



# San Joaquin Valley

UNIFIED AIR POLLUTION CONTROL DISTRICT

State of California

## COMPREHENSIVE ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED JUNE 30, 2019



Prepared by  
Administrative Services Department

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# San Joaquin Valley Unified Air Pollution Control District

Comprehensive Annual Financial Report  
Fiscal Year Ended June 30, 2019

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# INTRODUCTORY SECTION

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December 23, 2019

Governing Board  
San Joaquin Valley Unified Air Pollution Control District

This Comprehensive Annual Financial Report (CAFR) of the San Joaquin Valley Unified Air Pollution Control District (District) is for the fiscal year ended June 30, 2019. 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

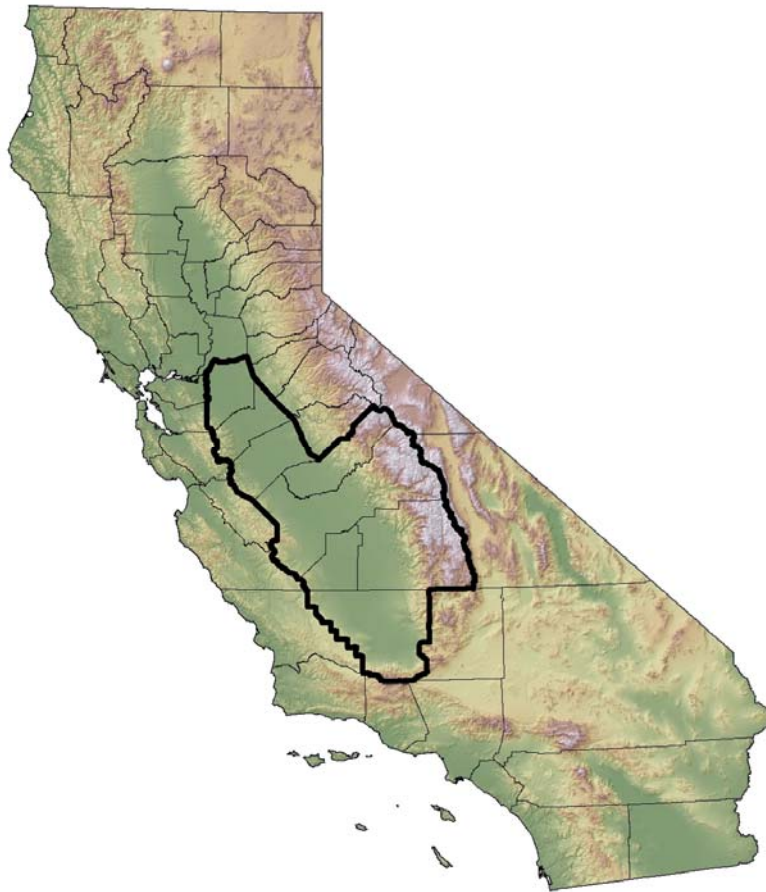
### **Background**

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 4.15 million residents in the calendar year 2018. 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 PM<sub>2.5</sub> standards. In 2016, the Valley experienced the region's cleanest air quality year on record for PM<sub>2.5</sub>, bringing the Valley closer to attainment of federal air quality standards. As a result of this record breaking clean year for PM<sub>2.5</sub>, the District was able to prepare and submit a clean data finding for the 1997 24-hour PM<sub>2.5</sub> standard of 65 µg/m<sup>3</sup>, demonstrating that the Valley has attained this portion of the federal 1997 standard for the three year period of 2014, 2015 and 2016. Also, during the wood burning season of 2018-2019, the Valley recorded the second highest number of "good" days as measured by the air quality index (AQI). Over the past several years, the Valley has set new records across a number of metrics, placing the Valley on track toward attaining the latest federal PM<sub>2.5</sub> standards.

In addition, despite strings of triple digit temperatures, stagnant atmospheric conditions, and added emissions from wildfires in the area, the Valley had another great ozone season in 2019, continuing the trend toward bringing the region into attainment of the federal ozone air quality standards. In particular, the Valley set a new record low design value for the 84 ppb 8-hour ozone standard, which is the official metric used to measure progress toward meeting federal ozone standards. The year 2019 also completed the seventh consecutive year without violating the federal 1-hour ozone standard.

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.

### **How the District Does Its Job**

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 2018-19

### **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. In November 2018, the District Governing Board adopted the *2018 Plan for the 1997, 2006, and 2012 PM2.5 Standards* (2018 PM2.5 Plan), charting the course for the Valley to attain the various PM2.5 standards by the applicable federal deadlines. On January 24, 2019, CARB adopted the 2018 PM2.5 Plan, which is currently under review by the EPA. The District has already begun implementation of NOx and PM control strategies towards expeditious attainment of the federal health-based standards.

### **Rules and Regulations**

The District continues its leadership in developing groundbreaking regulatory strategies to reduce emissions. Tough, innovative rules, such as the District's rules for indirect source review, residential fireplaces, glass manufacturing, and agricultural burning have set benchmarks for California and the nation. New regulatory and incentive-based commitments for future years will be developed

as established in the 2018 PM2.5 Plan, including areas such as flares, internal combustion engines, commercial charbroiling, boilers/steam generators, glass melting furnaces, agricultural operations, and other local sources.

During this past year, the District adopted amendments to Rule 2280 (Portable Equipment Registration) and Rule 4901 (Wood Burning Fireplaces and Wood Burning Heaters).

- **District Rule 2280** – Portable Equipment Registration was amended on December 20, 2018, in fiscal year 2018-19. The portable equipment registration program provides a voluntary alternative to stationary source permitting to facilitate the use of portable equipment without undue administrative hurdles, while ensuring compliance with air quality regulations. The amendment established operating requirements for air curtain burn boxes as a new source category to serve as a feasible alternative to significantly reduce emissions from open burning of agricultural and other wood waste materials.
- **District Rule 4901** – Wood Burning Fireplaces and Wood Burning Heaters was amended on June 20, 2019, in fiscal year of 2018-19. District Rule 4901 was adopted in 1993, and subsequently amended four times. Through recent amendments, the rule established valley wide regulatory measures that include new requirements for significant remodels of a fireplace or chimney that require the removal of open hearth fireplaces or replacement to cleaner devices, only allowing seasoned wood to be burned, enhanced compliance during transfers of residential real property, further restrictions on installations of new wood burning devices, and enhanced visible emission limitations. Based on extensive modeling for the 2018 PM2.5 Plan, recent amendments to the rule established more stringent curtailment levels for the Hot Spot counties of Madera, Fresno, and Kern to achieve further emission reductions where they are needed most to protect public health and help the Valley attain federally mandated air quality standards. The amendments established lower curtailment thresholds effectively changing the “No Burning Unless Registered” threshold (Level One) from the current level of 20  $\mu\text{g}/\text{m}^3$  to 12  $\mu\text{g}/\text{m}^3$ , and the “No Burning for All” threshold (Level Two) from the current level of 65  $\mu\text{g}/\text{m}^3$  to 35  $\mu\text{g}/\text{m}^3$ . As a complementary strategy to the regulatory amendments, the District amended the Burn Cleaner Program to offer increased funding of up to \$3,000 for the replacement of a wood burning device with a natural gas-fired unit for those areas that are subject to more stringent curtailment levels. For areas with no access to natural gas, the program offers funding of up to \$1,500 and additional \$1,500 for qualified low-income applicants for propane and electric heat pump units. In support of these amendments, the District developed further enhancements to the already strong outreach and education program with increased emphasis on health impacts of wood smoke through messaging

within diverse advertising platforms, closely working with retail partners, media partners, schools, and non-profit organizations, and leveraging partnerships with local agencies. The District also made enhancements to the already robust and multifaceted enforcement strategy that include enhanced staffing resources dedicated to surveillance and enforcement. Additionally, the District continues to research and employ the best scientific air quality and meteorological models, as it is vital that the District's forecasting program is updated to support recently amended curtailment thresholds.

## **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 2018-19 reporting period, permitting activities included:

- 2132 Authority to Construct permits issued
- 2364 new Permits to Operate issued
- 290 Permit-Exempt Equipment Registrations issued
- 10 new Title V permits issued to 1 facility
- 2,765 Title V permit renewals issued to 55 facilities
- 771 Title V permit modifications
- 495 Conservation Management Practices plans issued
- 189 Emission Reduction Credit certificates issued or transferred
- 697 toxic air contaminant risk-management reviews performed
- 142 toxic risk prioritizations for AB 2588 completed
- 5,511 annual emissions inventory statements and surveys processed
- 3,125 California Environmental Quality Act (CEQA) review requests processed
- 846 CEQA comment letters
- 302 CEQA documents prepared
- 339 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 2018-19:

- 34,679 units inspected
- 2,833 Notices of Violation issued

- 3,007 public complaints investigated
- 1,655 open burn sites inspected
- 4,817 incentive funding units (i.e., trucks, engines) inspected
- 137 asbestos projects reviewed and inspected

### **Voluntary 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. Voluntary incentive programs play a critical role in achieving and accelerating the reductions required for the Valley's attainment.

Since inception, over \$2.7 billion in public/private investment in clean air projects has been made through these incentive programs, resulting in more than 162,000 tons of emission reductions. During the 2018-19 fiscal year, the District executed more than 10,000 agreements for more than \$218 million. These projects are expected to reduce more than 14,000 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 department nonetheless is just as effective in conveying critical public information, policy and air quality news.

The District’s Outreach and Communications team, a highly skilled group of communications professionals with expertise in public relations, media, graphics and web design, audio-video production and event organization, 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 continues to spearhead many important public outreach campaigns, including:

- **Check Before You Burn:** This annual multimedia, multilingual outreach campaign runs from November through 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, more efficient EPA-certified wood burning or natural gas devices through the District’s Burn Cleaner incentive program.
- **Healthy Air Living “Together”:** The summer Healthy Air Living outreach campaign focused on those voluntary activities residents can take 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 to provide up to \$500 for residents 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 through meaningful and effective outreach.

## FACTORS AFFECTING FINANCIAL CONDITIONS

The District's operations are primarily supported by permit and motor vehicle registration fees, as well as state and federal grant revenue. 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.

Despite the District's commitment to cost-cutting measures, as indicated in the most recent audit by the State Auditor, the District's fees do not generally cover program costs, and the District uses a portion of its other revenues to supplement fee revenue and cover total program costs. The District raised fees to accommodate increased costs in 2019, and 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. 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 \$2,770,000 as of June 30, 2019. 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, 2019. 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, 2019 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](http://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 comprehensive annual financial report for the fiscal year ended June 30, 2018. This was the fifth 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 comprehensive annual 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 comprehensive annual 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 comprehensive annual financial report possible.

Recognition is also given to the Governing Board for their leadership and support and to all employees of the District who continue to 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

## Governing Board

June 30, 2019

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Buddy Mendes, Chair  
Supervisor, Fresno County

Craig Pedersen, Vice Chair  
Supervisor, Kings County

Drew M. Bessinger  
Mayor, City of Clovis

John Capitman, Ph.D.  
Appointed by Governor

David Couch  
Supervisor, Kern County

Kuyler Crocker  
Supervisor, Tulare County

Bob Elliott  
Supervisor, San Joaquin County

Christina Fugazi  
Councilmember, City of Stockton

Kristin Olsen  
Supervisor, Stanislaus County

Lloyd Pareira  
Supervisor, Merced County

Alvaro Preciado  
Councilmember, City of Avenal

Monte Reyes  
Councilmember, City of Porterville

Alexander C. Sherriffs, M.D.  
Appointed by Governor

Tom Wheeler  
Supervisor, Madera County

Chris Vierra  
Mayor, City of Ceres

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Samir Sheikh  
Executive Director - Air Pollution Control Officer



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 Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2018**

*Christopher P. Morill*

Executive Director/CEO

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## 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 the general fund of the San Joaquin Valley Unified Air Pollution Control District (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

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fax 559.299.2344

## **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, 2019, 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 on pages 3-18, budgetary comparison information for the General Fund on pages 53-54, the schedule of the proportionate share of net pension liability on page 55 and the schedule of contributions on page 55 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 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 December 23, 2019, 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 Page & Company*

Clovis, California  
December 23, 2019

# San Joaquin Valley Unified Air Pollution Control District

## Management's Discussion and Analysis

### June 30, 2019

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, 2019. 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 \$403.5 million (*net position*). Of this amount, \$375.4 million is restricted for specific purposes, \$12.3 million represents the net investment in capital assets and \$15.8 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 \$173.9 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 \$469.5 million at year-end, a \$178.6 million increase as compared to the prior year-end balance. Approximately 5.09% of this amount (\$23.9 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 \$92.6 million, or approximately 51.8% 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 Comprehensive Annual Financial Report (CAFR) 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

## **Management's Discussion and Analysis**

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.

## **Management's Discussion and Analysis**

### **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.

## Management's Discussion and Analysis

The following schedule is a condensed Statement of Net Position as of the fiscal year ended June 30, 2019, as compared to the prior fiscal year.

### Statement of Net Position (In Thousands)

	Fiscal Year 2018-19	Fiscal Year 2017-18	Increase (Decrease)	Percent Change
Current and other assets	\$ 472,447	\$ 293,995	\$ 178,452	60.7%
Capital assets	12,322	12,528	(206)	-1.6%
Total assets	484,769	306,523	178,246	58.2%
Total deferred outflows of resources	28,854	29,857	(1,003)	-3.4%
Current liabilities	3,182	3,364	(182)	-5.4%
Noncurrent liabilities	98,856	95,463	3,393	3.6%
Total liabilities	102,038	98,827	3,211	3.2%
Total deferred inflows of resources	8,082	7,948	134	1.7%
Net position:				
Net investment in capital assets	12,322	12,528	(206)	-1.6%
Restricted for special projects/programs	375,335	212,202	163,133	76.9%
Unrestricted	15,846	4,875	10,971	225.0%
Total net position	\$ 403,503	\$ 229,605	\$ 173,898	75.7%

The District's total net position increased \$173,897,826 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 \$3,210,272 from the prior year; of this, current liabilities decreased \$182,897 and noncurrent liabilities increased \$3,393,169. 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, 92.9% is legally or contractually restricted to expenditures for incentives and grants, and 4.0% is unrestricted and may be used to meet the District's ongoing obligations without legal constraint. Additionally, 3.1% 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.



## Management's Discussion and Analysis

The following is a condensed schedule of Changes in Net Position for the fiscal year ended June 30, 2019, as compared to the prior year.

<b>Changes in Net Position</b>				
<b>(In Thousands)</b>				
	Fiscal Year	Fiscal Year	Increase	Percent
	<u>2018-19</u>	<u>2017-18</u>	<u>(Decrease)</u>	<u>          </u>
<b>Revenues:</b>				
<b>Program revenues:</b>				
Fees and charges - stationary sources	\$ 33,820	\$ 32,127	\$ 1,693	5.3%
Fees and charges - mobile sources	29,572	20,970	8,602	41.0%
Operating grants	2,074	11,424	(9,350)	-81.8%
Restricted special revenue sources	289,828	166,346	123,482	74.2%
<b>General revenues:</b>				
State subvention - not restricted	947	936	11	1.2%
Interest - not restricted	3,761	2,323	1,438	61.9%
Penalties/settlements	6,115	6,495	(380)	-5.9%
Miscellaneous revenue	<u>280</u>	<u>113</u>	<u>167</u>	<u>147.8%</u>
Total revenues	366,397	240,734	125,663	52.2%
<b>Expenses:</b>				
Permitting	15,716	15,152	564	3.7%
Enforcement/agricultural burning	17,352	16,389	963	5.9%
Plan and rule development	1,361	1,288	73	5.7%
Mobile sources	7,265	5,799	1,466	25.3%
Outreach and communications	3,081	3,154	(73)	-2.3%
Air quality analysis/air monitoring	7,995	5,111	2,884	56.4%
Restricted for grants and other uses	<u>139,729</u>	<u>89,966</u>	<u>49,763</u>	<u>55.3%</u>
Total expenses	192,499	136,859	55,640	40.7%
Increase (decrease) in net position	173,898	103,875	70,023	67.4%
Net position - beginning	<u>229,605</u>	<u>125,730</u>	<u>103,875</u>	<u>82.6%</u>
Net position - ending	<u>\$ 403,503</u>	<u>\$ 229,605</u>	<u>\$ 173,898</u>	<u>75.7%</u>

### Governmental Activities

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

The Statement of Activities presents information showing how the District's net 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.

## Management's Discussion and Analysis

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, 2019, as compared to the prior year.

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

	Fiscal Year 2018-19	Fiscal Year 2017-18	Increase (Decrease)
Stationary Sources	\$ 33,820	\$ 32,127	\$ 1,693
Mobile Sources	29,572	20,970	8,602
Operating Grants	2,074	11,424	(9,350)
General Revenues *	11,103	9,867	1,236
Restricted Special Revenue Sources	289,828	166,346	123,482
	\$ 366,397	\$ 240,734	\$ 125,663

\* 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 increased \$1,693,505 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 an increase of \$8,601,343 compared to the prior fiscal year. This was primarily due to an increase in administrative fee revenue received.

## Management's Discussion and Analysis

### Operating Grant Revenue

- Operating Grant Revenue is lower this year by \$9,349,834 as compared to the prior fiscal year since the two new State Operating Grants received in fiscal year 2017-18 are not annually recurring funding.

Grant Revenue	Fiscal Year 2018-19	Fiscal Year 2017-18	Increase (Decrease)
EPA 105 Grant	\$ 1,918,562	\$ 1,921,396	\$ (2,834)
State Grants-Rules 2260 & 3156	-	1,000,000	(1,000,000)
Miscellaneous State Revenue	50,000	-	50,000
State Operating Grant - AB 109	-	8,400,000	(8,400,000)
EPA 103 Grant	105,750	102,750	3,000
Total Grant Revenue	<u>\$ 2,074,312</u>	<u>\$ 11,424,146</u>	<u>\$ (9,349,834)</u>

### General Revenues

- General Revenues increased \$1,235,473 as compared to the prior fiscal year due to increased revenue from Penalties and Interest Revenue.

### Restricted Special Revenue Sources

- Restricted Special Revenue increased \$123,481,097 compared to the prior fiscal year. The table below details the major changes to the various incentive programs that make up this increase. Changes are due to the availability of and/or timing of the receipt of grant and other funding sources.

Incentive Program	Fiscal Year 2018-19	Fiscal Year 2017-18	Increase (Decrease)
DMV Surcharge Fees	\$ 47,479,315	\$ 45,998,166	\$ 1,481,149
Carl Moyer Program	21,712,358	170,298	21,542,060
Proposition 1B	1,721,139	32,089,921	(30,368,782)
State Cap and Trade and Air Quality Improvement Program	144,510,099	54,031,064	90,479,035
Diesel Emission Reduction Act	1,842,796	1,223,578	619,218
Voluntary Emission Reduction	42,915,629	20,287,656	22,627,973
Agriculture Tractor Replacement Program	2,376,655	934,460	1,442,195
Indirect Source Mitigation Fees	8,738,776	5,693,092	3,045,684
Volkswagen mitigation	16,305,869	-	16,305,869
Other Miscellaneous Incentives	2,224,890	5,918,194	(3,693,304)
Total	<u>\$ 289,827,526</u>	<u>\$ 166,346,429</u>	<u>\$ 123,481,097</u>

Total District Expenses increased by \$55,639,505. The majority of this increase 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

## Management's Discussion and Analysis

of District expenses by activity for the fiscal year ended June 30, 2019 with a comparison of prior year expenses.

<b>Expenses by Activities</b>			
<b>Governmental Activities</b>			
	Fiscal Year 2018-19	Fiscal Year 2017-18	Increase (Decrease)
Permitting	\$ 15,716,153	\$ 15,151,629	\$ 564,524
Enforcement/Agricultural Burning	17,351,638	16,388,828	962,810
Plan and Rule Development	1,361,075	1,288,524	72,551
Mobile Source	7,264,553	5,799,206	1,465,347
Outreach & Communications	3,081,456	3,153,693	(72,237)
Air Quality Analysis/Air Monitoring	7,994,990	5,111,140	2,883,850
Total Operating Expenses	52,769,865	46,893,020	5,876,845
Restricted for Grants and Special Uses	139,728,770	89,966,110	49,762,660
Total District Expenses	\$ 192,498,635	\$ 136,859,130	\$ 55,639,505

### 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 \$469,543,227, an increase of \$178,663,893 in comparison with the prior year. Of the ending fund balance, 79.9%, or \$375,334,600, 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 0.3%, or \$1,607,109, not in spendable form for items that are not expected to be converted to cash, such as prepaid expenses, and 14.8%, or \$69,528,728, 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 \$23,072,790, an increase of \$6,411,777 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.

## Management's Discussion and Analysis

### Operating Revenues

- Total Operating Revenues increased \$2,180,486, which was mainly due to increases in Rule 4905 and Administrative Revenues.

### Operating Expenditures

Total Operating Expenditures increased \$2,591,194 as compared to the prior fiscal year.

- Total salaries and benefits increased \$3,568,299 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 decreased \$389,654 from the prior fiscal year. This decrease was due to reduced expenditures in computer maintenance and rents and leases.
- Total capital outlay decreased \$587,451 as compared to the prior fiscal year. This was primarily the result of the purchase of the southern regional office being completed in FY2017-18. The table below details the major changes to the various capital asset accounts that make up this decrease.

Account Title	Fiscal Year 2018-19	Fiscal Year 2017-18	Increase (Decrease)
Computer Equipment	\$ 649,861	\$ 238,886	\$ 410,975
Telephone System	4,718	4,273	445
Automobiles	537,689	422,083	115,606
Office Improvements	256,164	85,923	170,241
Community Monitoring	2,232,160	-	2,232,160
Southern Region Office Bldg	-	3,610,680	(3,610,680)
Video Conferencing System	3,121	1,534	1,587
Air Monitoring Station Automation Project	848	26,216	(25,368)
Air Monitoring Station Equipment	219,140	156,688	62,452
Monitoring Near Roadways	55,132	-	55,132
Total	<u>\$ 3,958,833</u>	<u>\$ 4,546,283</u>	<u>\$ (587,450)</u>

## Management's Discussion and Analysis

### Non-Operating Revenues

- Non-Operating Revenues increased \$123,608,037 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 increased \$49,762,660 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 2018-19	Fiscal Year 2017-18	Increase (Decrease)
DMV Heavy-Duty Program	\$ 39,711,133	\$ 46,443,930	\$ (6,732,797)
Carl Moyer Program	8,954,657	10,656,688	(1,702,031)
School Bus Retro/Replace Program	63,573	3,563,099	(3,499,526)
Federal EPA Incentive Program	2,304,610	5,156,779	(2,852,169)
State Cap and Trade and AQIP	41,399,709	6,146,486	35,253,223
Voluntary Emission Reduction Agreements	12,461,331	9,396,146	3,065,185
Indirect Source Review Rule Mitigation Program	4,570,986	5,793,141	(1,222,155)
Proposition 1B Program	25,445,311	125,000	25,320,311
Diesel Emission Reduction Act	1,851,800	1,216,643	635,157
Community Incentive Programs	2,563,703	1,017,743	1,545,960
Air Toxics	301,860	199,824	102,036
Misc. Incentive Grants	99,958	226,400	(126,442)
Hearing Board Incentive Grant	139	24,231	(24,092)
Total	<u>\$ 139,728,770</u>	<u>\$ 89,966,110</u>	<u>\$ 49,762,660</u>

### E. Capital Assets

The District's capital assets are used for governmental activities. The book value was \$12,322,484 (net of accumulated depreciation of \$14,888,509) as of June 30, 2019. 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.

## **Management's Discussion and Analysis**

### **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 \$3,948,448. This amount is comprised solely of compensated absences, including the portion due within one year of \$278,328. 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.

## Management's Discussion and Analysis

### 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 2018 was \$53,548,195. The Final Adjusted Budget was \$53,644,195. Under District budget policy, all prior unused appropriations lapse at year-end and are re-budgeted. Revenues unrealized as of the fiscal year 2018-19 year-end are re-budgeted in 2019-20. Revenues already received, but unspent, are included in the 2019-20 budget as available Fund Balance.

The Adjusted Non-Operating Budget at June 30, 2019 was \$636,798,860, including \$850,000 appropriated for contingencies. This was an increase of \$296,126,360 over the originally adopted Non-Operating Budget. This increase was due to fewer than expected expenditures occurring in fiscal year 2017-18, which increased that year's ending fund balance. That fund balance was a revenue source for fiscal year 2018-19, 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 \$145,071,000, 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.
- \$37,998,890 for State Cap and Trade Funding for two Zero and Near-Zero Emissions Demonstration Projects.
- \$65,000,000 for Administration of Statewide Incentive Program for Transit, School, and Shuttle buses funded by Volkswagen Mitigation Trust.
- \$25,000,000 for increased funding to Voluntary Emission Reduction Program (VERA).
- \$5,538,747 Mendota Pool Bypass and Reach 2B Project funds for the Voluntary Emission Reduction Program (VERA).
- \$6,525,988 for Replacement of Agricultural Tractors, Yard Trucks, and Switcher Locomotives.



## Management's Discussion and Analysis

### Operating Budget

#### Revenues

Actual Operating Revenues at June 30, 2019 were \$76,568,934, as compared to the final Adjusted Budget of \$74,310,335, a positive variance of \$2,258,599. Revenues were higher than expected in fiscal year 2018-19 due to an increase in administrative fees, and license and permit fees received.

#### Expenditures

Actual Operating Expenditures at June 30, 2019 were \$45,195,910 as compared to the final Adjusted Budget of \$53,644,195, a positive variance of \$8,448,285.

#### Salaries and Benefits

Actual salary and benefit expenditures at year-end were \$39,980,456 as compared to the final Adjusted Budget of \$45,891,344, a positive variance of \$5,910,888. 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 \$4,051,386 as compared to the final Adjusted Budget of \$5,537,685, a positive variance of \$1,486,299. Of the total expenditure amount, \$564,787 was encumbered at year-end. Listed in the table below are the expenditures that make up the variances in the services and supplies accounts.

	<b>Final Adjusted Budget</b>	<b>Actual Expenditures June 30, 2019</b>	<b>Variance With Final Budget Positive (Negative)</b>
Mobile Communications	\$ 256,720	\$ 172,186	\$ 84,534
Equipment Maintenance	1,185,481	900,478	285,003
Professional and Specialized Services	3,971,437	2,903,634	1,067,803
Publications and Legal Notices	124,047	75,088	48,959
Total	<u>\$ 5,537,685</u>	<u>\$ 4,051,386</u>	<u>\$ 1,486,299</u>

#### Capital Assets

Actual Capital Outlay expenditures at year-end were \$1,164,068 as compared to the final Adjusted Budget of \$2,215,166, a positive variance of \$1,051,098. Several planned purchases were delayed until fiscal year 2019-20, 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.

## Management's Discussion and Analysis

	<b>Final Adjusted Budget</b>	<b>Actual Expenditures June 30, 2019</b>	<b>Variance With Final Budget Positive (Negative)</b>
Office Improvements	\$ 241,000	\$ 218,388	\$ 22,612
Computer Equipment	860,396	317,444	542,952
Automobiles	322,000	321,095	905
Office Machines and Equipment	52,250	26,366	25,884
Telephone System	38,520	5,728	32,792
Southern Region Office Building	-	-	-
Video Teleconferencing System	26,000	15,226	10,774
Air Monitoring/Detection Equipment	300,000	259,577	40,423
Air Monitoring Station Automation Project	375,000	244	374,756
<b>Total</b>	<b>\$ 2,215,166</b>	<b>\$ 1,164,068</b>	<b>\$ 1,051,098</b>

### Non-Operating Budget

#### Revenues

Actual Non-Operating Revenues at June 30, 2019 were \$289,827,527 as compared to the final Adjusted Budget of \$420,531,197, a negative variance of \$130,703,670. Listed in the table below are the revenues that make up the major variances in Non-Operating Revenues.

	<b>Final Adjusted Budget</b>	<b>Actual Revenues June 30, 2019</b>	<b>Variance With Final Budget Positive (Negative)</b>
Air Toxics	\$ 372,502	\$ 301,860	\$ (70,642)
DMV Surcharge Fees	44,142,760	47,325,753	3,182,993
Carl Moyer Program	18,750,000	21,490,329	2,740,329
Proposition 1B	-	375,000	375,000
School Bus Programs	997,604	1,001,060	3,456
Federal and Heavy Duty Grants	20,953,724	3,904,499	(17,049,225)
CEC - Energy Efficiency Block Grant	8,151,063	97,008	(8,054,055)
VERA/ISR Rule Mitigation Funds	55,080,548	51,505,004	(3,575,544)
State Cap and Trade and AQIP Funding	204,098,446	143,542,872	(60,555,574)
Volkswagen Mitigation Funding	65,000,000	16,250,000	(48,750,000)
Non-Operating Interest	2,134,550	4,034,142	1,899,592
Other Miscellaneous Incentives	850,000	-	(850,000)
<b>Total</b>	<b>\$ 420,531,197</b>	<b>\$ 289,827,527</b>	<b>\$ (130,703,670)</b>

## Management's Discussion and Analysis

The negative variances of \$48,750,000 for Volkswagen Mitigation funds and \$60,555,574 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 2019-20 fiscal year.

### Expenditures

Actual Non-Operating Expenditures at June 30, 2019 were \$139,728,771 as compared to the final Adjusted Budget of \$635,948,860, a positive variance of \$496,220,089. Listed in the table below are the expenditures that make up the variances in Non-Operating Expenditures.

	Final Adjusted Budget	Actual Expenditures June 30, 2019	Variance With Final Budget Positive (Negative)
Air Toxics-Pass Through	\$ 372,600	\$ 301,860	\$ 70,740
Federal and Heavy Duty Grants	20,953,800	3,904,499	17,049,301
Carl Moyer Program	24,953,100	8,954,657	15,998,443
DMV Surcharge Fees	115,411,900	39,861,132	75,550,768
VERA/ISR Rule Mitigation Program	87,006,447	17,032,317	69,974,130
Proposition 1B Program	42,746,500	25,445,311	17,301,189
School Bus Programs	2,895,900	315,486	2,580,414
Community Incentive Programs	9,041,500	2,557,203	6,484,297
State Cap and Trade and AQIP Funding	258,518,913	41,249,709	217,269,204
CEC - Energy Efficiency Block Grant	8,151,100	97,008	8,054,092
Volkswagen Mitigation Funding	65,000,000	-	65,000,000
Miscellaneous Incentive Programs	897,100	9,589	887,511
<b>Total</b>	<b>\$ 635,948,860</b>	<b>\$ 139,728,771</b>	<b>\$ 496,220,089</b>

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 2018-19 (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 2019-20 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.

## **Management's Discussion and Analysis**

### **I. Next Year's Budget**

The Adopted Budget for fiscal year 2019-20 is \$621,081,935 as compared to the Adjusted Budget for fiscal year 2018-19 of \$690,443,055, a decrease of \$69,361,120. 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 2019-20 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.

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**San Joaquin Valley Unified Air Pollution Control District**  
**Statement of Net Position**  
June 30, 2019

	<b>Governmental Activities</b>
<b>Assets</b>	
Current assets:	
Cash and investments	\$ 456,053,410
Accrued revenues	14,786,058
Prepaid expenses	1,607,109
Total current assets	472,446,577
Noncurrent assets:	
Land	1,595,549
Depreciable assets, net of accumulated depreciation	10,726,935
Total noncurrent assets	12,322,484
Total assets	484,769,061
<b>Deferred outflows of resources</b>	
Deferred pension	28,853,811
Total deferred outflows of resources	28,853,811
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	661,526
Accrued wages payable	2,241,824
Compensated absences payable:	
Due within one year	278,328
Total current liabilities	3,181,678
Noncurrent liabilities:	
Compensated absences payable:	
Due in more than one year	3,670,120
Net pension liability	95,186,053
Total noncurrent liabilities	98,856,173
Total liabilities	102,037,851
<b>Deferred inflows of resources</b>	
Deferred pension	8,081,892
Total deferred inflows of resources	8,081,892
<b>Net position</b>	
Net investment in capital assets	12,322,484
Restricted for:	
VERA/ISR mitigation programs	68,608,693
DMV surcharge programs	78,159,715
Carl Moyer funds	19,240,022
Proposition 1B programs	17,958,802
State cap and trade	168,187,581
Volkswagen mitigation	19,498,220
Other special projects/programs	3,681,567
Unrestricted	15,846,045
Total net position	\$ 403,503,129

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, 2019**

Programs	Expenses	Program Revenues				Restricted Special Revenue Sources *	Net (Expense) Revenue and Changes in Net Position
		Fees and Charges for Services		Operating Grants	Governmental Activities		
		Stationary Sources	Mobile Sources				
Governmental Activities:							
Permitting	\$ 15,716,153	\$ 24,028,798	\$ 2,775,909	\$ 1,164,787	\$ -	\$ 12,253,341	
Enforcement/agricultural burning	17,351,638	9,791,128	3,989,828	288,817	-	(3,281,865)	
Plan and rule development	1,361,075	-	1,758,192	8,908	-	406,025	
Mobile sources	7,264,553	-	17,094,551	-	-	9,829,998	
Outreach and communications	3,081,456	-	2,597,290	-	-	(484,166)	
Air quality analysis/air monitoring	7,994,990	-	1,355,964	611,800	-	(6,027,226)	
Restricted for grants and other special uses	139,728,771	-	-	-	289,827,526	150,098,756	
Total governmental activities	<u>\$ 192,498,636</u>	<u>\$ 33,819,926</u>	<u>\$ 29,571,734</u>	<u>\$ 2,074,312</u>	<u>\$ 289,827,526</u>	<u>162,794,863</u>	
General Revenues:							
						947,052	
						3,761,051	
						6,115,094	
						279,766	
						<u>11,102,963</u>	
						173,897,826	
						<u>229,605,303</u>	
						<u>\$ 403,503,129</u>	

\* 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, 2019**

**Assets**

Cash and investments	\$ 456,053,410
Accrued revenues	14,786,058
Prepaid items	1,607,109
Total assets	\$ 472,446,577

**Liabilities**

Accounts payable	\$ 661,526
Accrued wages payable	2,241,824
Total liabilities	2,903,350

**Fund Balance**

Nonspendable fund balance	1,607,109
Restricted fund balance	375,334,600
Assigned fund balance	69,528,728
Unassigned fund balance	23,072,790
Total fund balance	469,543,227
Total liabilities and fund balance	\$ 472,446,577

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, 2019**

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

Fund balance - governmental fund	\$ 469,543,227
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.	12,322,484
Deferred outflows of resources reported in the Statement of Net Position.	28,853,811
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.	(99,134,501)
Deferred inflows of resources reported in the Statement of Net Position.	<u>(8,081,892)</u>
Net position of governmental activities	<u>\$ 403,503,129</u>

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, 2019**

**Revenues:**

License and permit fees	\$ 47,361,679
Administrative fees	16,029,980
Penalties and settlements	6,115,094
Interest	3,761,051
State grants	997,052
Federal grants	2,024,312
Miscellaneous revenue	279,766
Incentive grants	281,646,662
Incentive grant interest	4,034,142
Federal incentive grants	4,146,723
Total revenues	<u>366,396,461</u>

**Expenditures:**

Current:	
Salaries and benefits	39,964,932
Services and supplies	4,080,033
Grants and other special uses	139,728,771
Capital outlay	<u>3,958,832</u>
Total expenditures	<u>187,732,568</u>
Net change in fund balance	178,663,893
Beginning fund balance, July 1, 2018	290,879,334
Ending fund balance, June 30, 2019	<u><u>\$ 469,543,227</u></u>

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

**San Joaquin Valley Unified Air Pollution Control District**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in**  
**Fund Balance of the Governmental Fund to the Statement of Activities**  
**For the Year Ended June 30, 2019**

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

Net Change in Fund Balance - governmental fund		\$178,663,893
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.		1,839,154
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.		(2,040,711)
The net effect of disposal of assets.		(3,810)
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	10,502,708	
Amount of pension expenses recognized at government-wide level	<u>(14,973,787)</u>	(4,471,079)
Increase in long-term compensated absences		<u>(89,621)</u>
Change in net position of governmental activities		<u>\$173,897,826</u>

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

**SAN JOAQUIN VALLEY UNIFIED  
AIR POLLUTION CONTROL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
June 30, 2019**

**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,

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### 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, 2019 consisted of the following:

Travel Advances	\$	517
Loans Receivable		8,133
Prepaid Expenses		47,500
Prepaid Payroll		1,416,016
Prepaid Medical Insurance		134,943
Total Prepaid Expenses	\$	<u>1,607,109</u>

### 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 which was updated effective July 1, 2018:

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

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### 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 \$278,328 and \$3,670,120, 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



## NOTES TO THE BASIC FINANCIAL STATEMENTS

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 \$375,334,600. 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	\$ 68,608,693
DMV surcharge programs	78,159,715
Carl Moyer funds	19,240,022
Proposition 1B programs	17,958,802
State cap and trade	168,187,581
Volkswagen mitigation	19,498,220
Other special projects/programs	3,681,567
Total Restricted Net Position	<u>\$ 375,334,600</u>

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.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

- 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.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Nonspendable Fund Balance	\$ <u>1,607,109</u>
Restricted Fund Balance:	
VERA/ISR mitigation programs	68,608,693
DMV surcharge programs	78,159,715
Carl Moyer funds	19,240,022
Proposition 1B programs	17,958,802
State cap and trade	168,187,581
Volkswagen mitigation	19,498,220
Other special projects/programs	<u>3,681,567</u>
Total Restricted Fund Balance	<u>375,334,600</u>
Assigned Fund Balance:	
Encumbrances	3,367,541
Community Incentive Programs	61,541,187
Long-Term Building Maintenance	500,000
Contingency Reserve	850,000
Pension Stabilization Reserve	2,770,000
Video Teleconferencing and Computer Equipment	300,000
Modeling Center Reserve	<u>200,000</u>
Total Assigned Fund Balance	<u>69,528,728</u>
Unassigned Fund Balance:	
General Reserve	6,000,000
Unassigned	<u>17,072,790</u>
Total Unassigned Fund Balance	<u>23,072,790</u>
Total Fund Balances	<u>\$ 469,543,227</u>

### **Nonspendable Fund Balance:**

- The \$1,607,109 fund balance is for prepaid medical, payroll and other expenses and long-term notes receivable to the flex spending bank account.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### Restricted Fund Balance:

- The \$68,608,693 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 \$78,159,715 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 \$19,240,022 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 \$17,958,802 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 \$168,187,581 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 \$19,498,220 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 \$3,681,567 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.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### Assigned Fund Balance:

- The \$3,367,541 fund balance for encumbrances outstanding at June 30, 2019 represents the amount of expenditures that would result if contracts in process at fiscal year-end were completed. Of the total assigned amount, \$1,339,846 represents encumbrances for services and supplies and \$2,027,695 represents encumbrances for capital assets. This assignment earmarks resources to pay for these contractual obligations by segregating a portion of fund balance.
- The \$61,541,187 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 \$2,770,000 was established by the District Governing Board to provide for a Pension Stabilization Reserve.
- The \$300,000 was established by the District Governing Board to provide for Video Conferencing and Computer Equipment.
- The \$200,000 was assigned by the District Governing Board to provide for a Modeling Center Reserve.

### Unassigned Fund Balance:

- From total Unassigned Fund Balance of \$23,072,790 reported on June 30, 2019, \$6,000,000 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.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### M. New Accounting Pronouncements

The following Governmental Accounting Standards Board (GASB) Statements have been implemented in the current financial statements:

Statement No. 83, "Certain Asset Retirement Obligations." The requirements of this Statement are effective for periods beginning after June 30, 2018. (FY 18/19)

Statement No. 88, "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements." The requirements of this Statement are effective for periods beginning after June 15, 2018. (FY 18/19)

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### 2. CASH AND INVESTMENTS

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

District Petty Cash/Change Funds	\$	4,900
Postage Funds		17,585
Total Cash On Hand		22,485
Wells Fargo Bank		8,263,225
Other Deposits		358
Total Deposits with Financial Institutions		8,263,583
Security Deposit - Leased Property		2,000
Total Other Deposits		2,000
Fresno County Treasurer		447,765,342
Total Investments with County Investment Pools		447,765,342
Total Cash and Investments	\$	456,053,410

### 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.

	Maximum	Maximum	Maximum
Authorized	Maximum	Percentage	Investment
<u>Investment Type</u>	<u>Maturity</u>	<u>Of Portfolio</u>	<u>In One Issuer</u>
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

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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:

<u>Investment Type</u>	<u>Amount</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>More Than 60 Months</u>
County Investment Pool	<u>\$447,765,342</u>	<u>\$447,765,342</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

### Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of the rating required by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, 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:

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year-End</u>		
				<u>AAA</u>	<u>AA</u>	<u>Not Rated</u>
County Investment Pool	<u>\$447,765,342</u>	N/A	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$447,765,342</u>

### 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



## NOTES TO THE BASIC FINANCIAL STATEMENTS

### 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, 2019, 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, 2019 consisted of the following:

	Capital Assets - Governmental Activities			
	Balance			Balance
	June 30, 2018	Additions	Deletions	June 30, 2019
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	10,061,031	105,200	31,279	10,134,952
Machinery and equipment	13,044,900	1,733,953	619,411	14,159,442
Intangible assets	1,321,050	-	-	1,321,050
Total capital assets, depreciable/amortizable	24,426,981	1,839,153	650,690	25,615,444
Less accumulated depreciation/amortization for:				
Building and improvements	3,070,091	702,478	31,279	3,741,290
Machinery and equipment	9,168,537	1,286,233	615,601	9,839,169
Intangible assets	1,256,050	52,000	-	1,308,050
Total accumulated depreciation/amortization	13,494,678	2,040,711	646,880	14,888,509
Total capital assets, depreciable/amortizable, net	10,932,303	(201,558)	3,810	10,726,935
Net book value of capital assets	\$12,527,852	\$ (201,558)	\$ 3,810	\$ 12,322,484

## NOTES TO THE BASIC FINANCIAL STATEMENTS

For the fiscal year ended June 30, 2019, depreciation expense of \$2,040,711 on capital assets was charged to the District's activities as follows:

Permitting	\$ 342,054
Enforcement / Agricultural Burning	644,503
Plan and Rule Development	30,697
Mobile Sources	171,027
Outreach and Communications	42,890
Air Quality Analysis / Air Monitoring	809,540
Total Depreciation Expense	<u>\$ 2,040,711</u>

### 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, 2019:

July 1, 2018 Balance	\$ 3,858,828
Plus: Additions	2,689,449
Less: (Reductions)	<u>(2,599,829)</u>
June 30, 2019 Balance	<u>\$ 3,948,448</u>
Amount Due Within One Year	<u>\$ 278,328</u>
Amount Due In More Than One Year	<u>\$ 3,670,120</u>

### 5. PENSIONS

#### General Information about the Pension Plan

##### Plan Description

The Kern County Employees' Retirement Association (KCERA) was established on January 1, 1945 by the County of Kern Board of Supervisors under the provisions of the County Employees' Retirement Law of 1937 (CERL). KCERA is a cost-sharing, multiple-employer defined benefit plan (the Plan) covering all permanent employees of the County of Kern and of the following agencies: 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

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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, and Kern County Superior Court. As a subsequent event, the Kern County Hospital Authority became a separate entity from the County of Kern, effective July 1, 2016. The Plan is administered by the Kern County Board of Retirement, which consists of nine members and two alternate members. KCERA issues a Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information for KCERA. The CAFR is available at [www.kcera.org](http://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 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 2018 for members with membership dates on or after July 1, 1996 but before January 1, 2013 is \$275,000. For General Tier III members who joined on or after January 1, 2013, the maximum pensionable compensation that can be taken into account for 2018

## NOTES TO THE BASIC FINANCIAL STATEMENTS

is \$121,388 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.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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, 2019, 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 \$10,502,708 for the year ended June 30, 2019. Active members are plan members who are currently accruing benefits and/or paying contributions into the applicable plan.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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 2018 ranged from 4.45% to 18.48% 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 2018 ranged from 28.72% to 63.48% of covered payroll, with a combined average of 44.78% for all employers.

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

At June 30, 2019, the District reported a liability of \$95,186,053 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and the liability used to calculate the net pension liability was determined by an actuarial valuation date June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all Pension Plan participants, actuarially determined. At June 30, 2018, the District's proportion was 4.0838%, compared to 3.8855% at June 30, 2017, an increase of 0.1983%.

For the fiscal year ended June 30, 2019, the District recognized pension expense of \$14,973,787. 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.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

At June 30, 2019, 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	\$ 5,306,961	\$ -
Change in actual vs. proportionate contributions	9,806,036	-
Contributions subsequent to measurement date	10,502,709	-
Difference between prior year actuarial and actual employer contribution	169,074	-
Difference between projected and actual earnings on pension plan	3,069,031	-
Change in proportion	-	10,697
Difference between expected and actual experience	-	8,071,195
	\$ 28,853,811	\$ 8,081,892

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 \$10,502,709 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, 2020.

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
2020	\$ 5,117,970
2021	3,386,283
2022	1,269,464
2023	490,051
2024	5,442
Thereafter	-
	\$ 10,269,210

### Actuarial Assumptions

The total pension liability as of June 30, 2018 that was measured by an actuarial valuation as of June 30, 2017. The actuarial assumptions used were the same as the June 30, 2017 funding valuation. In particular, the following actuarial assumptions were applied to all periods included in the measurement:

Inflation:	3.00%	
Salary Increases:	General: 4.00% to 9.00%. including inflation.	Varies by service,

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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, 2018 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
Large Cap U.S. Equity	15%	5.61%
Small Cap U.S. Equity	4%	6.37%
Global Equity	6%	6.50%
Developed International Equity	8%	6.96%
Emerging Market Equity	4%	9.28%
U.S. Core Fixed Income	19%	1.06%
High Yield/Specialty	6%	3.65%
Emerging Market Debt	4%	3.85%
Core Real Estate	5%	4.37%
Value Added Real Estate	5%	6.00%
Commodities	4%	3.76%
Hedge Funds	10%	4.70%
Private Equity	5%	8.70%
Private Credit	5%	5.00%
Total	100%	



## NOTES TO THE BASIC FINANCIAL STATEMENTS

### Discount Rate

The discount rates used to measure the total pension liability were 7.25% as of June 30, 2018 and 7.25% as of June 30, 2017. 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, 2018 and June 30, 2017.

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, 2018, 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	\$ 130,634,912	\$ 95,186,053	\$ 66,058,448

### Pension Plan Fiduciary Net Position

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

## 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

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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 2018-19, the District contributed \$400,757 to the SDRMA. The District's contributions represented 1.07% 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, 2019, investments with a fair value of \$36,491,890 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, 2019 were \$3,367,541. Encumbrances are categorized as Assigned Fund Balance.

## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

### **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. 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 December 23, 2019, which is the date the basic financial statements were issued.

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## **Required Supplementary Information**

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**San Joaquin Valley Unified Air Pollution Control District**  
**General Fund - Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget
	Adopted	Final Adjusted		
<b><u>Operating Budget</u></b>				
Revenues:				
Vehicle Registration Fees	\$ 12,420,000	\$ 12,650,000	\$ 13,541,753	\$ 891,753
License and Permit Fees	29,678,691	29,678,691	34,237,022	4,558,331
Interest	1,500,000	1,500,000	3,761,051	2,261,051
Penalties and Settlements	2,500,000	2,500,000	5,906,028	3,406,028
State Grants	1,250,000	1,250,000	947,052	(302,948)
Federal Grants	2,065,000	2,065,000	2,024,312	(40,688)
Administrative Fees	14,381,020	24,513,914	15,822,753	(8,691,161)
Miscellaneous Revenue	52,750	152,730	328,963	176,233
<b>Total Operating Revenues</b>	<b>63,847,461</b>	<b>74,310,335</b>	<b>76,568,934</b>	<b>2,258,599</b>
Operating Amounts Available For Appropriations	63,847,461	74,310,335	76,568,934	2,258,599
Expenditures:				
Salaries and Benefits	45,891,344	45,891,344	39,980,456	5,910,888
Services and Supplies	5,537,685	5,537,685	4,051,386	1,486,299
Capital Outlays:				
Office Improvements	145,000	241,000	218,388	22,612
Computer Equipment	860,396	860,396	317,444	542,952
Office Furniture/Equipment	25,000	25,000	9,542	15,458
Office Machines	27,250	27,250	16,824	10,426
Telephone System	38,520	38,520	5,728	32,792
Detection Equipment	77,000	77,000	43,240	33,760
Automobiles	322,000	322,000	321,095	905
Audio/Visual Equipment	-	-	-	-
Video Conferencing System	26,000	26,000	15,226	10,774
Air Monitoring Station Equipment	223,000	223,000	216,337	6,663
Monitoring Near Roadways	-	-	-	-
AMS Automation Project	375,000	375,000	244	374,756
Purchase of Southern Region Office Building	-	-	-	-
<b>Total Capital Outlays</b>	<b>2,119,166</b>	<b>2,215,166</b>	<b>1,164,068</b>	<b>1,051,098</b>
Total Operating Charges to Appropriations	53,548,195	53,644,195	45,195,910	8,448,285
Excess of Operating Revenues Over Expenditures	10,299,266	20,666,140	31,373,024	10,706,884
<b><u>Non-Operating Budget</u></b>				
Revenues:				
Air Toxics	372,551	372,502	301,860	(70,642)
DMV Surcharge Fees	44,142,760	44,142,760	47,325,753	3,182,993
Carl Moyer Program	18,750,000	18,750,000	21,490,329	2,740,329
Proposition 1B	-	-	375,000	375,000
School Bus Programs	997,604	997,604	1,001,060	3,456
Federal and Heavy Duty Grants	15,891,224	20,953,724	3,904,499	(17,049,225)
CEC - Energy Efficiency Block Grant	8,168,263	8,151,063	97,008	(8,054,055)
VERA/ISR Rule Mitigation Funds	22,541,801	55,080,548	51,505,004	(3,575,544)
State Cap and Trade and AQIP Funding	38,292,733	204,098,446	143,542,872	(60,555,574)
Volkswagen Mitigation Funding	-	65,000,000	16,250,000	(48,750,000)
Non-Operating Interest	2,134,550	2,134,550	4,034,142	1,899,592
Other Miscellaneous Incentives	-	850,000	-	(850,000)
<b>Non-Operating Amounts Available For Appropriations</b>	<b>151,291,486</b>	<b>420,531,197</b>	<b>289,827,527</b>	<b>(130,703,670)</b>
Expenditures:				
Air Toxics-Pass Through	372,600	372,600	301,860	70,740
Federal and Heavy Duty Grants	15,891,400	20,953,800	3,904,499	17,049,301
Carl Moyer Program	20,429,000	24,953,100	8,954,657	15,998,443
DMV Surcharge Fees	62,089,200	115,411,900	39,861,132	75,550,768
VERA/ISR Rule Mitigation Program	48,143,900	87,006,447	17,032,317	69,974,130
Proposition 1B Program	17,852,800	42,746,500	25,445,311	17,301,189
School Bus Programs	2,297,400	2,895,900	315,486	2,580,414
Greenhouse Gas Support for Cities and Counties	-	-	-	-
Drought Relief Program	-	-	-	-
Community Incentive Programs	5,992,900	9,041,500	2,557,203	6,484,297
State Cap and Trade and AQIP Funding	167,663,300	258,518,913	41,249,709	217,269,204
CEC - Energy Efficiency Block Grant	8,168,300	8,151,100	97,008	8,054,092
Volkswagen Mitigation Funding	-	65,000,000	-	65,000,000
Miscellaneous Incentive Programs	921,700	897,100	9,589	887,511
<b>Total Non-Operating Charges to Appropriations</b>	<b>349,822,500</b>	<b>635,948,860</b>	<b>139,728,771</b>	<b>496,220,089</b>
Excess(Deficiency) of Non-Operating Revenues Over(Under) Expenditures	(198,531,014)	(215,417,663)	150,098,756	365,516,419
Appropriation for Contingencies	850,000	850,000	-	850,000
<b>Net Change to District Fund Balance, June 30, 2019</b>	<b>\$ (189,081,748)</b>	<b>\$ (195,601,523)</b>	<b>\$ 181,471,780</b>	<b>\$ 377,073,303</b>

## 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, 2019.

Excess of revenues over expenditures (GAAP Basis)	\$ 178,663,893
Adjustments from budget cash basis to modified accrual basis	2,807,887
Excess of revenues over expenditures (Budgetary Basis)	\$ 181,471,780

### 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](http://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\*

	FY 2018-19	FY 2017-18	FY 2016-17	FY 2015-16	FY 2014-15
District's proportion of the net pension liability (asset)	4.0838%	3.8855%	3.4683%	3.4037%	3.2966%
District's proportionate share of the net pension liability (asset)	\$ 95,186,053	\$ 91,852,721	\$ 83,711,648	\$ 74,985,888	\$ 68,213,462
District's covered payroll	\$ 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	381.07%	399.48%	377.70%	342.99%	311.73%
Plan fiduciary net position as a percentage of the total pension liability (asset)	59.22%	57.90%	57.15%	59.25%	60.66%

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

## 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 2018-19	FY 2017-18	FY 2016-17	FY 2015-16
Actuarially determined contribution	\$ 9,904,685	\$ 8,717,203	\$ 7,499,401	\$ 7,334,096
Actual contributions	8,995,309	8,426,722	7,750,471	8,111,984
Contribution deficiency (excess)	\$ 909,376	\$ 290,481	\$ (251,070)	\$ (777,888)
District's covered payroll	\$ 24,978,663	\$ 22,993,004	\$ 22,163,475	\$ 21,862,199
Actual contributions as a percentage of the District's covered payroll	36.01%	36.65%	34.97%	37.11%

\*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.

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## STATISTICAL SECTION

The information in this section is presented as supplemental data for the benefit of the readers of the comprehensive annual 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 comprehensive annual financial reports for the relevant year.

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

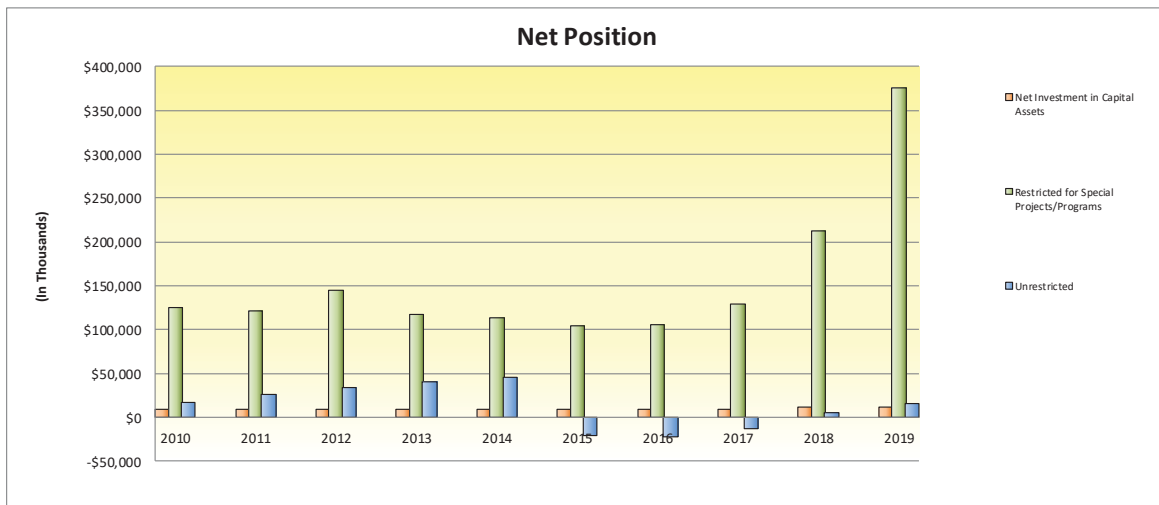
**STATEMENT OF NET POSITION**

**Last Ten Fiscal Years**

*(accrual basis of accounting)*

*(In Thousands)*

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Current and Other Assets	\$145,587	\$ 151,967	\$ 186,754	\$ 162,777	\$ 164,321	\$ 150,856	\$ 154,223	\$ 188,266	\$ 293,995	\$ 472,447
Capital Assets	10,684	10,129	9,985	9,298	9,117	9,259	9,568	9,397	12,528	12,322
<b>Total Assets</b>	<b>156,271</b>	<b>162,096</b>	<b>196,739</b>	<b>172,075</b>	<b>173,438</b>	<b>160,115</b>	<b>163,791</b>	<b>197,663</b>	<b>306,523</b>	<b>484,769</b>
Deferred Outflows of Resources - Deferred Pension	-	-	-	-	-	14,310	15,436	23,821	29,857	28,854
Current Liabilities	1,821	1,999	5,769	2,124	2,096	2,133	3,446	2,743	3,365	3,182
Noncurrent Liabilities	3,091	2,914	2,684	2,840	2,821	71,051	78,094	87,236	95,463	98,856
<b>Total Liabilities</b>	<b>4,912</b>	<b>4,913</b>	<b>8,453</b>	<b>4,964</b>	<b>4,917</b>	<b>73,184</b>	<b>81,540</b>	<b>89,979</b>	<b>98,828</b>	<b>102,038</b>
Deferred Inflows of Resources - Deferred Pension	-	-	-	-	-	8,893	3,806	5,775	7,948	8,082
<b>Net Position:</b>										
Net Investment in Capital Assets	9,646	9,421	9,622	9,298	9,117	9,259	9,568	9,397	12,528	12,322
Restricted for Special Projects/Programs	125,061	121,765	144,317	117,304	114,186	104,379	105,725	129,584	212,202	375,335
Unrestricted	16,652	25,997	34,347	40,509	45,218	(21,289)	(21,412)	(13,251)	4,875	15,846
<b>Total Net Position</b>	<b>\$151,359</b>	<b>\$ 157,183</b>	<b>\$ 188,286</b>	<b>\$ 167,111</b>	<b>\$ 168,521</b>	<b>\$ 92,349</b>	<b>\$ 93,881</b>	<b>\$ 125,730</b>	<b>\$ 229,605</b>	<b>\$ 403,503</b>



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

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

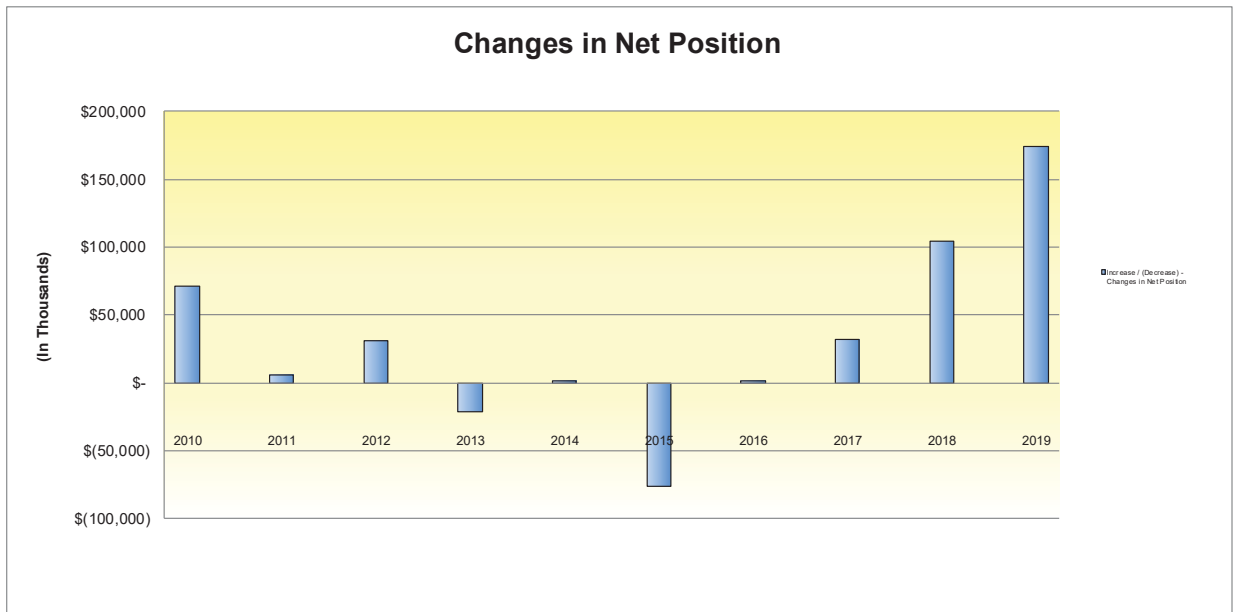
**CHANGES IN NET POSITION**

**Last Ten Fiscal Years**

*(accrual basis of accounting)*

*(In Thousands)*

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Revenues:</b>										
<b>Program Revenue:</b>										
Fees and Charges - Stationary Sources	\$ 19,348	\$ 26,861	\$ 23,969	\$ 24,768	\$ 23,372	\$ 23,589	\$ 24,936	\$ 26,721	\$ 32,126	\$ 33,820
Fees and Charges - Mobile Sources	11,569	11,005	12,963	11,480	13,945	12,587	13,084	17,961	20,971	29,572
Operating Grants	1,630	2,123	2,201	2,034	2,032	2,199	2,168	2,078	11,424	2,074
Restricted Special Revenue Sources	98,837	55,524	116,154	58,848	82,255	75,338	64,488	101,102	166,347	289,828
<b>Total Program Revenue</b>	<b>131,384</b>	<b>95,513</b>	<b>155,287</b>	<b>97,130</b>	<b>121,604</b>	<b>113,713</b>	<b>104,676</b>	<b>147,862</b>	<b>230,868</b>	<b>355,294</b>
<b>General Revenues:</b>										
State Subvention	900	901	917	923	917	916	916	929	936	947
Interest	164	392	552	920	1,050	1,237	1,334	1,611	2,323	3,761
Penalties/Settlements	4,662	6,151	5,715	3,896	4,204	3,022	3,672	6,004	6,495	6,115
Miscellaneous	30	223	175	150	71	142	196	61	113	280
<b>Total General Revenues</b>	<b>5,756</b>	<b>7,667</b>	<b>7,359</b>	<b>5,889</b>	<b>6,242</b>	<b>5,317</b>	<b>6,118</b>	<b>8,605</b>	<b>9,867</b>	<b>11,103</b>
<b>Other Financing Sources - Capital Asset Leases</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Revenues &amp; Other Financing Sources</b>	<b>137,140</b>	<b>103,180</b>	<b>162,646</b>	<b>103,019</b>	<b>127,846</b>	<b>119,030</b>	<b>110,794</b>	<b>156,467</b>	<b>240,735</b>	<b>366,397</b>
<b>Expenses:</b>										
Permitting	12,758	13,836	14,170	14,222	13,987	12,781	12,906	14,108	15,152	15,716
Enforcement / Air Monitoring / Ag Burning	12,698	12,064	12,111	12,112	12,560	13,938	14,532	15,084	16,389	17,352
Plan and Rule Development	2,035	2,054	1,696	1,540	1,781	1,272	1,148	726	1,288	1,361
Mobile Sources	3,315	3,399	3,778	4,380	4,526	4,639	4,885	5,417	5,799	7,265
Outreach & Communications	2,321	2,252	2,216	2,325	2,454	2,515	2,502	2,804	3,154	3,081
Air Quality Analysis	1,560	3,023	3,336	3,097	3,500	3,521	4,246	4,910	5,111	7,995
Non-Operating	31,546	60,728	94,236	86,518	87,628	93,561	69,043	81,569	89,966	139,729
<b>Total Expenses</b>	<b>66,233</b>	<b>97,356</b>	<b>131,543</b>	<b>124,194</b>	<b>126,436</b>	<b>132,227</b>	<b>109,262</b>	<b>124,618</b>	<b>136,859</b>	<b>192,499</b>
<b>Increase / (Decrease) - Changes in Net Position</b>										
Prior to Adjustment	70,907	5,824	31,103	(21,175)	1,410	(13,197)	1,532	31,849	103,876	173,898
Adjustment to Net Position	-	-	-	-	-	(62,975)	-	-	-	-
<b>Changes in Net Position</b>	<b>\$ 70,907</b>	<b>\$ 5,824</b>	<b>\$ 31,103</b>	<b>\$ (21,175)</b>	<b>\$ 1,410</b>	<b>\$ (76,172)</b>	<b>\$ 1,532</b>	<b>\$ 31,849</b>	<b>\$ 103,876</b>	<b>\$ 173,898</b>



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

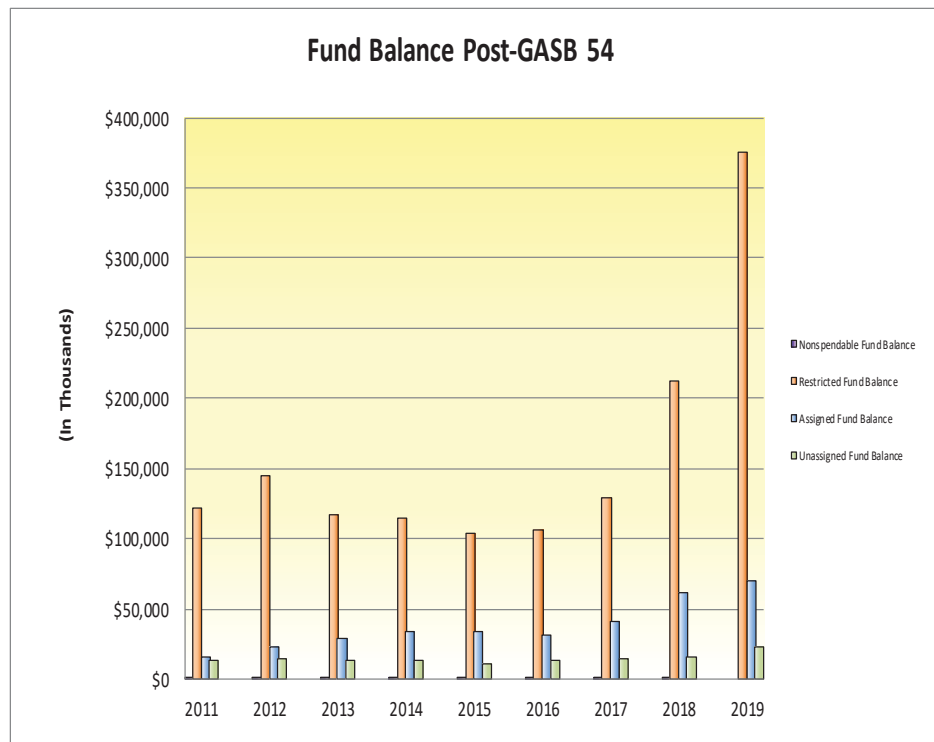
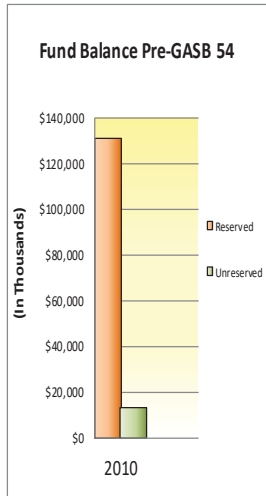
**SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT**

**FUND BALANCE, GENERAL FUND  
Last Ten Fiscal Years**

*(modified accrual basis of accounting)*

*(In Thousands)*

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
General Fund:										
Reserved	\$ 131,112	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	13,162	-	-	-	-	-	-	-	-	-
Nonspendable Fund Balance	-	241	302	757	1,592	548	988	1,018	1,372	1,607
Restricted Fund Balance	-	121,757	144,317	117,304	114,186	104,379	105,726	129,584	212,202	375,334
Committed Fund Balance	-	-	-	-	-	-	-	-	-	-
Assigned Fund Balance	-	15,309	22,591	29,431	33,346	33,748	31,138	40,723	61,644	69,529
Unassigned Fund Balance	-	13,110	14,332	13,358	13,317	10,277	13,170	14,198	15,661	23,073
<b>Total General Fund</b>	<b>\$ 144,274</b>	<b>\$ 150,417</b>	<b>\$ 181,542</b>	<b>\$ 160,850</b>	<b>\$ 162,441</b>	<b>\$ 148,952</b>	<b>\$ 151,022</b>	<b>\$ 185,523</b>	<b>\$ 290,879</b>	<b>\$ 469,543</b>



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**

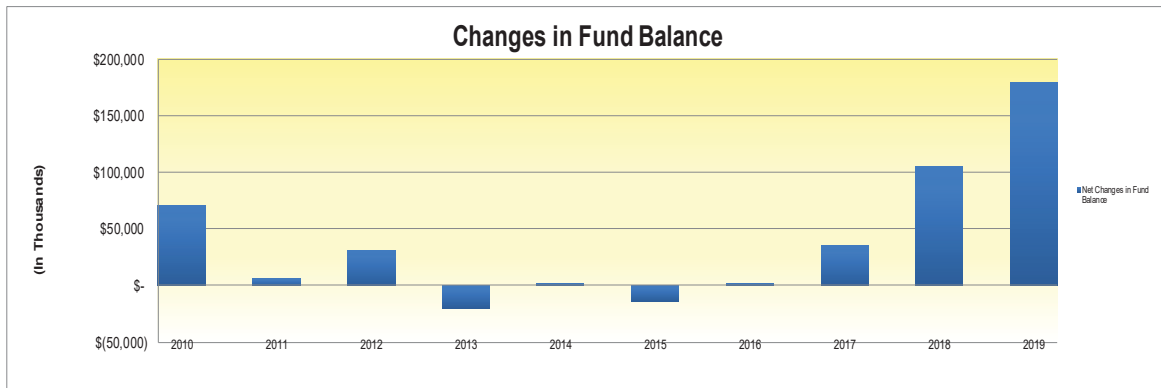
**CHANGES IN FUND BALANCE, GENERAL FUND**

**Last Ten Fiscal Years**

*(modified accrual basis of accounting)*

*(In Thousands)*

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Revenues:</b>										
<b>Program Revenues:</b>										
Fees and Charges - Stationary Sources	\$ 19,348	\$ 26,829	\$ 26,310	\$ 24,768	\$ 23,372	\$ 23,589	\$ 24,936	\$ 26,721	\$ 32,127	\$ 33,820
Fees and Charges - Mobile Sources	11,569	11,004	10,622	11,480	13,945	12,587	13,084	17,961	20,970	29,572
Operating Grants	1,630	2,123	2,201	2,034	2,032	2,199	2,168	2,078	11,424	2,074
Restricted Special Revenue Sources	98,837	55,524	116,240	58,848	82,255	75,338	64,488	101,102	166,347	289,828
<b>General Revenues:</b>										
State Subvention - Not Restricted	900	901	917	923	917	916	916	929	936	947
Interest - Not Restricted	164	392	552	920	1,050	1,237	1,334	1,611	2,323	3,761
Penalties/Settlements	4,662	6,151	5,715	3,896	4,204	3,022	3,672	6,004	6,495	6,115
Miscellaneous Revenue	76	(2)	202	172	71	142	283	61	113	280
<b>Total Revenues</b>	<b>137,186</b>	<b>102,922</b>	<b>162,759</b>	<b>103,041</b>	<b>127,846</b>	<b>119,030</b>	<b>110,881</b>	<b>156,467</b>	<b>240,735</b>	<b>366,397</b>
<b>Expenditures:</b>										
<b>Operating:</b>										
Salaries and Benefits	27,209	29,723	30,335	30,707	32,040	32,379	33,583	34,669	36,397	39,965
Services and Supplies	5,095	4,998	4,731	5,030	5,201	4,611	4,515	4,497	4,470	4,080
Capital Outlay	2,183	958	1,959	1,105	1,386	1,968	1,671	1,230	4,546	3,959
<b>Debt Services:</b>										
Principal	315	330	346	362	-	-	-	-	-	-
Interest	58	43	27	11	-	-	-	-	-	-
<b>Total Operating Expenditures</b>	<b>34,860</b>	<b>36,052</b>	<b>37,398</b>	<b>37,215</b>	<b>38,627</b>	<b>38,958</b>	<b>39,769</b>	<b>40,396</b>	<b>45,413</b>	<b>48,004</b>
<b>Non-Operating:</b>										
Pass Through and Non-Operating	31,546	60,728	94,236	86,518	87,628	93,561	69,043	81,569	89,966	139,729
<b>Total Expenditures</b>	<b>66,406</b>	<b>96,780</b>	<b>131,634</b>	<b>123,733</b>	<b>126,255</b>	<b>132,519</b>	<b>108,812</b>	<b>121,965</b>	<b>135,379</b>	<b>187,733</b>
Other Financing Sources - Capital Asset Leases	-	-	-	-	-	-	-	-	-	-
<b>Net Changes in Fund Balance - Prior to Adjustment</b>	<b>70,780</b>	<b>6,142</b>	<b>31,125</b>	<b>(20,692)</b>	<b>1,591</b>	<b>(13,489)</b>	<b>2,069</b>	<b>34,502</b>	<b>105,356</b>	<b>178,664</b>
Adjustment to Fund Balance	-	-	-	-	-	-	-	-	-	-
<b>Net Changes in Fund Balance</b>	<b>\$ 70,780</b>	<b>\$ 6,142</b>	<b>\$ 31,125</b>	<b>\$ (20,692)</b>	<b>\$ 1,591</b>	<b>\$ (13,489)</b>	<b>\$ 2,069</b>	<b>\$ 34,502</b>	<b>\$ 105,356</b>	<b>\$ 178,664</b>
Debt service as a percentage of noncapital expenditures	1.14%	1.06%	1.05%	1.03%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

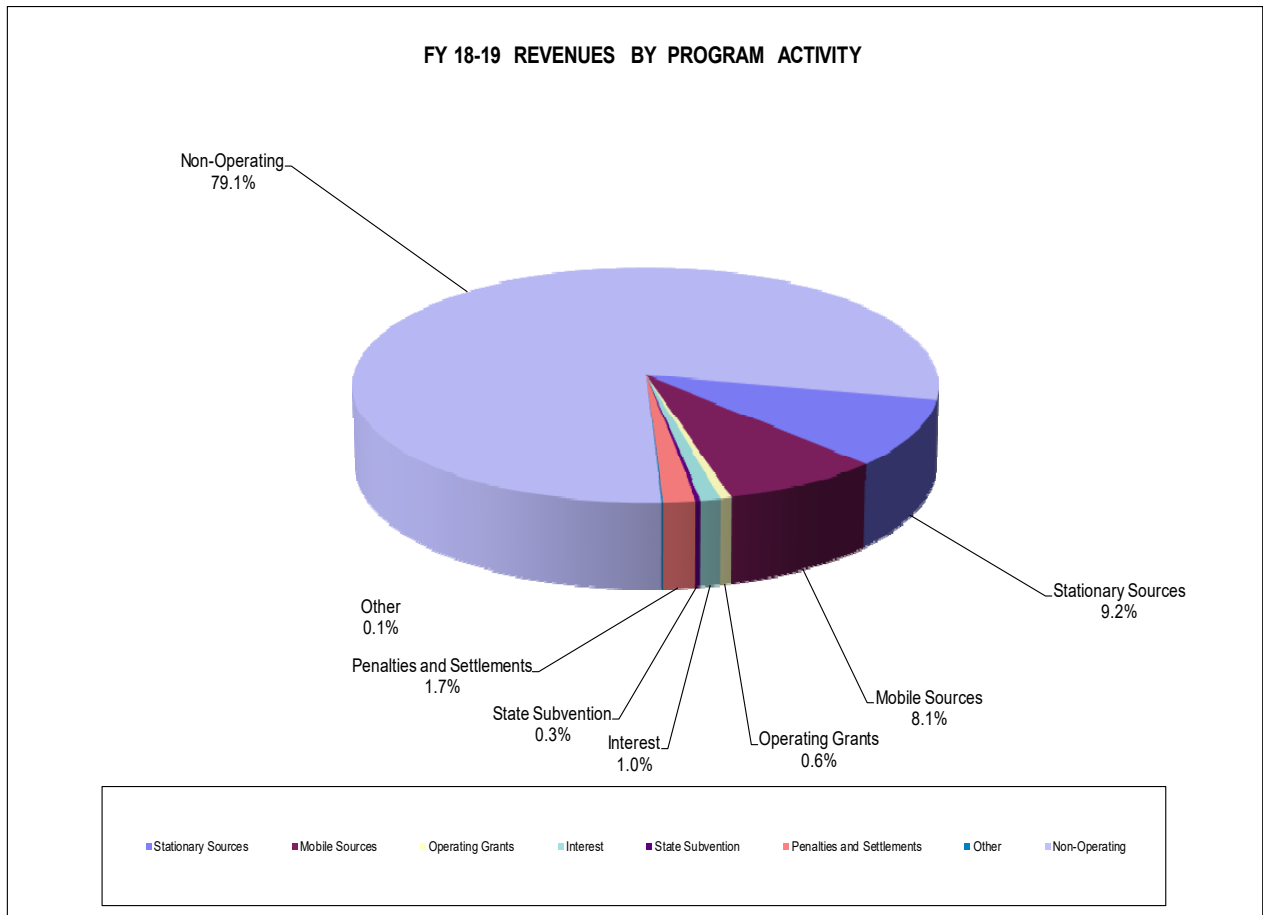


Source: San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

## SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

### REVENUES BY PROGRAM ACTIVITY Last Ten Fiscal Years

Program Activity	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Stationary Sources	\$ 19,347,832	\$ 26,861,373	\$ 23,969,030	\$ 24,767,656	\$ 23,372,236	\$ 23,589,328	\$ 24,935,598	\$ 26,720,737	\$ 32,126,421	\$ 33,819,926
Mobile Sources	11,568,759	11,004,317	12,962,535	11,479,999	13,945,295	12,587,016	13,083,836	17,960,475	20,970,391	29,571,734
Operating Grants	1,630,002	2,123,425	2,200,999	2,034,170	2,032,077	2,198,751	2,168,103	2,077,626	11,424,146	2,074,312
Interest	164,572	392,185	552,185	919,905	1,049,885	1,236,409	1,334,372	1,610,865	2,322,980	3,761,051
State Subvention	900,090	901,102	916,983	923,280	916,805	916,425	916,151	929,057	936,250	947,052
Penalties and Settlements	4,661,655	6,151,499	5,715,216	3,895,600	4,204,663	3,021,904	3,671,774	6,004,361	6,495,034	6,115,094
Other	30,522	222,696	175,375	149,587	70,998	141,979	283,079	61,106	113,226	279,766
Non-Operating	98,837,105	55,523,858	116,153,677	58,848,227	82,254,719	75,338,055	64,487,754	101,102,354	166,346,429	289,827,526
<b>Total Revenues</b>	<b>\$ 137,140,537</b>	<b>\$ 103,180,455</b>	<b>\$ 162,646,000</b>	<b>\$ 103,018,424</b>	<b>\$ 127,846,678</b>	<b>\$ 119,029,867</b>	<b>\$ 110,880,667</b>	<b>\$ 156,466,581</b>	<b>\$ 240,734,877</b>	<b>\$ 366,396,461</b>



Notes: Other includes: Miscellaneous Revenue and Subscriptions

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

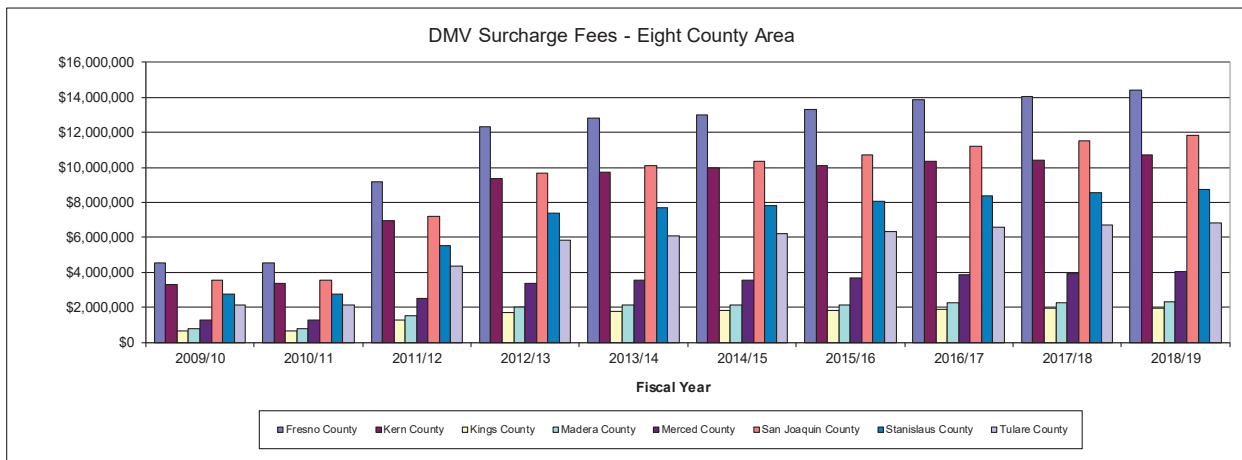
**SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT**

**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
2009/10	4,538,075	3,335,859	646,014	758,831	1,253,444	3,568,388	2,749,422	2,152,389	19,002,421	-0.49%
2010/11	4,568,020	3,362,490	643,497	761,072	1,253,604	3,568,755	2,741,126	2,172,166	19,070,730	0.36%
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%



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.

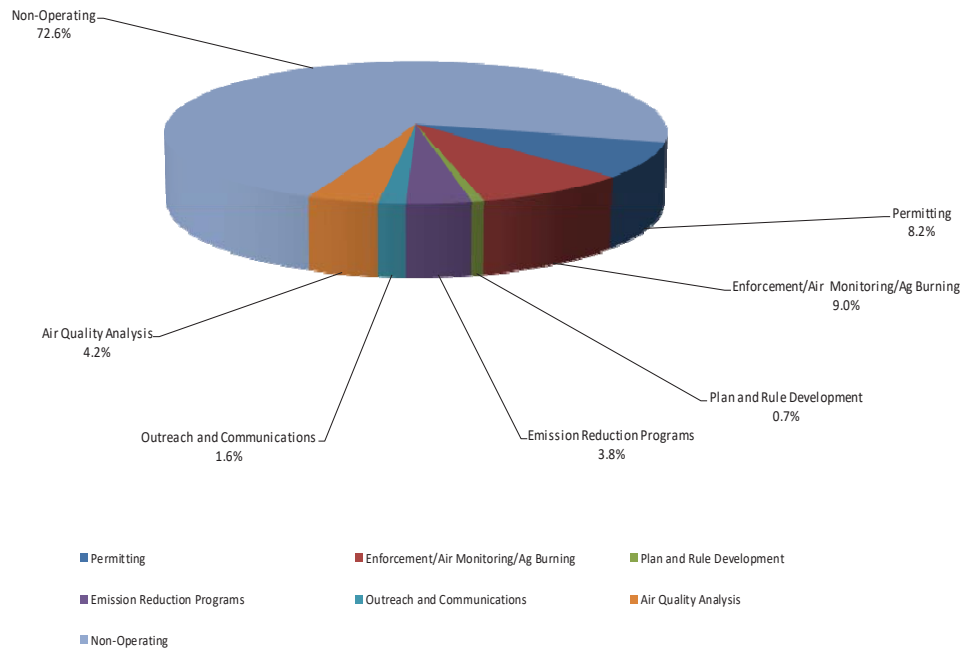
Source: California Department of Motor Vehicles

## SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

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

Program Activity	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Permitting	\$ 12,758,531	\$ 13,835,586	\$ 14,170,277	\$ 14,222,479	\$ 13,987,232	\$ 12,781,456	\$ 12,906,182	\$ 14,108,474	\$ 15,151,629	\$ 15,716,153
Enforcement/Air Monitoring/Ag Burning	12,697,970	12,063,812	12,110,993	12,112,312	12,559,594	13,938,265	14,532,516	15,084,374	16,388,828	17,351,638
Plan and Rule Development	2,034,991	2,054,340	1,696,327	1,539,504	1,780,869	1,271,597	1,147,918	725,613	1,288,524	1,361,075
Emission Reduction Programs	3,315,001	3,399,671	3,778,290	4,379,931	4,526,521	4,639,424	4,885,046	5,416,974	5,799,206	7,264,553
Outreach and Communications	2,320,601	2,251,876	2,215,619	2,324,962	2,453,837	2,514,672	2,502,259	2,803,370	3,153,693	3,081,456
Air Quality Analysis	1,560,082	3,022,735	3,335,839	3,096,749	3,499,658	3,520,539	4,245,554	4,910,143	5,111,140	7,994,990
Non-Operating	31,546,321	60,727,740	94,235,828	86,517,953	87,628,449	93,560,856	69,043,003	81,568,823	89,966,110	139,728,770
<b>Total Expenses</b>	<b>\$ 66,233,497</b>	<b>\$ 97,355,760</b>	<b>\$ 131,543,173</b>	<b>\$ 124,193,890</b>	<b>\$ 126,436,160</b>	<b>\$ 132,226,809</b>	<b>\$ 109,262,478</b>	<b>\$ 124,617,771</b>	<b>\$ 136,859,130</b>	<b>\$ 192,498,635</b>

### FY 18-19 EXPENSES BY PROGRAM ACTIVITY (Accrual Basis of Accounting)

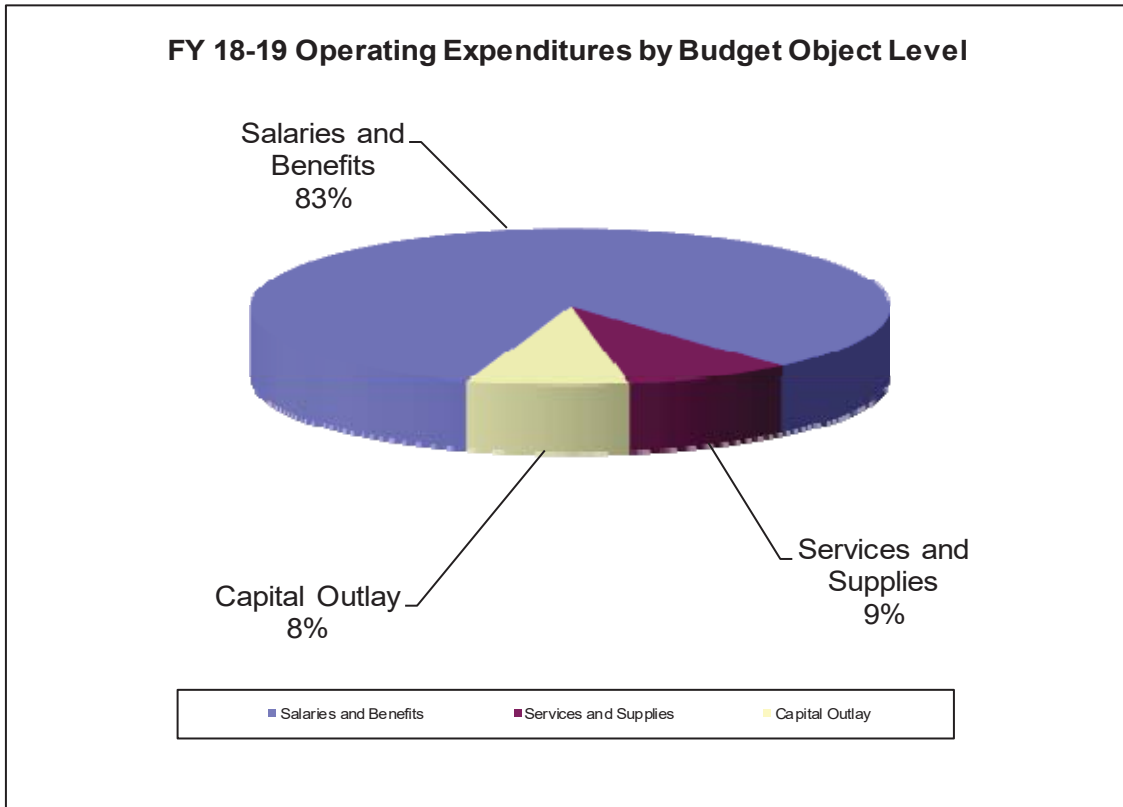


Source: San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

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

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

<b>Fiscal Year</b>	<b>Salaries and Benefits</b>	<b>Services and Supplies</b>	<b>Capital Outlay</b>	<b>Total Operating Expenditures</b>
2009/10	27,209,307	5,094,841	2,183,316	34,487,464
2010/11	29,722,716	4,997,940	958,072	35,678,728
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



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

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

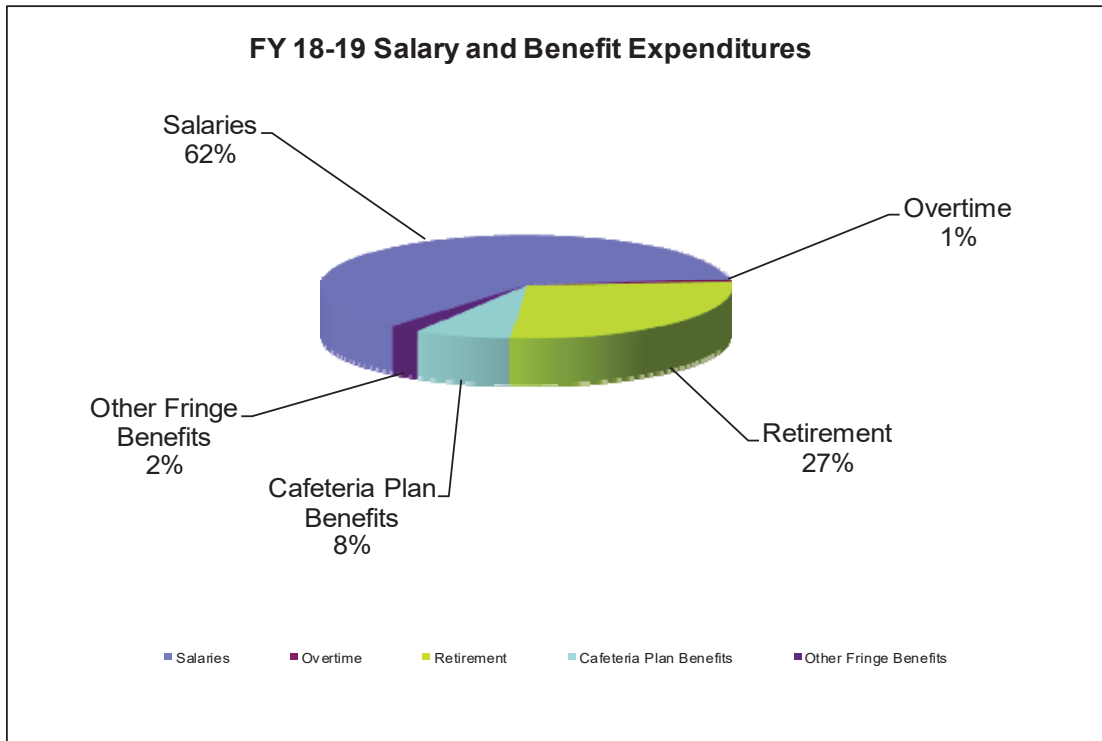
**SALARY AND BENEFIT EXPENDITURES  
Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Salaries</b>	<b>Overtime</b>	<b>Retirement</b>	<b>Cafeteria Plan Benefits</b>	<b>Other Fringe Benefits</b>	<b>Total Salaries and Benefits</b>
2009/10	\$ 18,492,855	\$ 321,901	\$ 5,653,041	\$ 2,020,012	\$ 721,498	\$ 27,209,307
2010/11	19,655,967	338,115	6,962,404	2,006,418	759,812	29,722,716
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

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.

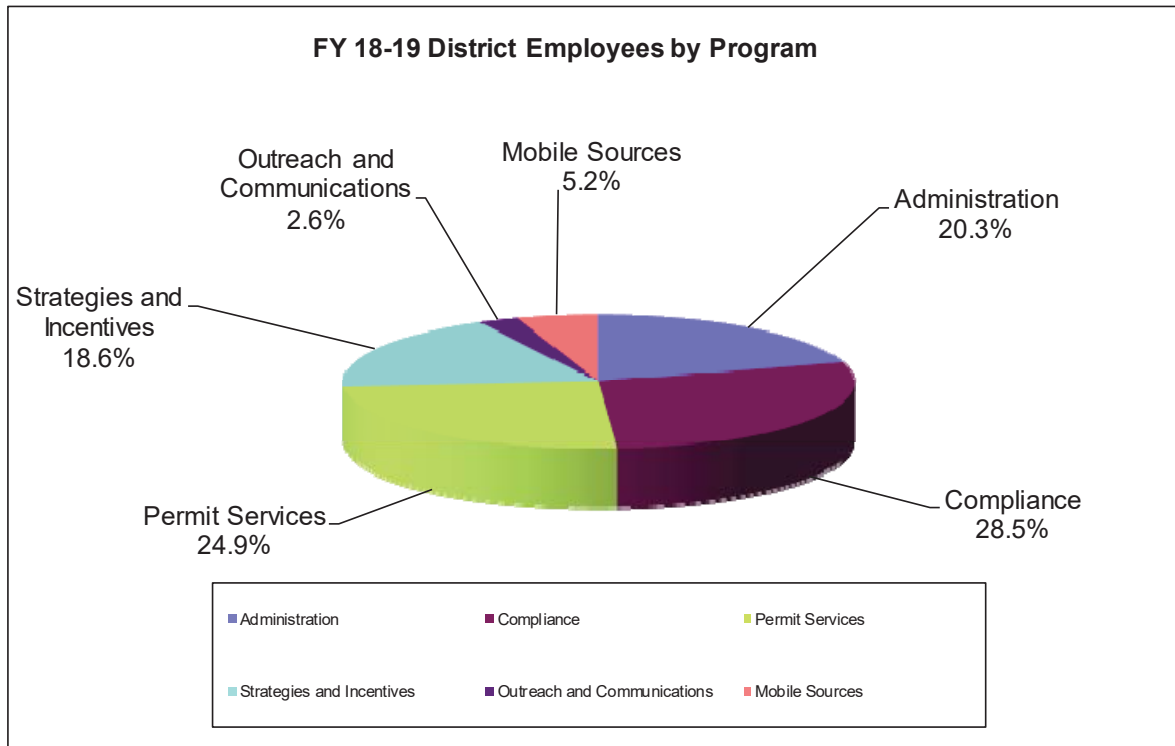


Source: San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

**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
2009/10	61	97	94	28	7	21	308
2010/11	61	97	94	28	7	21	308
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



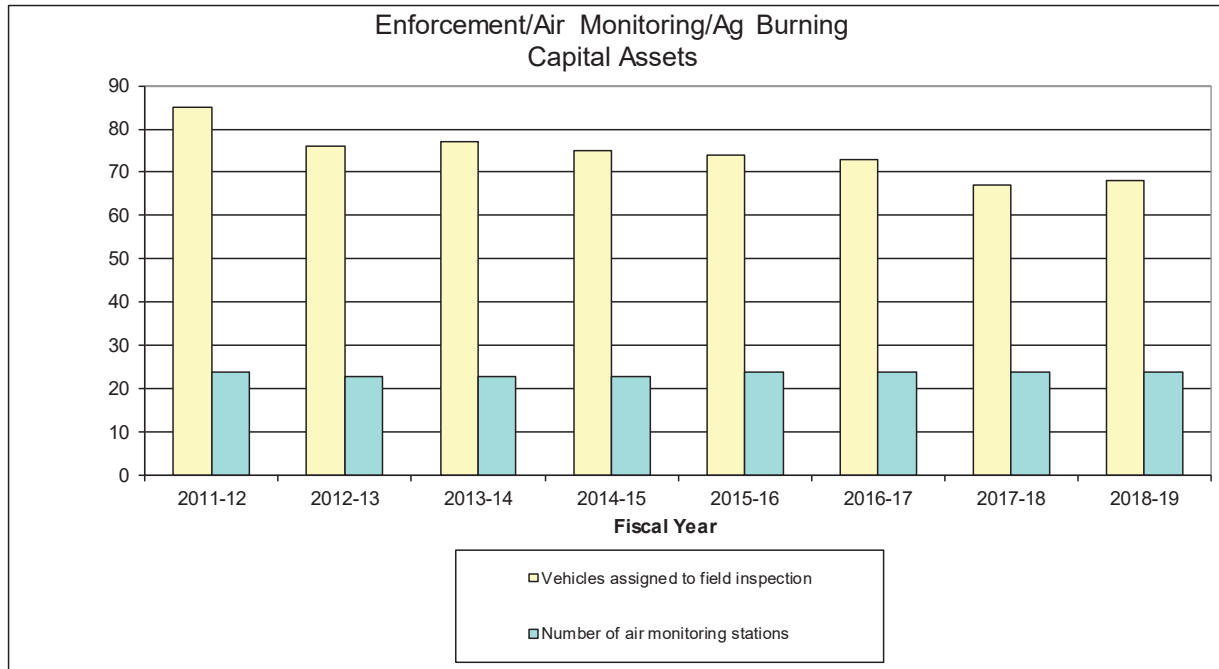
\*District Adopted Budget

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\***

<b>Program</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
<b>Enforcement/Ag Burning</b>								
Vehicles assigned to field inspection	85	76	77	75	74	73	67	68
<b>Air Monitoring</b>								
Number of air monitoring stations	24	23	23	23	24	24	24	24
<b>Outreach and Communications</b>								
Vehicles assigned to communications	1	1	1	1	1	1	1	1



\* 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



**OPERATING INDICATORS BY PROGRAM**  
**Last Ten Fiscal Years**

<u>Program Category</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>Permitting</b>										
Authority to construct permits issued	5,201	4,995	7,055	4,034	3,575	3,105	2,939	2,975	2,541	2,132
New permits to operate issued	339	577	227	133	127	48	59	30	2,226	2,364
New title V permits issued	414	1,648	238	2,586	214	201	27	320	55	10
Title V permit modifications	642	2,019	8,784	1,532	1,616	2,296	753	862	1,106	771
Conservation management practices plans issued	617	573	680	464	260	459	227	492	407	495
Emission reduction credit certificates issued or transferred	339	415	232	346	492	467	248	209	226	189
Toxic air contaminant risk-management reviews performed	806	815	903	987	853	876	686	678	809	697
Annual emissions inventory surveys processed	4,375	5,465	1,820	7,443	6,758	6,147	6,603	4,603	6,447	5,511
California environmental quality act review requests	1,759	1,416	1,367	1,475	1,769	1,796	1,807	2,560	2,568	3,125
Indirect source review applications processed	163	199	214	213	200	175	207	241	344	339
<b>Enforcement/air monitoring/ag burning</b>										
Permit units inspected	23,532	22,630	31,090	32,529	37,422	31,234	36,879	32,568	32,131	34,679
Public complaints investigated	2,157	2,287	3,239	2,759	3,379	3,376	2,719	2,891	3,297	3,007
Open burn sites inspected	2,508	1,935	1,993	1,697	1,526	1,512	1,809	1,944	1,841	1,655
Incentive funding units (trucks, engines) inspected	2,764	3,584	3,792	5,598	5,503	4,029	2,660	3,293	4,116	4,817
Asbestos projects reviewed and inspected	1,017	1,974	1,112	967	902	666	579	702	284	137
Notices of violation	2,948	2,919	3,309	2,560	2,810	2,457	2,297	2,069	2,909	2,833
<b>Plans and rules developed to Achieve Clean Air</b>										
New rules adopted	7	10	8	2	4	21	2	-	-	-
<b>Outreach and communications</b>										
Media calls	322	293	305	211	250	201	195	188	191	204
Public calls	1,415	1,331	1,278	910	1,078	1,447	1,626	1,270	1,286	1,464
News releases	43	38	51	43	48	28	43	36	25	33
Events & presentations	145	132	159	51	77	52	81	84	65	125
<b>Grants and Incentives</b>										
Contracts awarded	881	4,919	3,594	4,906	6,008	8,619	7,512	7,717	7,746	10,117
Amount contracted	\$55,842,284	\$61,908,384	\$98,116,375	\$107,648,690	\$82,171,567	\$76,089,828	\$72,905,963	\$126,589,650	\$119,555,398	\$220,567,168

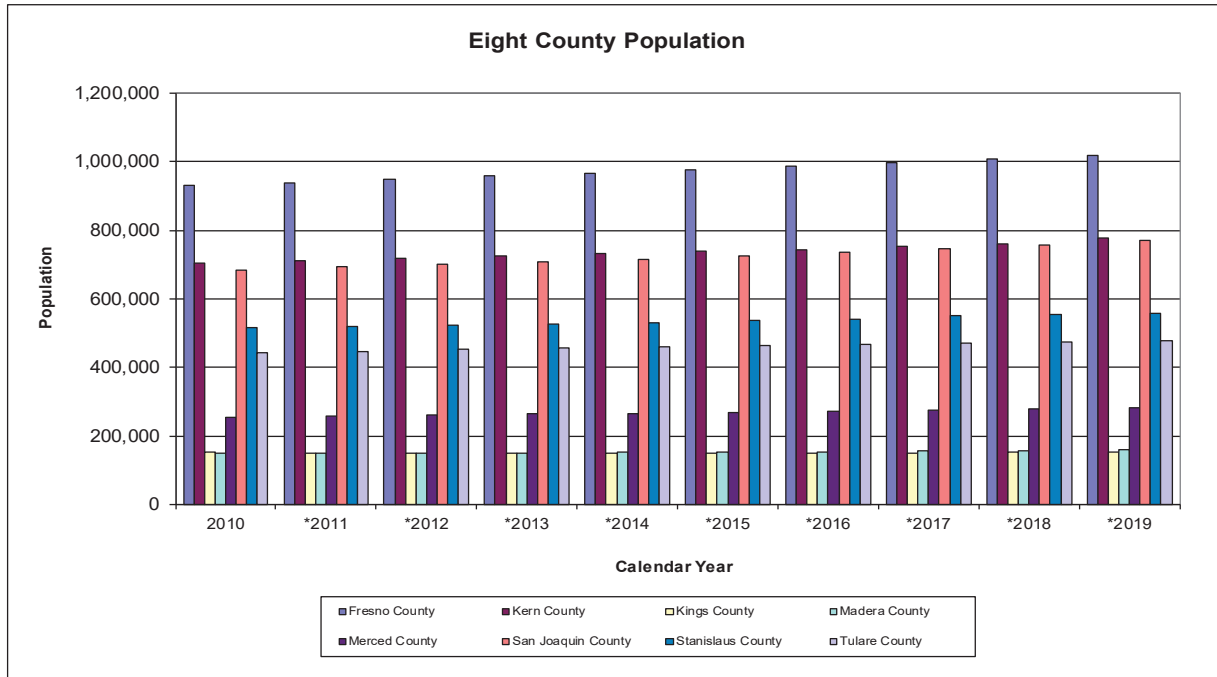
\* Amounts presented above were determined as of 6/30.

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
2010	930,450	705,290	152,982	150,865	255,793	685,306	514,453	442,179	3,837,318	-1.03%
*2011	939,813	710,274	151,557	151,458	259,297	693,114	518,916	446,322	3,870,751	0.87%
*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	778,994	153,710	159,536	282,928	770,385	558,972	479,112	4,201,878	1.39%



\* Estimated population

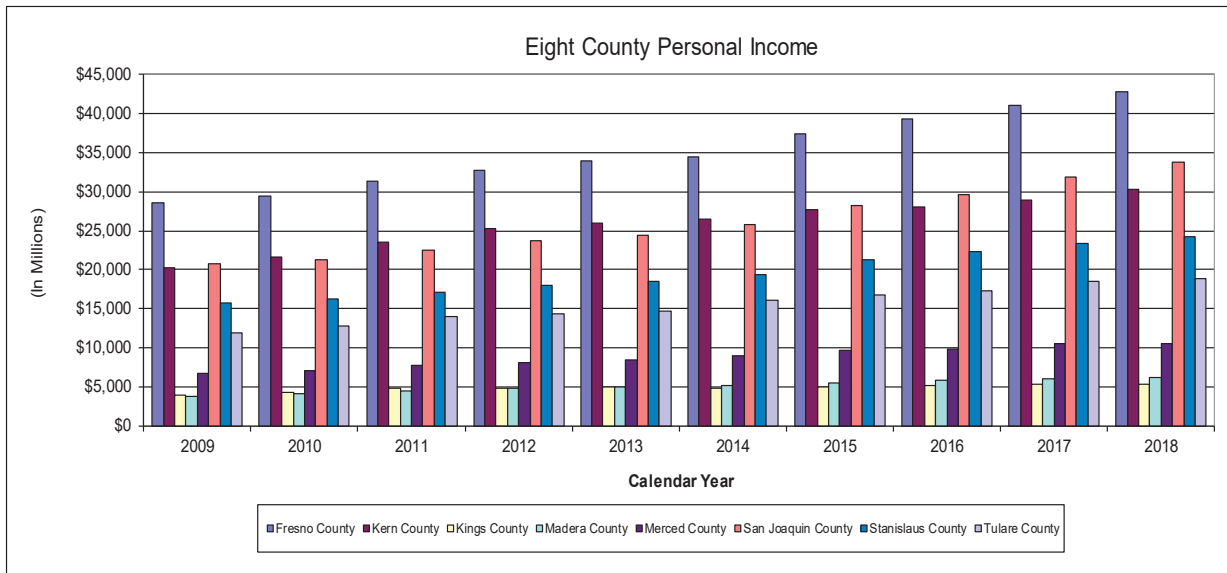
Notes: The San Joaquin Valley Unified Air Pollution Control District encompasses all of Fresno, Kings, Madera, Merced, San Joaquin, Stanislaus, and Tulare Counties, and the valley portion of Kern County.

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
2009	28,598	20,279	3,881	3,818	6,804	20,810	15,752	11,977	\$ 111,919	-1.15%
2010	29,396	21,703	4,260	4,170	7,147	21,262	16,279	12,843	117,060	4.59%
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%



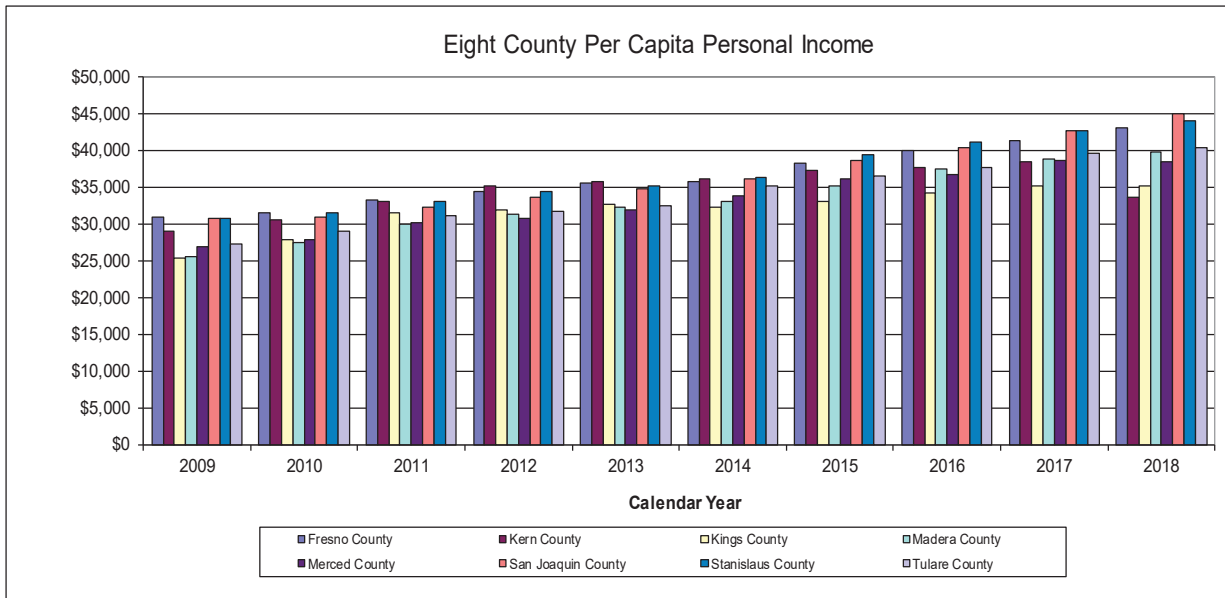
Notes: The San Joaquin Valley Unified Air Pollution Control District encompasses all of Fresno, Kings, Madera, Merced, San Joaquin, Stanislaus, and Tulare Counties, and the valley portion of Kern County.

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
2009	31,035	29,082	25,484	25,581	26,969	30,705	30,793	27,408	\$ 28,382
2010	31,516	30,693	27,949	27,581	27,835	30,926	31,592	28,968	29,633
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	33,748	35,306	39,897	38,519	44,995	44,120	40,420	40,011



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.

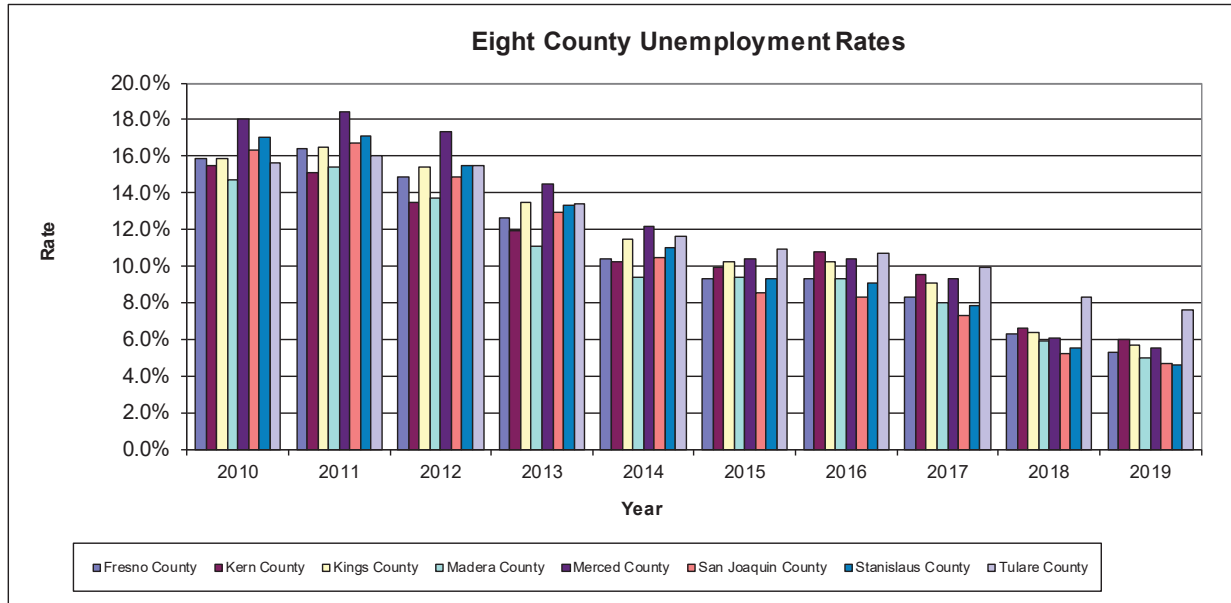
Source: Bureau of Economic Analysis

**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
2010	15.9%	15.5%	15.9%	14.7%	18.0%	16.3%	17.0%	15.6%	16.1%
2011	16.4%	15.1%	16.5%	15.4%	18.4%	16.7%	17.1%	16.0%	16.5%
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%



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:	4,201,878 (2019 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:	3,106,721 (6/30/19) 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 2019-20 Budget:	\$621,081,935

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## **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