies from the California Air Resources for projects that generate reductions in greenhouse gas emissions with potential co-benefits of criteria pollutant reductions. The District will use these funds for several programs aimed at disadvantaged communities, administered by Valley Clean Air Now.

- The $60,325,632 fund balance for the Volkswagen Mitigation funds received from CARB in an effort to provide funding to mitigate excess nitrogen oxide (NOx) emissions caused by VW's use of illegal defeat devices. The Mitigation Trust funds will be used for replacement projects mostly in the heavy-duty sector to mitigate future emissions.

- The $1,356,410 fund balance for the Other special projects/programs consists of funds received from the Environmental Protection Agency, California Air Resources Board, and other miscellaneous grants and fees. The District will utilize these funds for the replacement of heavy-duty trucks, school buses, agricultural tractors and other projects that aim to reduce emissions.

Assigned Fund Balance:

- The $5,827,655 fund balance for encumbrances outstanding at June 30, 2021 represents the amount of expenditures that would result if contracts in process at fiscal year-end were completed. Of the total assigned amount, $1,336,539 represents encumbrances for services and supplies and $4,491,116 represents encumbrances for capital assets. This assignment earmarks resources to pay for these contractual obligations by segregating a portion of fund balance.

- The $84,228,773 was assigned by the District Governing Board for various Community Incentive Programs.

- The $500,000 was established by the District Governing Board to provide for Long-Term Building Maintenance.

- The $850,000 was established by the District Governing Board to provide for a Contingency Reserve.

- The $4,580,000 was established by the District Governing Board to provide for a Pension Stabilization Reserve.

- The $500,000 was established by the District Governing Board to provide for Video Teleconferencing and Computer Equipment.

- The $500,000 was assigned by the District Governing Board to provide for a Modeling Center Reserve.

- The $100,000 was assigned by the District Governing Board to provide for a Modeling Equipment Reserve.

- The $4,832,074 is the portion of existing fund balance that is included as a budgetary resource in the fiscal year 2021-22 budget

Unassigned Fund Balance:

- From total Unassigned Fund Balance of $31,282,179 reported on June 30, 2021, $6,400,000 is a General Reserve that was established by the District Governing Board to provide for additional financial stability.

L. Use of Estimates

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

M. New Accounting Pronouncements

All of the new Governmental Accounting Standards Board (GASB) Statements that are applicable to the District have been implemented in the current financial statements.

2. CASH AND INVESTMENTS

Cash and investments as of June 30, 2021 consisted of the following:

District Petty Cash/Change Funds	$ 4,721
Postage Funds	17,586
Total Cash On Hand	22,307
Wells Fargo Bank	8,902,337
Other Deposits	449
Total Deposits with Financial Institutions	8,902,786
Security Deposit - Leased Property	2,000
Total Other Deposits	2,000
Fresno County Treasurer	617,836,505
Total Investments with County Investment Pools	617,836,505
Total Cash and Investments	$ 626,763,598

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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment In One Issuer
County Investment Pools	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. In other words, the risk that interest rates will rise and reduce the fair value of an investment. Generally, the longer the maturity of an investment, the greater its sensitivity is to fair value and 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:

		Remaining Maturity (in Months)			
Investment Type	Amount	12 Months Or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
County Investment Pool	$617,836,505	$617,836,505	$0	$0	$0

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, or 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 Statement No. 40 does not require disclosure as to credit risk:

		Minimum	Exempt	Rating as of Year-End		
Investment Type	Amount	Legal Rating	From Disclosure	AAA	AA	Not Rated
County Investment Pool	$617,836,505	N/A	$617,836,505	$0	$0	$0

County Treasurer's Investment Pool

The District is a voluntary participant in the County of Fresno Treasurer's Investment Pool that is regulated by the California Government Code (CGC). The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value for the entire Investment Pool portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the Investment Pool, which are recorded on an amortized cost basis. In accordance with GASB Statement No. 72, investments in the County Treasurer's Investment Pool are not subject to the three-tiered fair value hierarchy: Level 1, Level 2 and Level 3. The three tiers are defined as follows:

Level 1 – reflect unadjusted quoted prices in active markets for identical assets
Level 2 – reflect inputs that are based on a similar observable asset either directly or indirectly
Level 3 – reflect unobservable inputs

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The CGC and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The CGC requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2021, all of the District's deposits with financial institutions were held in fully collateralized accounts, as permitted by the CGC.

3. CAPITAL ASSETS AND DEPRECIATION

Capital assets of the District for the fiscal year ended June 30, 2021 consisted of the following:

	Capital Assets - Governmental Activities			
	Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021
Capital assets, non-depreciable:				
Land	$ 1,595,549	$ -	$ -	$ 1,595,549
Total capital assets, non-depreciable	1,595,549	-	-	1,595,549
Capital assets, depreciable/amortizable:				
Building and improvements	10,134,952	-	-	10,134,952
Machinery and equipment	17,203,640	2,044,750	637,503	18,610,887
Intangible assets	1,321,050	-	-	1,321,050
Total capital assets, depreciable/amortizable	28,659,642	2,044,750	637,503	30,066,889
Less accumulated depreciation/amortization for:				
Building and improvements	4,383,147	621,094	-	5,004,241
Machinery and equipment	10,852,669	1,645,079	634,858	11,862,890
Intangible assets	1,321,050	-	-	1,321,050
Total accumulated depreciation/amortization	16,556,866	2,266,173	634,858	18,188,181
Total capital assets, depreciable/amortizable, net	12,102,776	(221,423)	2,645	11,878,708
Net book value of capital assets	$ 13,698,325	$ (221,423)	$ 2,645	$ 13,474,257

For the fiscal year ended June 30, 2021, depreciation expense of $2,266,173 on capital assets was charged to the District's activities as follows:

Permitting	$ 264,461
Enforcement / Agricultural Burning	619,784
Plan and Rule Development	23,734
Mobile Sources	139,012
Outreach and Communications	35,549
Air Quality Analysis / Air Monitoring	1,183,633
Total Depreciation Expense	$ 2,266,173

4. COMPENSATED ABSENCES

When employment with the District is terminated, an employee will receive compensation for all unused annual leave hours.

The following is a summary of earned compensated absences of the District for the fiscal year ended June 30, 2021:

July 1, 2020 Balance	$ 4,957,576
Plus: Additions	2,650,355
Less: (Reductions)	(2,922,499)
June 30, 2021 Balance	$ 4,685,432
Amount Due Within One Year	372,054
Amount Due In More Than One Year	$ 4,313,378

5. PENSIONS

General Information about the Pension Plan

Plan Description

The Kern County Employees' Retirement Association (KCERA) was established by the County of Kern in 1945. KCERA is administered by the Board of Retirement and governed by the County Employees' Retirement Law of 1937 (California Government Code Section 31450 et. seq.), the California Public Employees' Pension Reform Act (CalPEPRA) and the bylaws, procedures and policies adopted by the KCERA Board. KCERA is a cost-sharing multiple employer defined benefit public employee retirement system whose main function is to provide retirement, disability, death, beneficiary, cost-of-living and supplemental retirement benefits to the General and Safety members employed by the County of Kern. KCERA also provides retirement benefits to the employee members of the Berrenda Mesa Water District, Buttonwillow Recreation and

Park District, East Kern Cemetery District, Inyokern Community Services District, Kern County Water Agency, Kern Mosquito and Vector Control District, North of the River Sanitation District, San Joaquin Valley Unified Air Pollution Control District, Shafter Recreation and Park District, West Side Cemetery District, West Side Mosquito and Vector Control District, West Side Recreation and Park District, the Kern County Superior Court, and the Kern County Hospital Authority. The management of KCERA is vested with the KCERA Board of Retirement. The Board consists of nine members and two alternate members. KCERA issues an Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information for KCERA. The ACFR is available at www.kcera.org or by contacting KCERA's office at 11125 River Run Blvd., Bakersfield, CA 93311 or by calling (661) 381- 7700.

Summary of Plans and Eligible Participants

All regular full-time employees of the County of Kern or contracting districts who work 50% or more of the regular standard hours required become members of KCERA effective on the first day of the first full biweekly payroll period following the date of hire.

General members (excluding Tier III) are eligible to retire at age 70 regardless of service or at age 50 with 10 or more years of retirement service credit. A member with 30 years of service is eligible to retire regardless of age. General Tier III members are eligible to retire at age 70 regardless of service or at age 52 with 5 or more years of retirement service credit.

Benefits Provided

The retirement benefit the member will receive is based on age at retirement, final average compensation (FAC), years of retirement service credit and benefit tier.

General member benefits for Tier I and Tier II are calculated pursuant to California Government Code Sections 31676.17 and 31676.01, respectively. The monthly allowance is equal to 1/50th of FAC times years of accrued retirement service credit times an age factor from Section 31676.17 (Tier I), or 1/90th of FAC times years of accrued retirement service credit times an age factor from Section 31676.01 (Tier II). General Tier III member benefits are calculated pursuant to the provisions found in California Government Code Section 7522.20(a). The monthly allowance is equal to the FAC multiplied by years of accrued retirement credit multiplied by an age factor from Section 7522.20(a).

For general members in Tiers I and II, the maximum monthly retirement allowance is 100% of FAC. For General Tier III members, there is no limit on the maximum monthly allowance relative to FAC.

The maximum amount of compensation earnable that can be taken into account for 2020 for members with membership dates on or after July 1, 1996 but before January 1, 2013 is $285,000. For General Tier III members who joined on or after January 1, 2013, the maximum pensionable compensation that can be taken into account for 2020 is $126,291 for those enrolled in Social Security. These limits are adjusted on an annual basis. Members are exempt from paying member contributions and employers are exempt from paying employer contributions on compensation in excess of the annual cap.

FAC consists of the highest 12 consecutive months of compensation earnable for General Tier I and General Tier IIA members. FAC consists of the highest 36 consecutive months of pensionable compensation for General Tier IIB and General Tier III members.

The member may elect an unmodified retirement allowance or one of four optional retirement allowances. The unmodified option provides the highest monthly benefit and a 60% continuance to an eligible surviving spouse or domestic partner. An eligible spouse or partner is one married to or registered with the member one year prior to the effective retirement date. Certain surviving spouses or partners may also be eligible if marriage or partnership was at least two years prior to the date of death and the surviving spouse or partner is age 55 or older as of the date of death. A member's retirement allowance is irrevocable once elected.

Death Benefits

An active member's beneficiary is entitled to receive death benefits, which consist of accumulated contributions, plus interest, and one month's salary for each full year of service, up to a maximum of six months of salary.

If a member is vested and the death is not the result of a job-caused injury or disease, the spouse or registered domestic partner will be entitled to receive a lifetime monthly allowance equal to 60% of the retirement allowance to which they would have been entitled if they had retired with a nonservice-connected disability on the date of the member's death. If there is no eligible spouse or partner, the same choice is given to the member's minor children who are under the age of 18 (continuing to age 22 if enrolled full-time in an accredited school).

If a member dies in the performance of duty, the spouse or registered domestic partner receives, for life, monthly allowance equal to at least 50% of the member's final average salary. This will only apply to minor children under the age of 18 (continuing to age 22 if enrolled full time in an accredited school).

If a member dies after retirement, a death benefit of $5,000 (increased from $3,000 to $5,000 on January 1, 2015) is payable to their designated beneficiary or the estate.

If the retirement was for service-connected or nonservice-connected disability and the member chose the unmodified allowance option, their surviving spouse, registered domestic partner or minor children will receive a monthly continuance equal to 60% of the benefit.

If the retirement was for service-connected disability, their spouse, registered domestic partner or minor children will receive a 100% continuance of the member's benefit.

Disability Benefits

A member with five years of service, regardless of age, who becomes permanently incapacitated from the performance of duty will be eligible for a nonservice-connected disability retirement. Any member who becomes permanently incapacitated from the performance of duty as a result of an injury or disease arising out of and in the course of employment is eligible for a service-connected disability, regardless of service length or age.

Cost-of-Living Adjustments

An annual cost-of-living adjustment (COLA) of up to 2.0% was adopted for all retirees and continuance beneficiaries as of April 1, 1973. An additional 0.5% COLA was granted by the Ventura Settlement as of April 1, 2002, resulting in a maximum COLA of 2.5%, depending on the rate of inflation.

Supplemental Benefits

The Board of Retirement and the Kern County Board of Supervisors adopted Government Code Section 31618 on April 23, 1984, which provides for the establishment of the Supplemental Retiree Benefit Reserve (SRBR). The SRBR is used only for the benefit of future and current retired members and their beneficiaries. The supplemental benefit is not a guaranteed benefit. The distribution of the SRBR is determined by the Board of Retirement. SRBR currently provides for 80% purchasing power protection and a $5,000 death benefit.

Contributions

Per Article 16 of the Constitution of the State of California, contribution requirements of the active employees and the participating employers are established and may be amended by the KCERA Board of Retirement. Depending upon the applicable plan, employees are required to contribute a certain percentage of their annual pay. For each of the plans, the District's contractually required contribution (formerly known as the actuarially required contribution (ARC)) rate for the fiscal year ended June 30, 2020, was a specified percent of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Additional amounts required to finance any unfunded accrued liability are the responsibility of the plan sponsors. Contributions to the pension plan from the District were $11,956,037 for the year ended June 30, 2021. Active members are plan members who are currently accruing benefits and/or paying contributions into the applicable plan.

Eligible employees and their beneficiaries are entitled to pension, disability and survivors' benefits under the provision of the CERL with the establishment of KCERA on

January 1, 1945. As a condition of participation under the provisions of the CERL, members are required to pay a percentage of their salaries, depending upon their age at date of entry in the Plan, membership type and benefit tier.

Member contribution rates for fiscal year 2020 ranged from 4.66% to 16.99% and were applied to the member's base pay plus compensable special pay; they were calculated based on the member's KCERA entry age and actuarially calculated benefits. Members are required to contribute depending on the member's tier, employer and bargaining unit.

Interest is credited to member contributions semi-annually on June 30 and December 31, in accordance with Article 5.5 of the CERL. Member contributions and credited interest are refundable upon termination of membership.

Each year, an actuarial valuation is performed for the purpose of determining the funded ratio of the retirement plan and the employer contributions that are necessary to pay benefits accruing to KCERA members not otherwise funded by member contributions or investment earnings. The employer contribution rates are actuarially determined by using the Entry Age Normal Actuarial Cost method. The Plan's employer rates provide for both normal cost and a contribution to amortize any unfunded or overfunded actuarial accrued liabilities. Contribution rates determined in each actuarial valuation (as of June 30) apply to the fiscal year beginning 12 months after the valuation date. Employer rates for fiscal year 2020 ranged from 35.78% to 81.37% of covered payroll, with a combined average of 49.16% for all employers.

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

At June 30, 2021, the District reported a liability of $123,717,825 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and the liability used to calculate the net pension liability was determined by an actuarial valuation date June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all Pension Plan participants, actuarially determined. At June 30, 2020, the District's proportion was 4.6477%, compared to 4.2869% at June 30, 2019, an increase of 0.3608%.

For the fiscal year ended June 30, 2021, the District recognized pension expense of $20,208,577. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method and plan benefits.

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 7,632,098	$ -
Change in actual vs. proportionate contributions	12,571,740	-
Contributions subsequent to measurement date	11,956,037	-
Difference between prior year actuarial and actual employer contribution	(161,049)	-
Difference between projected and actual earnings on pension plan	8,216,438	-
Change in proportion	-	-
Difference between expected and actual experience	-	4,992,013
	$ 40,215,264	$ 4,992,013

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner.

The District contributions of $11,956,037 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2022.

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

Fiscal Year Ended	Amount
2022	$ 6,837,102
2023	6,164,480
2024	5,730,368
2025	4,320,419
2026	214,852
Thereafter	-
	$ 23,267,221

Actuarial Assumptions

The total pension liability as of June 30, 2020 that was measured by an actuarial valuation as of June 30, 2019. The actuarial assumptions used were the same as the June 30, 2019 funding valuation. In particular, the following actuarial assumptions were applied to all periods included in the measurement:

Inflation:	2.75%
Salary Increases:	General: 4.00% to 8.75%. Varies by service, including inflation.
Investment Rate of Return:	7.25%, net of pension plan investment expenses, including inflation.

Administrative Expenses:	0.90% of payroll allocated to both the employer and member based on the components of the total contribution rate (before expenses) for the employer and member.
Other Assumptions:	Same as those used in the June 30, 2019 funding valuation. These assumptions were developed in the analysis of the actuarial experience for the period from July 1, 2013 to June 30, 2016.

The Entry Age Actuarial Cost Method used in KCERA's annual actuarial valuation has also been applied in measuring the Service Cost and Total Pension Liability (TPL) with one exception. For purposes of measuring the Service Cost and TPL, KCERA has reflected the same plan provisions used in determining the member's Actuarial Present Value of Projected Benefits. This is different from the version of this method applied in KCERA's annual funding valuation, where the Normal Cost and Actuarial Accrued Liability are determined as if the current benefit accrual rate had always been in effect.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns net of pension plan investment expenses and inflation) are developed for each major asset class. This data is combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	37%	6.51%
Core Fixed Income	14%	1.09%
High Yield Corporate Credit	6%	3.38%
Emerging Market Debt Blend	4%	3.41%
Commodities	4%	3.08%
Core Real Estate	5%	4.59%
Private Real Estate	5%	9.50%
Midstream	5%	8.20%
Capital Efficiency Alpha Pool	5%	2.40%
Hedge Fund	10%	2.40%
Private Equity	5%	9.40%
Private Credit	5%	5.60%
Cash	-5%	0.00%
Total	100%	

Discount Rate

The discount rates used to measure the total pension liability were 7.25% as of June 30, 2020 and 7.25% as of June 30, 2019. The projection of cash flows used to determine the discount rates assumed member contributions would be made at the current contribution rate and that employer contributions would be made at rates equal to the actuarially determined contribution rates.

For this purpose, only employee and employer contributions intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of both June 30, 2020 and June 30, 2019.

The discount rate assumptions have been developed without taking into consideration any impact of the 50/50 allocation of future excess earnings between the retirement and Supplemental Retiree Benefit Reserve SRBR asset pools.

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

The following presents the net pension liability as of June 30, 2020, calculated using a discount rate of 7.25%, and what the net pension liability would be if it were calculated using a discount rate that is one point lower (6.25%) or one point higher (8.25%) than the current rate:

	1% Decrease 6.25%	Discount Rate 7.25%	1% Increase 8.25%
District's proportionate share of the net retirement plan liability	$ 167,749,037	$ 123,717,825	$ 87,941,157

Pension Plan Fiduciary Net Position

Detailed information about the pension fund's fiduciary net position is available in the separately issued KCERA ACFR.

6. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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, workers' compensation, property and employee blanket bonds for its member districts.

For the fiscal year 2020-21, the District contributed $742,930 to the SDRMA. The District's contributions represented 1.63% 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 official's liability, up to a limit of $5,000,000 for workers' compensation liability and up to $500,000 for public employees blanket bond and for the replacement cost of property. The District is entirely self-insured for vehicle damage.

No claim settlement exceeded insurance coverage during the last three fiscal years. Also, during this period, no significant reduction in insurance coverage occurred.

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. For employees hired on or after July 31, 2012, the District provides a match of employee contributions not to exceed six percent of their base salary. 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, MassMutual Financial Group, qualifies as a plan trustee to meet the federal requirements. In accordance with GASB Statement No. 32, the District no longer reports plan assets and liabilities in its financial statements. As of June 30, 2020, investments with a fair value of $49,000,960 were held in trust.

8. COMMITMENTS AND ENCUMBRANCES

Encumbrances

The District utilizes encumbrance accounting in its governmental fund as explained in Note 1.D. Total encumbrances for the General Fund as of June 30, 2021 were $5,827,655. Encumbrances are categorized as Assigned Fund Balance.

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.

10. CONTINGENCY

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus, COVID-19, a pandemic. Accordingly, the District has continued to provide services to its stakeholders and has taken action to protect the health and safety of its employees and the public. The financial impact that could occur as a result of the pandemic is unknown at this time.

11. SUBSEQUENT EVENTS

In compliance with accounting standards generally accepted in the United States of America, management has evaluated events that have occurred after year-end to determine if these events are required to be disclosed in these basic financial statements. Management has determined that no events require disclosure in accordance with accounting standards. These subsequent events have been evaluated through January 12, 2022, which is the date the basic financial statements were issued.

This page is intentionally left blank.

Required Supplementary Information

This page is intentionally left blank.

San Joaquin Valley Unified Air Pollution Control District
General Fund - Budgetary Comparison Schedule
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with
	Adopted	Final Adjusted	Budgetary Basis	Final Budget
Operating Budget				
Revenues:				
Vehicle Registration Fees	$ 12,860,000	$ 12,860,000	$ 14,363,355	$ 1,503,355
License and Permit Fees	27,845,552	27,845,552	33,337,621	5,492,069
Interest	1,500,000	1,500,000	3,978,036	2,478,036
Penalties and Settlements	2,500,000	2,500,000	3,279,515	779,515
State Grants	13,955,000	13,955,000	14,022,016	67,016
Federal Grants	2,065,000	2,065,000	2,133,196	68,196
Administrative Fees	7,371,525	9,883,701	9,369,058	(514,643)
Miscellaneous Revenue	57,750	117,726	77,834	(39,892)
Total Operating Revenues	68,154,827	70,726,979	80,560,631	9,833,652
Operating Amounts Available For Appropriations	68,154,827	70,726,979	80,560,631	9,833,652
Expenditures:				
Salaries and Benefits	50,037,261	50,220,501	45,677,537	4,542,964
Services and Supplies	7,347,679	7,347,679	5,037,418	2,310,261
Capital Outlays:				
Office Improvements	461,000	461,000	457,399	3,601
Computer Equipment	784,854	784,854	784,854	-
Office Furniture/Equipment	30,000	30,000	29,953	47
Office Machines	26,250	26,250	21,607	4,643
Telephone System	39,770	39,770	2,869	36,901
Detection Equipment	188,000	188,000	74,855	113,145
Automobiles	432,000	432,000	431,999	1
Central Region Building Expansion	-	-	-	-
Video Conferencing System	70,000	70,000	12,730	57,270
Air Monitoring Station Equipment	1,852,590	1,605,400	1,241,745	363,655
AMS Automation Project	5,000	5,000	-	5,000
Total Capital Outlays	3,889,464	3,642,274	3,058,011	584,263
Total Operating Charges to Appropriations	61,274,404	61,210,454	53,772,966	7,437,488
Excess of Operating Revenues Over Expenditures	6,880,423	9,516,525	26,787,665	17,271,140
Non-Operating Budget				
Revenues:				
Air Toxics	667,638	667,738	319,375	(348,363)
DMV Surcharge Fees	45,611,000	45,611,000	50,201,870	4,590,870
Carl Moyer Program	18,000,000	18,198,700	-	(18,198,700)
Proposition 1B	-	2,218,558	-	(2,218,558)
School Bus Programs	-	-	-	-
Federal and Heavy Duty Grants	23,283,982	51,737,848	11,787,246	(39,950,602)
CEC - Energy Efficiency Block Grant	900,000	6,200,000	3,330,000	(2,870,000)
VERA/ISR Rule Mitigation Funds	7,900,177	7,900,177	5,477,601	(2,422,576)
State Cap and Trade and AQIP Funding	137,692,271	102,915,839	59,060,449	(43,855,390)
Volkswagen Mitigation Funding	-	7,880,000	-	(7,880,000)
Non-Operating Interest	6,134,800	6,119,100	5,435,530	(683,570)
Other Miscellaneous Incentives	20,000	20,000	-	(20,000)
Non-Operating Amounts Available For Appropriations	240,209,868	249,468,960	135,612,071	(113,856,889)
Expenditures:				
Air Toxics-Pass Through	667,700	667,700	320,467	347,233
Federal and Heavy Duty Grants	23,283,900	51,737,766	11,787,246	39,950,520
Carl Moyer Program	18,161,300	31,492,600	8,090,219	23,402,381
DMV Surcharge Fees	54,775,500	108,069,700	33,636,474	74,433,226
VERA/ISR Rule Mitigation Program	37,756,500	83,205,100	34,646,483	48,558,617
Proposition 1B Program	3,873,400	12,793,958	1,243,889	11,550,069
School Bus Programs	1,248,500	37,400	-	37,400
Greenhouse Gas Support for Cities and Counties	-	-	-	-
Drought Relief Program	-	-	-	-
Community Incentive Programs	9,280,900	27,746,800	7,572,147	20,174,653
State Cap and Trade and AQIP Funding	239,732,800	305,968,668	91,679,625	214,289,043
CEC - Energy Efficiency Block Grant	6,000,000	6,200,000	5,000,000	1,200,000
Volkswagen Mitigation Funding	41,624,300	67,652,500	960,000	66,692,500
Miscellaneous Incentive Programs	20,400	184,400	90	184,310
Total Non-Operating Charges to Appropriations	436,425,200	695,756,592	194,936,640	500,819,952
Excess(Deficiency) of Non-Operating Revenues Over(Under) Expenditures	(196,215,332)	(446,287,632)	(59,324,569)	386,963,063
Appropriation for Contingencies	850,000	850,000	-	850,000
Net Change to District Fund Balance, June 30, 2021	$ (190,184,909)	$ (437,621,107)	$ (32,536,904)	$ 405,084,203

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

Note 1 – GENERAL FUND BUDGETARY BASIS RECONCILIATION

The General Fund Budgetary Comparison Schedule on page 53 presents comparisons of the legally Adopted Budget with actual data on a budgetary basis. Since accounting principles applied for purposes of developing expenditure 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 fiscal year ended June 30, 2021.

Excess of revenues over expenditures (GAAP Basis)	$	19,220,165
Adjustments from budget cash basis to modified accrual basis		(51,757,069)
Excess of revenues over expenditures (Budgetary Basis)	$	(32,536,904)

Note 2 - BUDGETING

In accordance with the provisions of the State Health and Safety Code Section 40131, the District's Formation Agreement, and the San Joaquin Valley Unified Air Pollution Control District's (District) 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 on the District's website at **www.valleyair.org**.

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

Expenditures, except for Capital Outlays, are controlled at the object level for all program budgets within the District. Capital assets are controlled at the sub-object level.

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION – SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Last Ten Fiscal Years*

KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION - SCHEDULE OF
THE DISTRICT'S PROPPORTIONATE SHARE OF THE NET PENSION LIABILITY

	FY 2020-21	FY 2019-20	FY 2018-19	FY 2017-18	FY 2016-17	FY 2015-16	FY 2014-15
District's proportion of the net pension liability (asset)	4.6477%	4.2869%	4.0838%	3.8855%	3.4683%	3.4037%	3.2966%
District's proportionate share of the net pension liability (asset)	$ 123,717,825	$ 102,135,944	$ 95,186,053	$ 91,852,721	$ 83,711,648	$ 74,985,888	$ 68,213,462
District's covered payroll	$ 27,077,369	$ 25,384,117	$ 24,978,663	$ 22,993,004	$ 22,163,475	$ 21,862,199	$ 21,882,301
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	456.90%	402.36%	381.07%	399.48%	377.70%	342.99%	311.73%
Plan fiduciary net position as a percentage of the total pension liability (asset)	55.90%	58.47%	59.22%	57.90%	57.15%	59.25%	60.66%

KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION - SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
Last Ten Fiscal Years*

KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION - SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS

	FY 2020-21	FY 2019-20	FY 2018-19	FY 2017-18	FY 2016-17	FY 2015-16
Actuarially determined contribution	$ 12,730,527	$ 9,822,196	$ 9,904,685	$ 8,717,203	$ 7,499,401	$ 7,334,096
Actual contributions	11,852,298	9,888,187	8,995,309	8,426,722	7,750,471	8,111,984
Contribution deficiency (excess)	$ 878,229	$ (65,991)	$ 909,376	$ 290,481	$ (251,070)	$ (777,888)
District's covered payroll	$ 27,322,161	$ 27,000,871	$ 25,335,880	$ 24,056,703	$ 22,969,370	$ 22,127,394
Actual contributions as a percentage of the District's covered payroll	43.38%	36.62%	35.50%	35.03%	33.74%	36.66%

*Amounts presented above were determined as of 6/30. Additional years will be presented as they become available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. The information presented relates solely to the District and not Kern County Employees' Retirement Association as a whole. Additional information related to actuarial assumptions are included in the Notes to the Basic Financial Statements on page 45.

This page is intentionally left blank.

STATISTICAL SECTION

This page is intentionally left blank.

STATISTICAL SECTION

The information in this section is presented as supplemental data for the benefit of the readers of the annual comprehensive financial report. The objectives of statistical section information are to provide financial statement users with additional historical perspective, context, and detail to assist in using the information in the financial statements, notes to financial statements, and required supplementary information to understand and assess the District's economic condition.

Contents

Financial Trends

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

Revenue Capacity

These schedules contain trend information to help the reader assess the District's most significant revenue source, DMV Surcharge Fees.

Operating Information

These schedules contain data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.

Demographic and Economic Information

These schedules offer economic and demographic indicators to help the reader understand the socioeconomic environment within which the District's financial activities take place.

Source: Unless otherwise noted, the information in these schedules was derived from the District's annual comprehensive financial reports for the relevant year.

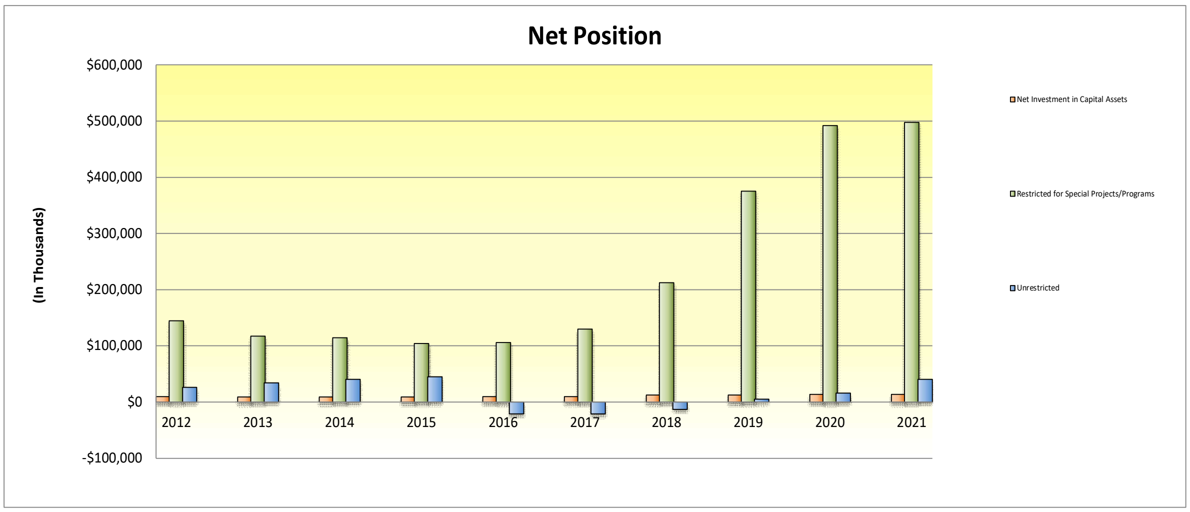
SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

STATEMENT OF NET POSITION
Last Ten Fiscal Years

(accrual basis of accounting)

(In Thousands)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Current and Other Assets	$ 186,754	$ 162,777	$ 164,321	$ 150,856	$ 154,223	$ 188,266	$ 293,995	$ 472,447	$ 638,132	$ 651,010
Capital Assets	9,985	9,298	9,117	9,259	9,568	9,397	12,528	12,322	13,698	13,474
Total Assets	196,739	172,075	173,438	160,115	163,791	197,663	306,523	484,769	651,830	664,484
Deferred Outflows of Resources - Deferred Pension	-	-	-	14,310	15,436	23,821	29,857	28,854	28,816	40,215
Current Liabilities	5,769	2,124	2,096	2,133	3,446	2,743	3,365	3,182	26,428	20,208
Noncurrent Liabilities	2,684	2,840	2,821	71,051	78,094	87,236	95,463	98,856	106,843	128,031
Total Liabilities	8,453	4,964	4,917	73,184	81,540	89,979	98,828	102,038	133,271	148,239
Deferred Inflows of Resources - Deferred Pension	-	-	-	8,893	3,806	5,775	7,948	8,082	6,810	4,992
Net Position:										
Net Investment in Capital Assets	9,622	9,298	9,117	9,259	9,568	9,397	12,528	12,322	13,698	13,474
Restricted for Special Projects/Programs	144,317	117,304	114,186	104,379	105,725	129,584	212,202	375,335	491,983	497,657
Unrestricted	25,997	34,347	40,509	45,218	(21,289)	(21,412)	(13,251)	4,875	15,846	40,337
Total Net Position	$ 179,936	$ 160,949	$ 163,812	$ 158,856	$ 94,004	$ 117,569	$ 211,479	$ 392,532	$ 521,527	$ 551,468

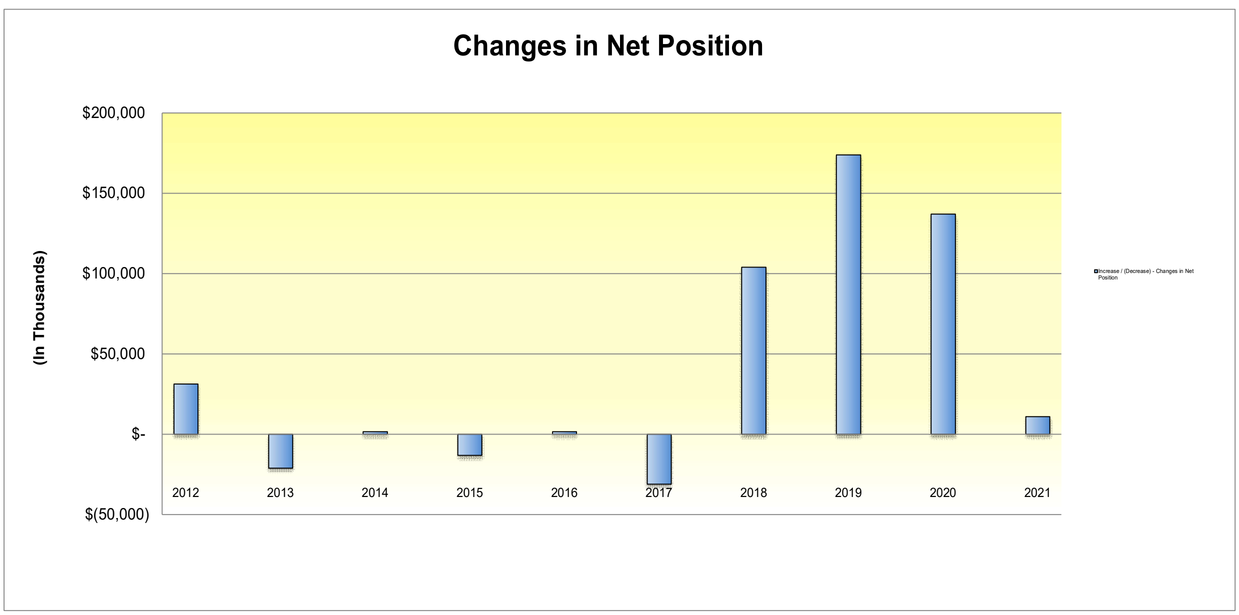


Source: San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)
(In Thousands)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues:										
Program Revenue:										
Fees and Charges - Stationary Sources	$ 23,969	$ 24,768	$ 23,372	$ 23,589	$ 24,936	$ 26,721	$ 32,126	$ 33,820	$ 37,535	$ 32,921
Fees and Charges - Mobile Sources	12,963	11,480	13,945	12,587	13,084	17,961	20,971	29,572	31,368	23,908
Operating Grants	2,201	2,034	2,032	2,199	2,168	2,078	11,424	2,074	12,554	12,382
Restricted Special Revenue Sources	116,154	58,848	82,255	75,338	64,488	101,102	166,347	289,828	324,283	189,475
Total Program Revenue	155,287	97,130	121,604	113,713	104,676	147,862	230,868	355,294	405,740	258,686
General Revenues:										
State Subvention	917	923	917	916	916	929	936	947	957	967
Interest	552	920	1,050	1,237	1,334	1,611	2,323	3,761	5,135	3,978
Penalties/Settlements	5,715	3,896	4,204	3,022	3,672	6,004	6,495	6,115	5,747	3,521
Miscellaneous	175	150	71	142	196	61	113	280	93	134
Total General Revenues	7,359	5,889	6,242	5,317	6,118	8,605	9,867	11,103	11,932	8,600
Other Financing Sources - Capital Asset Leases	-	-	-	-	-	-	-	-	-	-
Total Revenues & Other Financing Sources	162,646	103,019	127,846	119,030	110,794	156,467	240,735	366,397	417,672	267,286
Expenses:										
Permitting	14,170	14,222	13,987	12,781	12,906	14,108	15,152	15,716	16,685	17,620
Enforcement / Air Monitoring / Ag Burning	12,111	12,112	12,560	13,938	14,532	15,084	16,389	17,352	19,193	20,558
Plan and Rule Development	1,696	1,540	1,781	1,272	1,148	726	1,288	1,361	1,550	1,571
Mobile Sources	3,778	4,380	4,526	4,639	4,885	5,417	5,799	7,265	9,062	9,781
Outreach & Communications	2,216	2,325	2,454	2,515	2,502	2,804	3,154	3,081	3,478	3,508
Air Quality Analysis	3,336	3,097	3,500	3,521	4,246	4,910	5,111	7,995	6,084	8,407
Non-Operating	94,236	86,518	87,628	93,561	69,043	81,569	89,966	139,729	224,558	194,937
Total Expenses	131,543	124,194	126,436	132,227	109,262	124,618	136,859	192,499	280,610	256,382
Increase / (Decrease) - Changes in Net Position										
Prior to Adjustment	31,103	(21,175)	1,410	(13,197)	1,532	31,849	103,876	173,898	137,062	10,904
Adjustment to Net Position	-	-	-	-	-	(62,975)	-	-	-	-
Changes in Net Position	$ 31,103	$ (21,175)	$ 1,410	$ (13,197)	$ 1,532	$ (31,126)	$ 103,876	$ 173,898	$ 137,062	$ 10,904



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

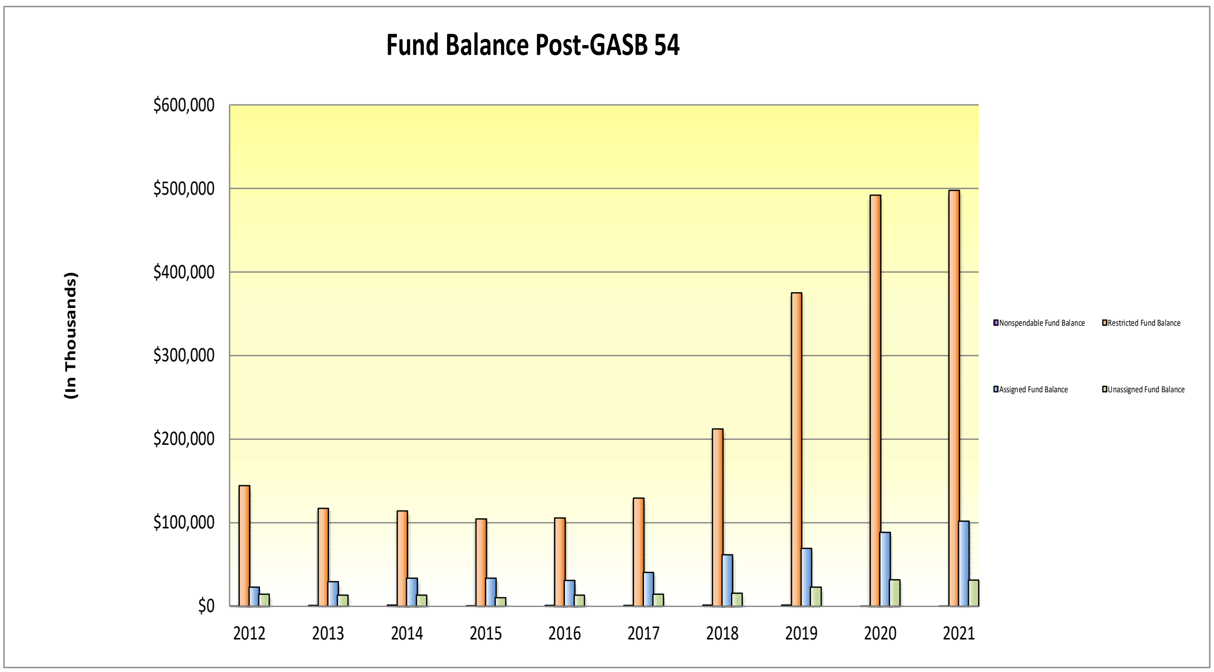
SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

FUND BALANCE, GENERAL FUND
Last Ten Fiscal Years

(modified accrual basis of accounting)

(In Thousands)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
General Fund:										
Reserved	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unreserved	-	-	-	-	-	-	-	-	-	-
Nonspendable Fund Balance	302	757	1,592	548	988	1,018	1,372	1,607	14	316
Restricted Fund Balance	144,317	117,304	114,186	104,379	105,726	129,584	212,202	375,334	491,983	497,657
Committed Fund Balance	-	-	-	-	-	-	-	-	-	-
Assigned Fund Balance	22,591	29,431	33,346	33,748	31,138	40,723	61,644	69,529	88,349	101,919
Unassigned Fund Balance	14,332	13,358	13,317	10,277	13,170	14,198	15,661	23,073	31,608	31,282
Total General Fund	$ 181,542	$ 160,850	$ 162,441	$ 148,952	$ 151,022	$ 185,523	$ 290,879	$ 469,543	$ 611,954	$ 631,174



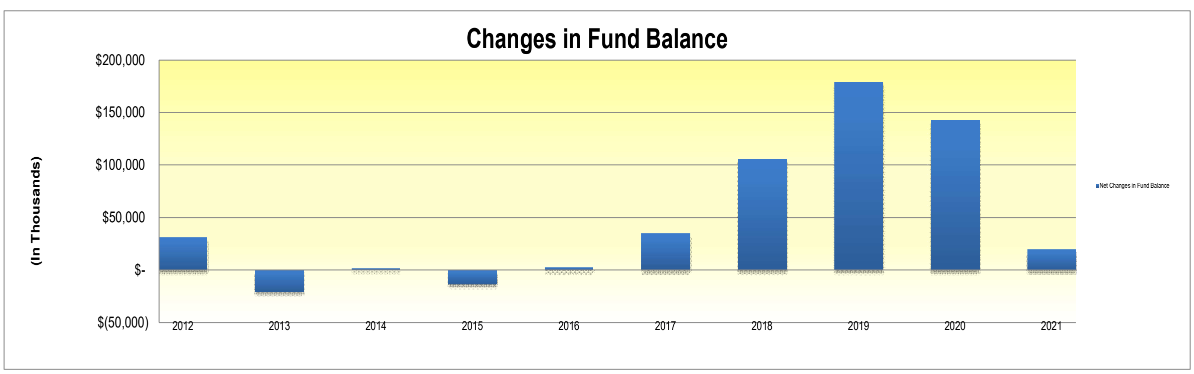
Source: San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

Note: The District implemented GASB Statement No. 54 under which fund balances are reported as nonspendable, restricted, committed, assigned, and unassigned compared to reserved and unreserved.

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

CHANGES IN FUND BALANCE, GENERAL FUND
Last Ten Fiscal Years
(modified accrual basis of accounting)
(In Thousands)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenues:										
Program Revenues:										
Fees and Charges - Stationary Sources	$ 26,310	$ 24,768	$ 23,372	$ 23,589	$ 24,936	$ 26,721	$ 32,127	$ 33,820	$ 37,536	$ 32,921
Fees and Charges - Mobile Sources	10,622	11,480	13,945	12,587	13,084	17,961	20,970	29,572	31,368	23,908
Operating Grants	2,201	2,034	2,032	2,199	2,168	2,078	11,424	2,074	12,554	12,382
Restricted Special Revenue Sources	116,240	58,848	82,255	75,338	64,488	101,102	166,347	289,828	324,283	189,475
General Revenues:										
State Subvention - Not Restricted	917	923	917	916	916	929	936	947	957	967
Interest - Not Restricted	552	920	1,050	1,237	1,334	1,611	2,323	3,761	5,135	3,978
Penalties/Settlements	5,715	3,896	4,204	3,022	3,672	6,004	6,495	6,115	5,747	3,521
Miscellaneous Revenue	202	172	71	142	283	61	113	280	93	134
Total Revenues	162,759	103,041	127,846	119,030	110,881	156,467	240,735	366,397	417,673	267,286
Expenditures:										
Operating:										
Salaries and Benefits	30,335	30,707	32,040	32,379	33,583	34,669	36,397	39,965	43,323	45,625
Services and Supplies	4,731	5,030	5,201	4,611	4,515	4,497	4,470	4,080	4,534	4,781
Capital Outlay	1,959	1,105	1,386	1,968	1,671	1,230	4,546	3,959	2,846	2,723
Debt Services:										
Principal	346	362	-	-	-	-	-	-	-	-
Interest	27	11	-	-	-	-	-	-	-	-
Total Operating Expenditures	37,398	37,215	38,627	38,958	39,769	40,396	45,413	48,004	50,703	53,129
Non-Operating:										
Pass Through and Non-Operating	94,236	86,518	87,628	93,561	69,043	81,569	89,966	139,729	224,559	194,937
Total Expenditures	131,634	123,733	126,255	132,519	108,812	121,965	135,379	187,733	275,262	248,066
Other Financing Sources - Capital Asset Leases	-	-	-	-	-	-	-	-	-	-
Net Changes in Fund Balance - Prior to Adjustment	31,125	(20,692)	1,591	(13,489)	2,069	34,502	105,356	178,664	142,411	19,220
Adjustment to Fund Balance	-	-	-	-	-	-	-	-	-	-
Net Changes in Fund Balance	$ 31,125	$ (20,692)	$ 1,591	$ (13,489)	$ 2,069	$ 34,502	$ 105,356	$ 178,664	$ 142,411	$ 19,220
Debt service as a percentage of noncapital expenditures	1.05%	1.03%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

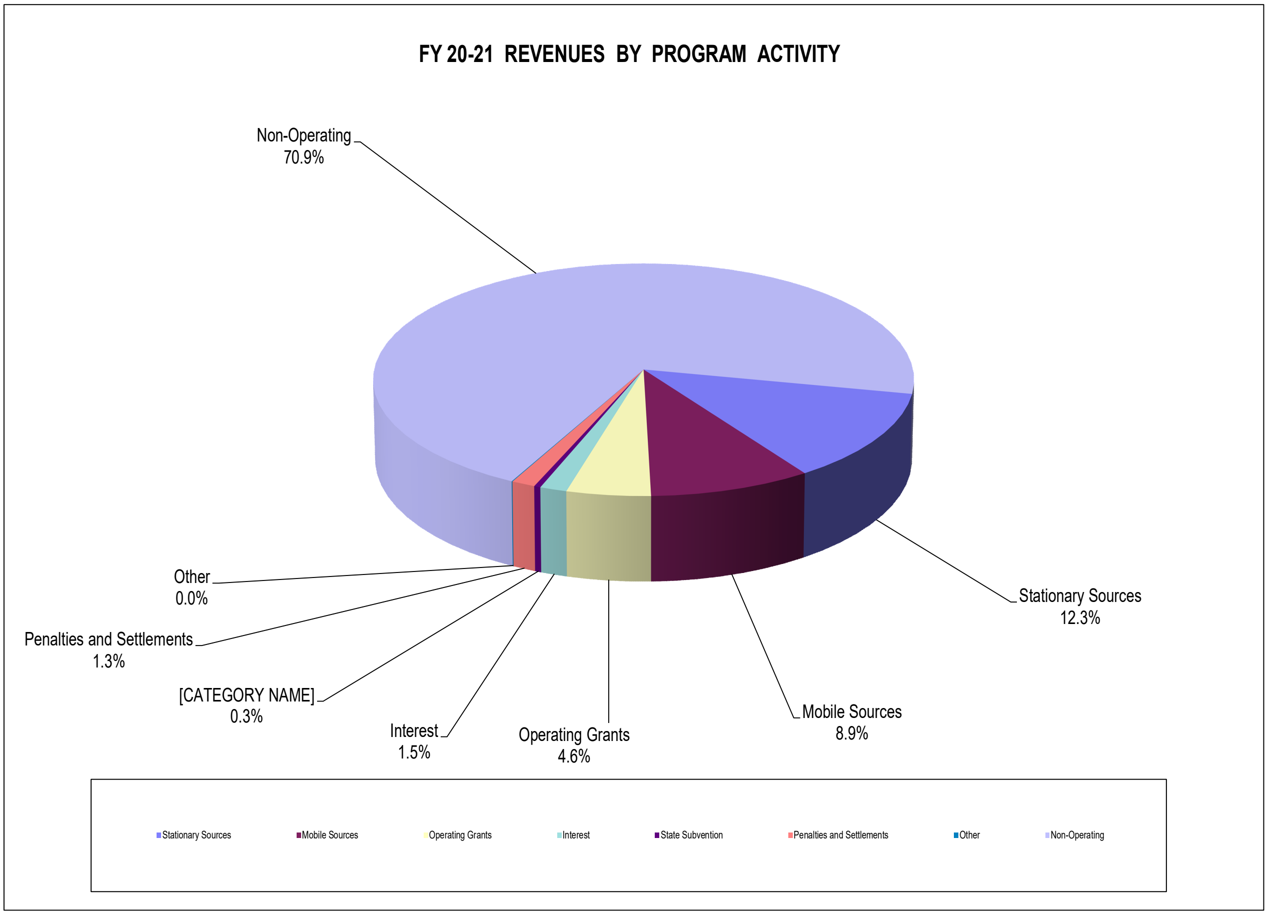


Source: San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

REVENUES BY PROGRAM ACTIVITY
Last Ten Fiscal Years

Program Activity	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Stationary Sources	$ 23,969,030	$ 24,767,656	$ 23,372,236	$ 23,589,328	$ 24,935,598	$ 26,720,737	$ 32,126,421	$ 33,819,926	$ 37,535,371	$ 32,921,293
Mobile Sources	12,962,535	11,479,999	13,945,295	12,587,016	13,083,836	17,960,475	20,970,391	29,571,734	31,368,469	23,907,631
Operating Grants	2,200,999	2,034,170	2,032,077	2,198,751	2,168,103	2,077,626	11,424,146	2,074,312	12,554,413	12,382,182
Interest	552,185	919,905	1,049,885	1,236,409	1,334,372	1,610,865	2,322,980	3,761,051	5,135,114	3,978,036
State Subvention	916,983	923,280	916,805	916,425	916,151	929,057	936,250	947,052	957,169	967,016
Penalties and Settlements	5,715,216	3,895,600	4,204,663	3,021,904	3,671,774	6,004,361	6,495,034	6,115,094	5,746,760	3,520,826
Other	175,375	149,587	70,998	141,979	283,079	61,106	113,226	279,766	92,769	133,536
Non-Operating	116,153,677	58,848,227	82,254,719	75,338,055	64,487,754	101,102,354	166,346,429	289,827,526	324,283,301	189,474,798
Total Revenues	$ 162,646,000	$ 103,018,424	$ 127,846,678	$ 119,029,867	$ 110,880,667	$ 156,466,581	$ 240,734,877	$ 366,396,461	$ 417,673,366	$ 267,285,318



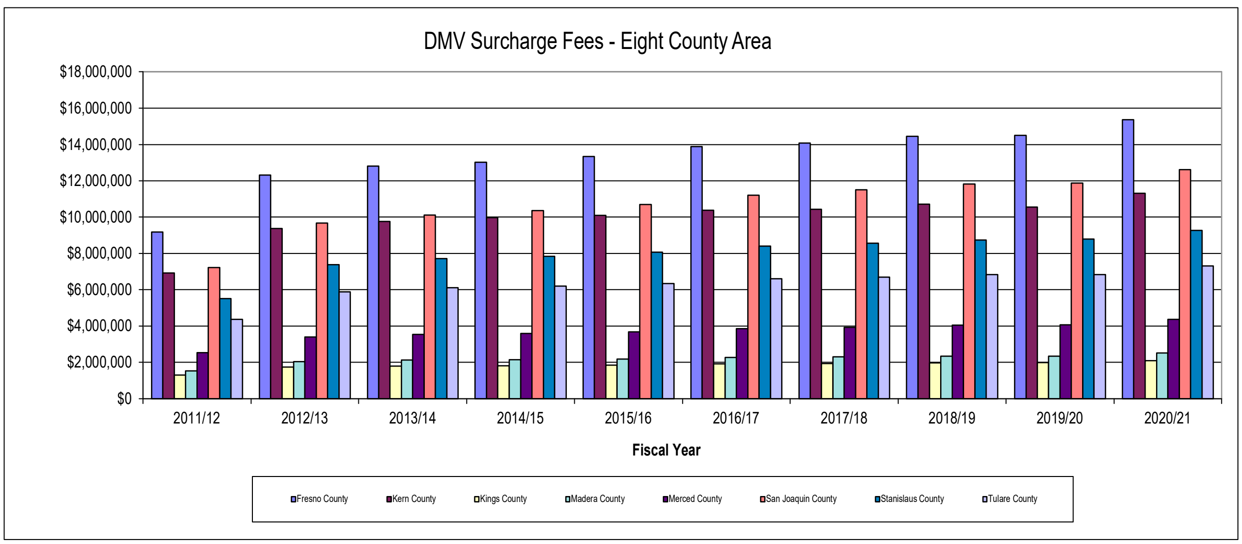
Notes: Other includes: Miscellaneous Revenue and Subscriptions

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
(cash basis of accounting)

Fiscal Year	Fresno County	Kern County	Kings County	Madera County	Merced County	San Joaquin County	Stanislaus County	Tulare County	Total	% Increase
2011/12	9,179,990	6,929,110	1,295,433	1,524,931	2,541,760	7,222,200	5,518,649	4,361,007	38,573,080	102.26%
2012/13	12,305,801	9,378,758	1,739,277	2,043,700	3,389,954	9,674,703	7,370,208	5,873,046	51,775,447	34.23%
2013/14	12,808,059	9,761,658	1,802,917	2,130,958	3,535,028	10,115,186	7,703,961	6,117,122	53,974,889	4.25%
2014/15	13,018,575	9,969,430	1,812,567	2,149,631	3,583,162	10,357,161	7,831,201	6,198,103	54,919,830	1.75%
2015/16	13,333,245	10,093,614	1,853,353	2,175,019	3,677,138	10,697,281	8,057,686	6,346,114	56,233,450	2.39%
2016/17	13,879,471	10,371,045	1,911,541	2,263,424	3,858,515	11,208,940	8,392,900	6,607,936	58,493,772	4.02%
2017/18	14,079,399	10,428,850	1,940,071	2,297,766	3,932,779	11,498,274	8,551,038	6,699,858	59,428,035	1.60%
2018/19	14,444,692	10,711,561	1,969,449	2,350,851	4,044,430	11,819,334	8,739,692	6,840,133	60,920,142	2.51%
2019/20	14,500,382	10,551,082	1,981,990	2,353,014	4,060,392	11,863,477	8,782,009	6,838,133	60,930,479	0.02%
2020/21	15,374,457	11,315,002	2,099,540	2,507,038	4,361,286	12,618,985	9,262,776	7,311,685	64,850,769	6.43%



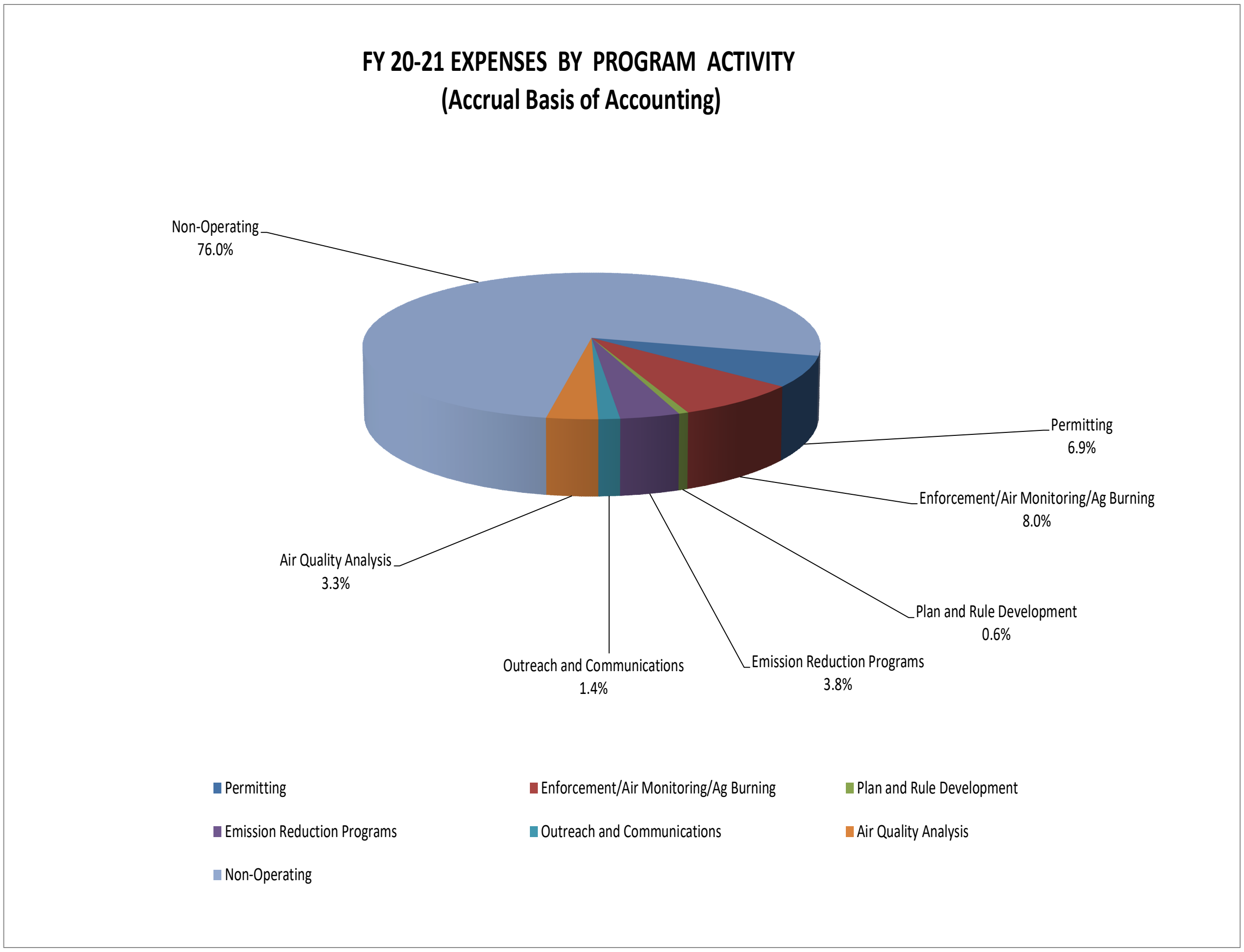
Notes: The San Joaquin Valley Unified Air Pollution Control District encompasses all of Fresno, Kings, Madera, Merced, San Joaquin, Stanislaus, and Tulare Counties, and the valley portion of Kern County.
Starting in 2011/12, total DMV Surcharge Fees include funds from AB2766, AB2522, SB709, and AB923.

Source: California Department of Motor Vehicles

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

EXPENSES BY PROGRAM ACTIVITY (Accrual Basis of Accounting)
Last Ten Fiscal Years

Program Activity	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Permitting	$ 14,170,277	$ 14,222,479	$ 13,987,232	$ 12,781,456	$ 12,906,182	$ 14,108,474	$ 15,151,629	$ 15,716,153	$ 16,684,825	$ 17,620,134
Enforcement/Air Monitoring/Ag Burning	12,110,993	12,112,312	12,559,594	13,938,265	14,532,516	15,084,374	16,388,828	17,351,638	19,193,489	20,557,914
Plan and Rule Development	1,696,327	1,539,504	1,780,869	1,271,597	1,147,918	725,613	1,288,524	1,361,075	1,550,158	1,571,316
Emission Reduction Programs	3,778,290	4,379,931	4,526,521	4,639,424	4,885,046	5,416,974	5,799,206	7,264,553	9,061,698	9,780,587
Outreach and Communications	2,215,619	2,324,962	2,453,837	2,514,672	2,502,259	2,803,370	3,153,693	3,081,456	3,478,074	3,507,581
Air Quality Analysis	3,335,839	3,096,749	3,499,658	3,520,539	4,245,554	4,910,143	5,111,140	7,994,990	6,084,535	8,407,605
Non-Operating	94,235,828	86,517,953	87,628,449	93,560,856	69,043,003	81,568,823	89,966,110	139,728,770	224,558,522	194,936,640
Total Expenses	$ 131,543,173	$ 124,193,890	$ 126,436,160	$ 132,226,809	$ 109,262,478	$ 124,617,771	$ 136,859,130	$ 192,498,635	$ 280,611,301	$ 256,381,777

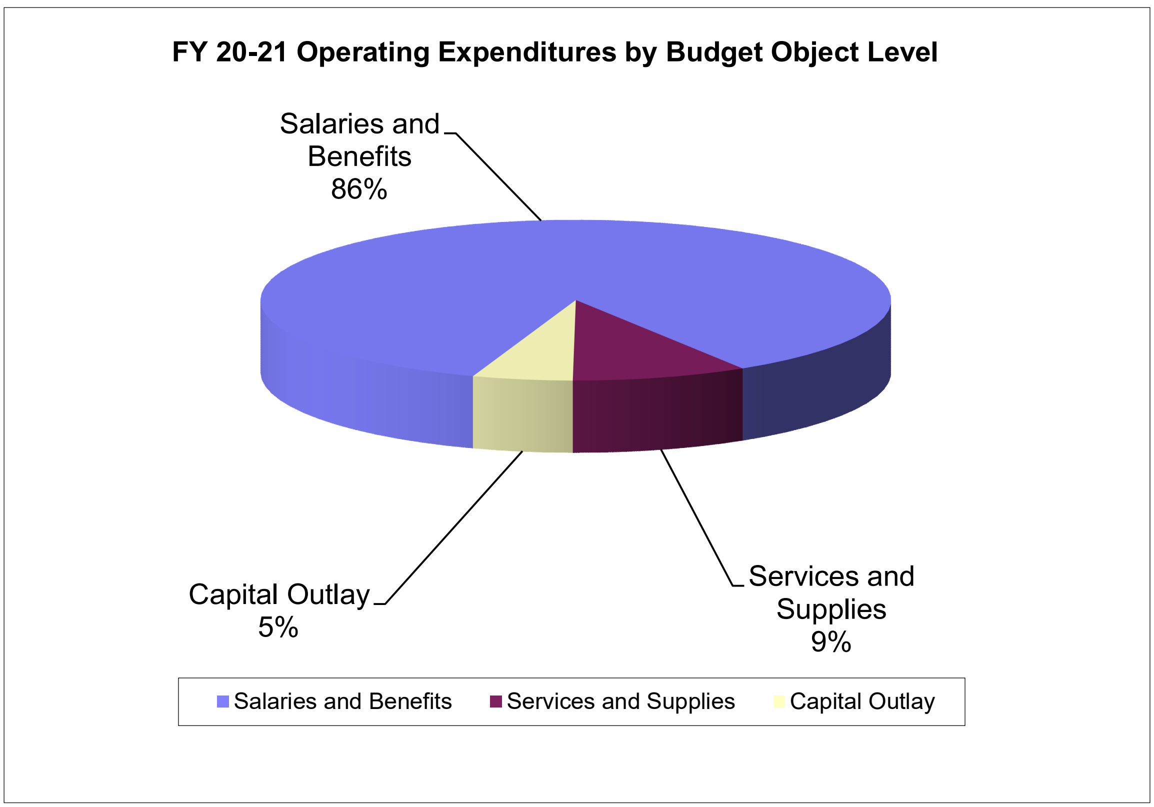


Source: San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

OPERATING EXPENDITURES BY BUDGET OBJECT LEVEL
Last Ten Fiscal Years

Fiscal Year	Salaries and Benefits	Services and Supplies	Capital Outlay	Total Operating Expenditures
2011/12	30,335,317	4,731,489	1,958,679	37,025,485
2012/13	30,707,207	5,030,082	1,104,906	36,842,195
2013/14	32,039,781	5,201,603	1,385,826	38,627,210
2014/15	32,378,741	4,611,528	1,967,688	38,957,957
2015/16	33,582,733	4,514,604	1,670,870	39,768,207
2016/17	34,668,985	4,496,799	1,230,474	40,396,258
2017/18	36,396,633	4,469,687	4,546,283	45,412,603
2018/19	39,964,932	4,080,033	3,958,832	48,003,797
2019/20	43,323,215	4,534,297	2,846,243	50,703,755
2020/21	45,624,716	4,781,172	2,722,622	53,128,510



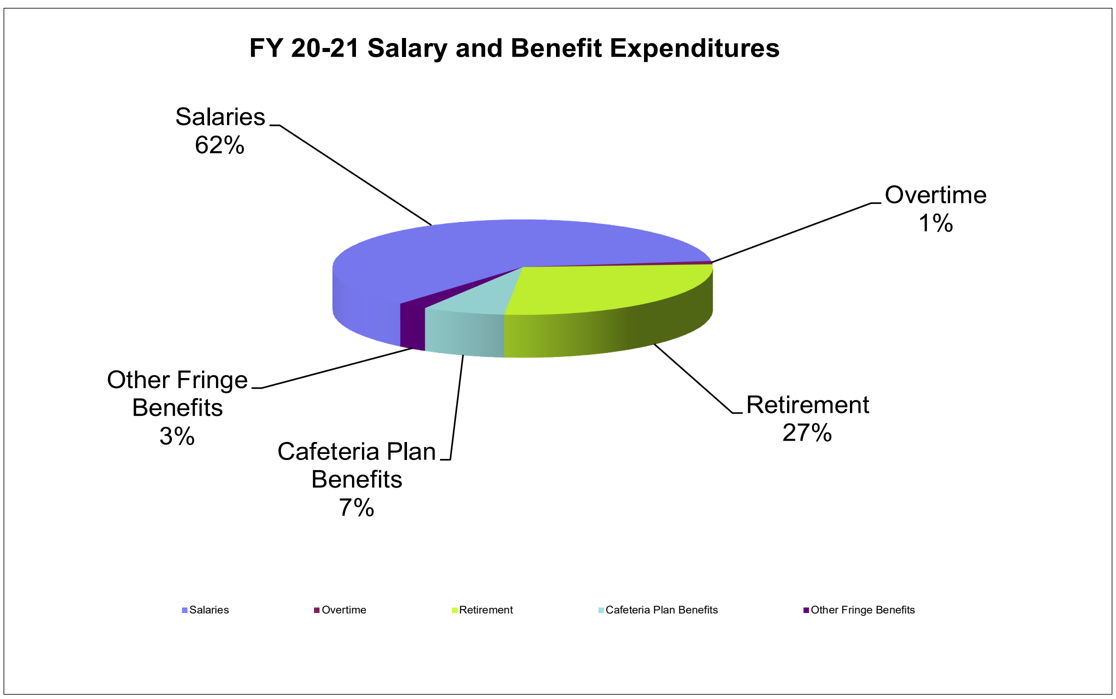
Source: San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

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
2011/12	$ 19,729,937	$ 402,265	$ 7,331,907	$ 2,034,625	$ 836,583	$ 30,335,317
2012/13	19,516,057	382,682	7,604,832	2,432,529	771,107	30,707,207
2013/14	19,845,461	361,635	8,117,087	2,889,718	825,880	32,039,781
2014/15	20,056,696	347,558	8,261,724	2,867,501	845,262	32,378,741
2015/16	20,807,732	280,133	8,815,981	2,815,604	863,283	33,582,733
2016/17	21,726,834	320,720	8,942,971	2,791,546	886,914	34,668,985
2017/18	22,900,987	394,487	9,332,994	2,828,282	939,883	36,396,633
2018/19	24,647,442	433,478	10,912,144	3,016,092	955,776	39,964,932
2019/20	26,754,789	465,857	11,754,985	3,251,523	1,096,061	43,323,215
2020/21	28,218,130	505,070	12,541,184	3,200,970	1,159,363	45,624,717

Notes: Salaries Includes: Regular Salaries, Temporary Help, and On Call Pay.
Other Fringe Benefits Includes: Unemployment Insurance, OASDI Insurance, Workers' Compensation Contributions, Long-Term Disability Insurance, Clean Air Employee Incentive, and Alternate Transportation Incentive.

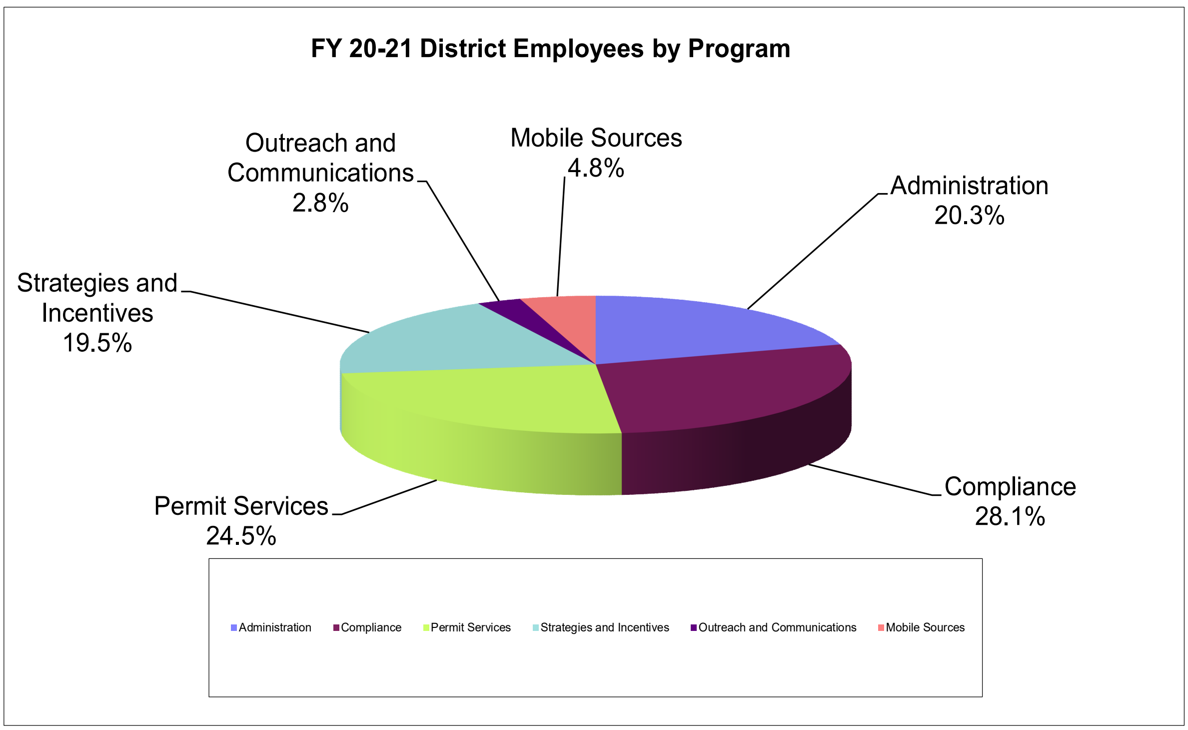


Source: San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

DISTRICT EMPLOYEES BY PROGRAM
Last Ten Fiscal Years

*Fiscal Year	Administration	Compliance	Permit Services	Strategies and Incentives	Outreach and Communications	Mobile Sources	Total Employees
2011/12	61	97	94	28	7	21	308
2012/13	62	97	96	32	7	14	308
2013/14	62	97	96	32	7	14	308
2014/15	62	97	96	32	7	14	308
2015/16	66	93	85	42	8	16	310
2016/17	66	93	85	41	8	17	310
2017/18	66	93	85	41	8	17	310
2018/19	71	100	87	65	9	18	350
2019/20	72	100	87	69	10	17	355
2020/21	72	100	87	69	10	17	355



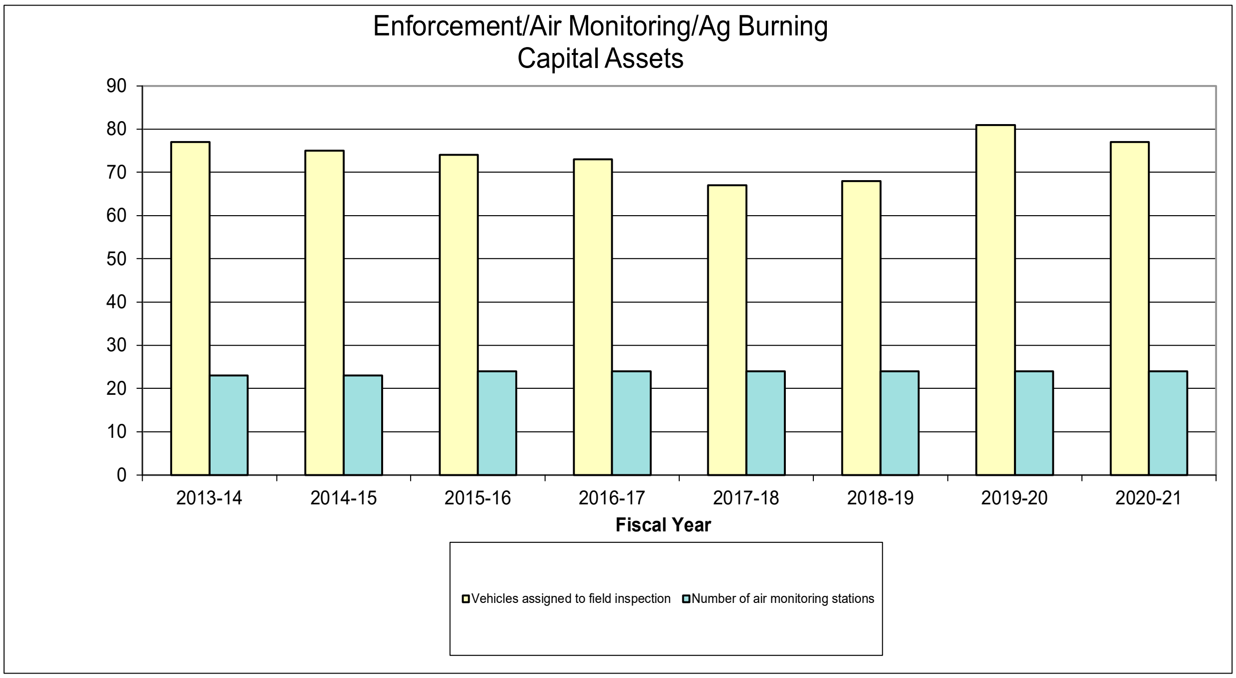
*District Adopted Budget

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

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

CAPITAL ASSET STATISTICS BY PROGRAM
Last Eight Fiscal Years*

Program	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Enforcement/Ag Burning								
Vehicles assigned to field inspection	77	75	74	73	67	68	81	77
Air Monitoring								
Number of air monitoring stations	23	23	24	24	24	24	24	24
Outreach and Communications								
Vehicles assigned to communications	1	1	1	1	1	1	1	0



* Amounts presented above were determined as of 6/30. Additional years will be presented as they become available.

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

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

OPERATING INDICATORS BY PROGRAM
Last Ten Fiscal Years

Program Category	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Permitting										
Authority to construct permits issued	7,055	4,034	3,575	3,105	2,939	2,975	2,541	2,132	1,903	1,773
New permits to operate issued	227	133	127	48	59	30	2,226	2,364	10	189
New title V permits issued	238	2,586	214	201	27	320	55	10	965	11
Title V permit modifications	8,784	1,532	1,616	2,296	753	862	1,106	771	583	290
Conservation management practices plans issued	680	464	260	459	227	492	407	495	890	572
Emission reduction credit certificates issued or transferred	232	346	492	467	248	209	226	189	170	131
Toxic air contaminant risk-management reviews performed	903	987	853	876	686	678	809	697	714	744
Annual emissions inventory surveys processed	1,820	7,443	6,758	6,147	6,603	4,603	6,447	5,511	5,458	5,785
California environmental quality act review requests	1,367	1,475	1,769	1,796	1,807	2,560	2,568	3,125	2,682	2,293
Indirect source review applications processed	214	213	200	175	207	241	344	339	346	338
Enforcement/air monitoring/ag burning										
Permit units inspected	31,090	32,529	37,422	31,234	36,879	32,568	32,131	34,679	33,689	32,602
Public complaints investigated	3,239	2,759	3,379	3,376	2,719	2,891	3,297	3,007	3,382	3,474
Open burn sites inspected	1,993	1,697	1,526	1,512	1,809	1,944	1,841	1,655	1,969	1,491
Incentive funding units (trucks, engines) inspected	3,792	5,598	5,503	4,029	2,660	3,293	4,116	4,817	5,973	7,896
Asbestos projects reviewed and inspected	1,112	967	902	666	579	702	284	137	132	47
Notices of violation	3,309	2,560	2,810	2,457	2,297	2,069	2,909	2,833	2,818	2,796
Plans and rules developed to Achieve Clean Air										
New rules adopted	8	2	4	21	2	-	-	-	2	-
Outreach and communications										
Media calls	305	211	250	201	195	188	191	204	94	149
Public calls	1,278	910	1,078	1,447	1,626	1,270	1,286	1,464	782	917
News releases	51	43	48	28	43	36	25	33	34	35
Events & presentations	159	51	77	52	81	84	65	125	53	36
Grants and Incentives										
Contracts awarded	3,594	4,906	6,008	8,619	7,512	7,717	7,746	10,117	14,249	15,745
Amount contracted	$98,116,375	$107,648,690	$82,171,567	$76,089,828	$72,905,963	$126,589,650	$119,555,398	$220,567,168	$240,379,464	$279,955,435

* Amounts presented above were determined as of 6/30.

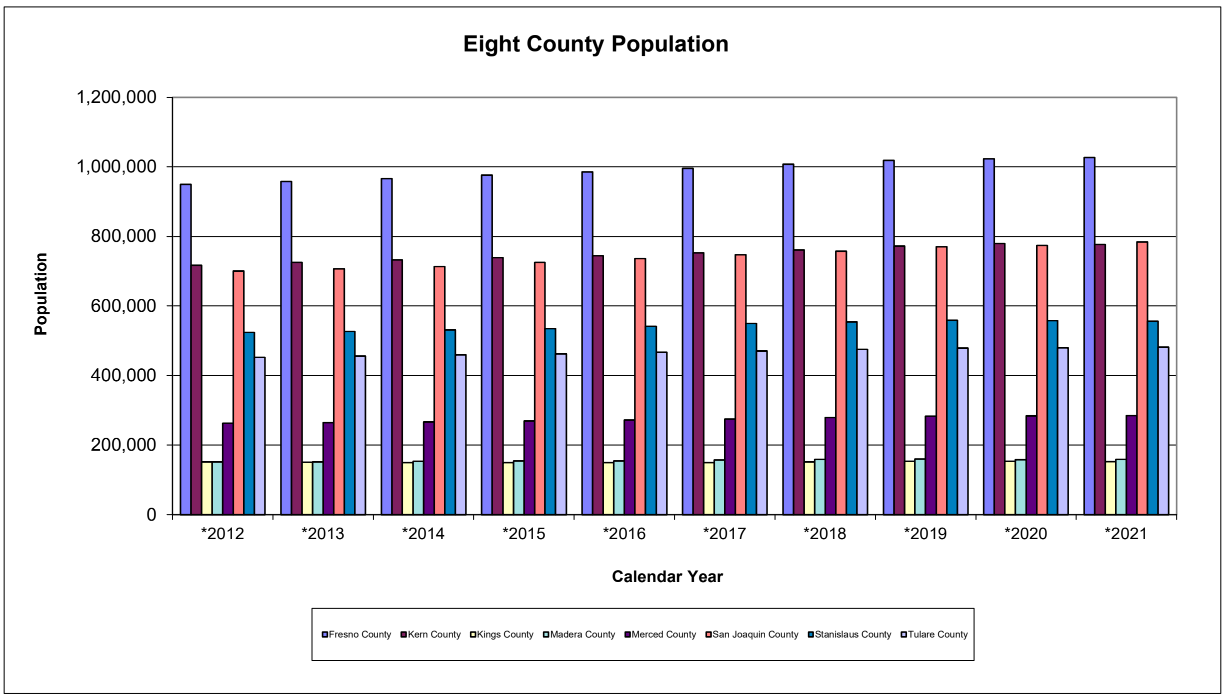
Source: San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

SAN JOAQUIN VALLEY UNIFIED 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
*2012	949,819	717,198	151,710	151,753	262,738	700,519	523,395	451,744	3,908,876	0.98%
*2013	958,127	725,528	150,791	151,626	264,933	706,418	527,250	456,036	3,940,709	0.81%
*2014	965,933	732,315	149,921	153,376	266,814	713,315	530,834	459,434	3,971,942	0.79%
*2015	976,153	739,491	149,890	154,900	269,299	724,859	535,651	462,510	4,012,753	1.03%
*2016	985,571	744,369	149,868	154,849	271,629	736,027	541,553	467,010	4,050,876	0.95%
*2017	995,922	752,725	149,630	156,794	275,009	747,579	549,897	470,705	4,098,261	1.17%
*2018	1,007,252	760,873	151,776	158,328	279,424	757,279	554,108	475,346	4,144,386	1.13%
*2019	1,018,241	772,144	153,710	159,536	282,928	770,385	558,972	479,112	4,195,028	1.22%
*2020	1,023,358	779,920	153,608	158,147	283,521	773,632	557,709	479,977	4,209,872	0.35%
*2021	1,026,681	777,064	152,543	158,474	284,836	783,534	555,968	481,733	4,220,833	0.26%



* Estimated population

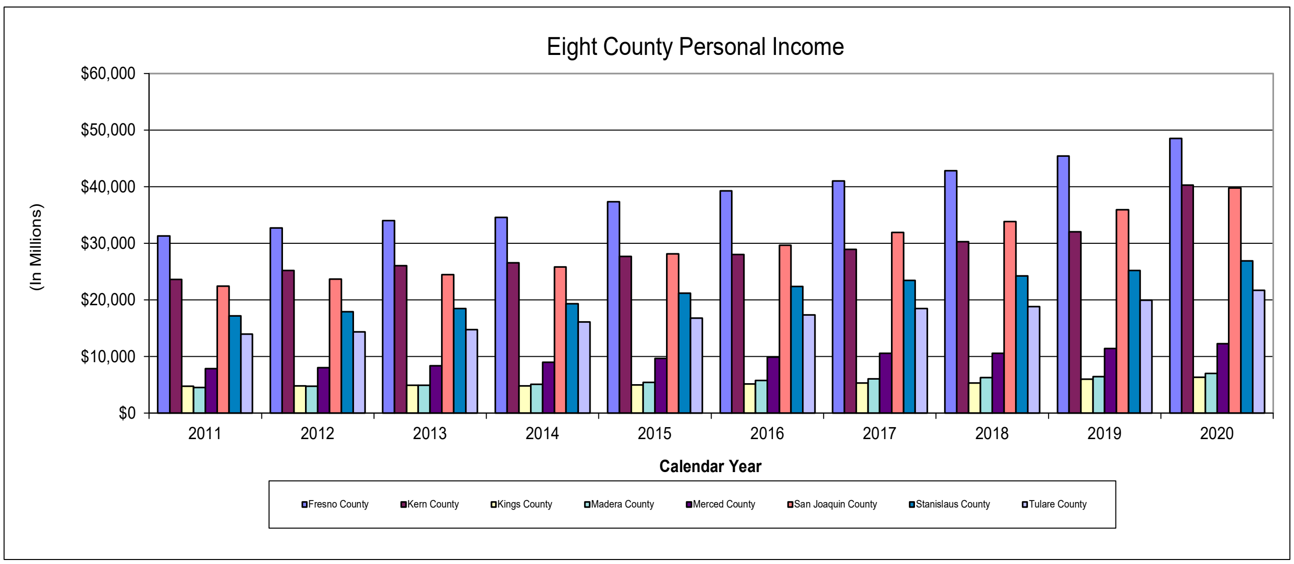
Notes: The San Joaquin Valley Unified Air Pollution Control District encompasses all of Fresno, Kings, Madera, Merced, San Joaquin, Stanislaus, and Tulare Counties, and the valley portion of Kern County.

Source: California State Department of Finance - Demographic Research Unit (SJVUAPCD Portion of Kern County estimated at 84%)
Reports ran for January 1st of each year

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

EIGHT COUNTY PERSONAL INCOME
Last Ten Calendar Years
(In Millions)

Year	Fresno County	Kern County	Kings County	Madera County	Merced County	San Joaquin County	Stanislaus County	Tulare County	Total	% Increase
2011	31,354	23,635	4,788	4,555	7,849	22,453	17,164	13,989	$ 125,787	7.46%
2012	32,729	25,251	4,833	4,770	8,039	23,683	17,957	14,343	131,605	4.63%
2013	34,041	26,020	4,927	4,920	8,406	24,481	18,528	14,782	136,105	3.42%
2014	34,568	26,569	4,864	5,107	9,020	25,859	19,341	16,147	141,475	3.95%
2015	37,360	27,681	5,001	5,450	9,714	28,151	21,237	16,809	151,403	7.02%
2016	39,295	28,030	5,136	5,806	9,888	29,684	22,366	17,366	157,571	4.07%
2017	41,024	28,928	5,303	6,087	10,557	31,920	23,446	18,467	165,732	5.18%
2018	42,843	30,263	5,344	6,291	10,584	33,866	24,258	18,830	172,279	3.95%
2019	45,446	32,017	6,031	6,492	11,406	35,927	25,188	19,974	182,481	5.92%
2020	48,539	40,310	6,387	7,025	12,263	39,793	26,929	21,723	202,969	11.23%



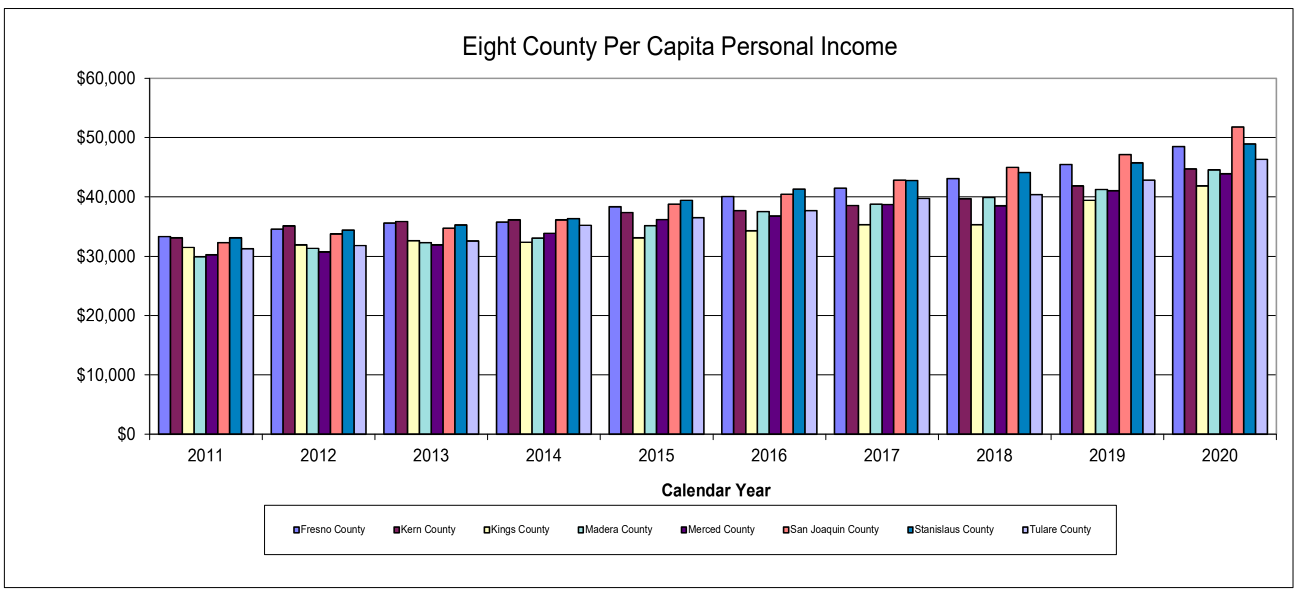
Notes: The San Joaquin Valley Unified Air Pollution Control District encompasses all of Fresno, Kings, Madera, Merced, San Joaquin, Stanislaus, and Tulare Counties, and the valley portion of Kern County.

Source: Bureau of Economic Analysis (SJVUAPCD Portion of Kern County estimated at 84%)

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

EIGHT COUNTY PER CAPITA PERSONAL INCOME
Last Ten Calendar Years

Year	Fresno County	Kern County	Kings County	Madera County	Merced County	San Joaquin County	Stanislaus County	Tulare County	Eight County Average
2011	33,321	33,123	31,503	29,940	30,232	32,300	33,144	31,246	31,851
2012	34,539	35,139	31,926	31,334	30,726	33,777	34,437	31,801	32,960
2013	35,635	35,847	32,635	32,287	31,935	34,755	35,259	32,550	33,863
2014	35,785	36,165	32,371	33,042	33,865	36,136	36,356	35,240	34,870
2015	38,323	37,355	33,126	35,165	36,185	38,769	39,445	36,551	36,865
2016	40,101	37,714	34,287	37,529	36,804	40,458	41,299	37,717	38,239
2017	41,470	38,560	35,326	38,799	38,716	42,822	42,793	39,756	39,780
2018	43,084	39,703	35,306	39,897	38,519	44,995	44,120	40,420	40,756
2019	45,487	41,843	39,433	41,267	41,077	47,139	45,742	42,845	43,104
2020	48,495	44,721	41,829	44,532	43,914	51,816	48,954	46,348	46,326



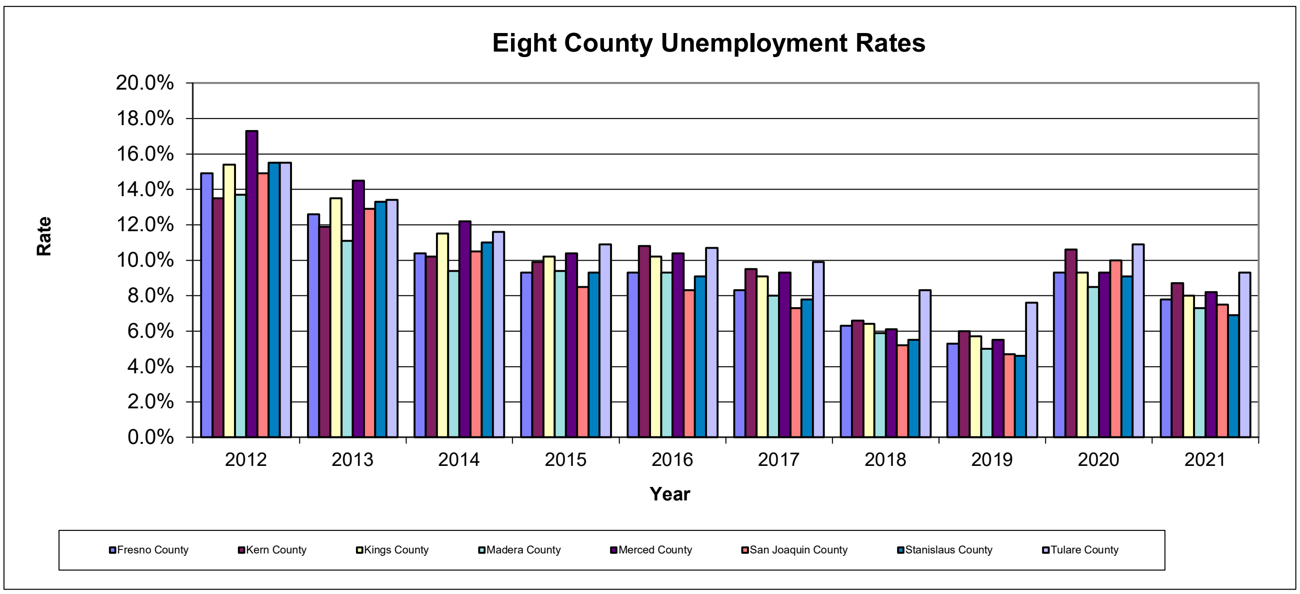
Notes: The San Joaquin Valley Unified Air Pollution Control District encompasses all of Fresno, Kings, Madera, Merced, San Joaquin, Stanislaus, and Tulare Counties, and the valley portion of Kern County.

Source: Bureau of Economic Analysis

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

EIGHT COUNTY UNEMPLOYMENT RATES
Last Ten Fiscal Years

Year	Fresno County	Kern County	Kings County	Madera County	Merced County	San Joaquin County	Stanislaus County	Tulare County	Eight County Average
2012	14.9%	13.5%	15.4%	13.7%	17.3%	14.9%	15.5%	15.5%	15.1%
2013	12.6%	11.9%	13.5%	11.1%	14.5%	12.9%	13.3%	13.4%	12.9%
2014	10.4%	10.2%	11.5%	9.4%	12.2%	10.5%	11.0%	11.6%	10.9%
2015	9.3%	9.9%	10.2%	9.4%	10.4%	8.5%	9.3%	10.9%	9.7%
2016	9.3%	10.8%	10.2%	9.3%	10.4%	8.3%	9.1%	10.7%	9.8%
2017	8.3%	9.5%	9.1%	8.0%	9.3%	7.3%	7.8%	9.9%	8.7%
2018	6.3%	6.6%	6.4%	5.9%	6.1%	5.2%	5.5%	8.3%	6.3%
2019	5.3%	6.0%	5.7%	5.0%	5.5%	4.7%	4.6%	7.6%	5.6%
2020	9.3%	10.6%	9.3%	8.5%	9.3%	10.0%	9.1%	10.9%	9.6%
2021	7.8%	8.7%	8.0%	7.3%	8.2%	7.5%	6.9%	9.3%	8.0%



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

Source: California Employment Development Department (Reports ran for June of each year)

San Joaquin Valley Unified Air Pollution Control District

Miscellaneous Statistics

District Established:	March 21, 1991
Area Covered:	25,000 Square Miles
Counties Included in District:	San Joaquin, Stanislaus, Merced, Madera, Fresno, Kings, and Tulare Counties, and the Valley portion of Kern County
Population:	4,220,833 (2020 Estimate)
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:	3,248,841 (6/30/21) Estimate
Stationary Sources of Air Pollution	Oil Refineries, Oil Production Equipment, Power Regulated Plants, Manufacturing and Processing Facilities, Boilers and other Combustion Equipment, Emergency Generators, Paint Spray Booths, Service Stations, Agricultural Operations, and Dry Cleaners
Number of Sources:	Approximately 13,700 operating locations with more than 33,000 Permits to Operate and 6,200 Agricultural Conservation Management Practice Plans
Number of Air Monitoring Stations:	29, District, Air Resources Board, Tribal, and National Park Service Combined (Including 2 Lower Air Profilers)
District Full-time Authorized Positions:	354.5
Adopted Fiscal Year 2021-22 Budget:	$583,894,140

This page is intentionally left blank.

Northern Region
Serving San Joaquin, Stanislaus and Merced counties
4800 Enterprise Way
Modesto, CA 95356-8718
(209) 557-6400 FAX (209) 557-6475

Central Region
Serving Madera, Fresno and Kings counties
1990 E. Gettysburg Avenue
Fresno, CA 93726-0244
(559) 230-6000 FAX (559) 230-6061

Southern Region
Serving Tulare and Valley air basin portions of Kern counties
34946 Flyover Court
Bakersfield, CA 93308-9725
(661) 392-5500 FAX (661) 392-5585