YOLO–SOLANO AIR QUALITY MANAGEMENT DISTRICT

Audited Financial Statements
and Other Report

For the Fiscal Years Ended June 30, 2016 and 2015

YOLO–SOLANO AIR QUALITY MANAGEMENT DISTRICT

BASIC FINANCIAL STATEMENTS

For the Fiscal Years Ended June 30, 2016 and 2015

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BASIC FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Yolo-Solano Air Quality Management District
Davis, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Yolo-Solano Air Quality Management District (District) as of and for the years ended June 30, 2016 and 2015, 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.

Auditors' Responsibility

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

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of June 30, 2016 and 2015, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, and GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*, effective July 1, 2014. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards* we have also issued our report dated February 8, 2017, 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 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 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.

Vavrinek, Trine, Day & Co. LLP

Sacramento, California
February 8, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016 AND 2015

The following discussion and analysis of the Yolo-Solano Air Quality Management District's financial performance provides an overview of the District's financial activities for the fiscal years ending June 30, 2016 and 2015. This information is presented in conjunction with the audited financial statements and the accompanying notes that follow this section.

Financial Highlights

- As of June 30, 2016, the total assets and deferred outflows of the District exceeded its total liabilities and deferred inflows by $975,180 (net position). Of this amount $1,481,762 is restricted due to legislation under AB 2766 and AB 923, and $545,782 is restricted under Solano County property tax based on Board approval for public awareness programs, equipment and/or projects.

- As of the close of FY 2016 the District's combined fund balances reported an ending balance of $3,094,495, a decrease of $481,725 in comparison with FY 2015. The restricted portion of the total fund balance is 66% of the combined balance. A portion of the decrease is due to releasing a part of the contingency for the grant program in Fund 6960, Mobile Source DMV AB 923 previously restricted.

- Other Post-Employment Benefits (OPEB): The District continues to prefund health care premiums for eligible retirees and dependents and contributed $135,943 in FY 2016.

- The District received a Federal grant totaling $77,955 during FY 2016 for a fourth year under a pilot Section 105 Clean Air Act program. The grant was used to supplement the District's permit program. Another federal grant received was for the District’s PM 2.5 air monitoring program which totaled $23,910 in FY 2016. The funds were used to offset operation and maintenance of the federal and state air-monitoring network.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to 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. This report also contains required supplementary information in addition to the basic financial statements.

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

Government-Wide Financial Statements

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

The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place.

Statement of Net Position presents information on all the District's assets, deferred outflows, liabilities, and deferred inflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as an indicator of whether the financial position of the District is improving or deteriorating. Under the reporting requirements of GASB Statement 68 many end users of this financial statement will gain a clearer understanding of the District’s actual financial condition by adding deferred inflows and outflows related to pension and the net pension liability to the reported net position.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

The government-wide financial statements are presented on pages 11 and 12.

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. The District's fund financial statements are divided into four funds:

- General Fund: This fund is used for the stationary source, agricultural burning, asbestos, and mutual settlement programs. The District also receives a small subvention grant and Portable Equipment Registration (PERP) fees from the State of California Air Resources Board (ARB). The District also received small pass-through grants from the EPA to assist in the stationary source and air monitoring programs. The revenue supports the staff that works within the programs.

- Mobile Source Program - Dept. of Motor Vehicle Fees, Funds (AB 2766 and AB 923): Both funds are considered special revenue funds that track restricted revenue received from the DMV. The DMV collects and provides to the District $6.00 for each vehicle registered within the District's jurisdiction. A portion of the revenue ($4.00 per vehicle) is used to support CAF projects and supports the staff that works within the mobile source program under AB 2766 and is accounted for in fund 6962. The District Board approved an additional $2.00 and this allows the DMV to collect an additional $2.00 per vehicle. The use of the extra $2.00 is restricted and as the revenue received under AB 2766, is set by legislation. The funds under AB 923 are accounted for in fund 6960.

- Solano Property Tax: This fund is considered a special revenue fund. Restricted revenue received from Solano County is granted back to the Solano County community through the District's CAF program and a small percentage is used toward public health awareness programs, special projects and equipment. An administrative fee is charged to this restricted fund, and is reimbursed to the General Fund. Also included in this fund is pass-through from successor agencies to former RDA’s collected tax.

Governmental Funds

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

In general, these financial statements under the modified accrual basis have a short-term emphasis and for the most part, measure and account for cash and other assets that can easily be converted to cash. Specifically, cash and receivables collectible within a very short period of time are reported on the balance sheet.

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

The focus of the fund financial statements is narrower than that of the government-wide financial statements. The governmental fund financial statements can be found on pages 13-14 and 17-18. Since different accounting bases are used to prepare the above statements, reconciliation is required to facilitate the comparison between the fund statements and government-wide statements. The reconciliation between the total fund balances can be found on pages 15 and 16. The reconciliation of the total change in fund balances for all governmental funds to the change in net position can be found on pages 19 and 20.

Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget to Actual

Budgeted and actual amounts by fund are provided on pages 50 through 57.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 21 through 48 of this report.

Government-Wide Financial Analysis

Net position of the District's governmental activities may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflow of resources by $975,180 as of June 30, 2016 and $1,303,756 as of June 30, 2015.

The following schedule lists a condensed Statement of Net Position as of June 30, 2016 compared with 2015 and 2014.

	Year ended June 30,		
	2016	2015	2014
Assets:			
Current assets	$ 3,243,683	$ 3,636,174	$ 3,529,793
Capital assets, net	140,586	97,759	66,709
Total assets	3,384,269	3,733,933	3,596,502
Deferred outflows of resources			
Deferred outflows related to pensions	221,159	285,922	-
Liabilities:			
Current liabilities	169,013	87,915	369,479
Noncurrent liabilities	463,146	431,434	525,699
Net pension liability	1,619,296	1,656,926	-
Total liabilities	2,251,455	2,176,275	895,178
Deferred inflows of resources			
Deferred inflows related to pensions	378,793	539,824	-
Net Position:			
Net investment in capital assets	123,276	79,322	55,730
Restricted	2,027,544	2,697,955	2,364,705
Unrestricted	(1,175,640)	(1,473,521)	280,889
Total net position	$ 975,180	$ 1,303,756	$ 2,701,324

Total net position decreased from 2015 to 2016 by 25% or $328,576, compared to a decrease of 52% or $1,397,568 from 2014 to 2015. Explanations for changes in net position are explained below.

The most significant variance of total Net Position is related to cash and investments, which is covered in detail in Note 2 on pages 28 through 30, restricted cash and investments, which is covered in detail in Note 3 on pages 31 through 33 and the deferred inflows related to pensions, which is covered in detail in Note 7 on pages 36 through 41. The District is allocated its proportionate share of the CalPERS' net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. Decisions regarding the allocations are made by the administrators of the pension plan, not by District management.

In addition there is an increase in FY 2016 from prior year in 'Current liabilities' of $81,098, which consists of a combined total for accounts payable, due to other funds, due to other agencies, accrued payroll and unearned income. The increase of $70,241 is from due to other funds for negative cash balances due to timing of payments of operating costs.

The following lists the Statement of Activities for the years ended June 30, 2016, 2015 and 2014:

	Year ended June 30,		
	2016	2015	2014
Program Revenues:			
Charges for services	$ 1,916,178	$ 1,773,299	$ 1,746,121
Operating grants and contributions	2,364,196	2,313,645	2,214,007
Total program revenues	4,280,374	4,086,944	3,960,128
Program Expenses:			
Public health	4,905,675	3,644,284	3,874,739
Interest on long term debt	8,836	888	1,907
Total program expenses	4,914,511	3,645,172	3,876,646
General Revenues:			
Settlements and penalties	238,212	144,904	235,084
Investment income	29,246	8,694	8,406
Other	38,103	16,084	15,038
Total general revenues	305,561	169,682	258,528
Change in net position	(328,576)	611,454	342,010
Net Position - July 1	1,303,756	692,302	2,359,314
Net Position - June 30	$ 975,180	$ 1,303,756	$ 2,701,324

Governmental Activities

Below are explanations of the significant revenue variances from fiscal years 2015 to 2016.

Program Revenue

- Charges for Services: This is the District's General Fund revenue and is considered the main operating fund of the District. There was a slight increase in revenue that falls within this category from 2015 to 2016 of 8% or $142,879 in comparison to 2014 to 2015 which was an increase of 2% or $27,178. This revenue category can fluctuate based on permit activity.

- Operating Grants and Contributions: This is revenue received from the DMV and Solano County under property tax proceeds and redevelopment pass-through dollars; and state or federal grants and/or pass-through funds. There is a slight increase of 2% or $50,551 from 2015 to 2016 in comparison to 2014 to 2015 which was an increase of 5% or $99,638.

Program Expenses

- Public Health: Expenses under this category shows an increase in fiscal year 2015 to 2016 of 35% or $1,261,391 and a decrease of 6% or $230,455 from fiscal year 2014 to 2015. The variances show an increase in the District's operating costs, with the largest variance affecting the increase is under the AB923 grant program, which increased by $1,211,288. The District considers the role of the District as a public health agency with our goal to protect human health and property from the harmful effects of air pollution. Included in the role of a public health agency is staffing to ensure the goals are met. This involves meeting state and federal air quality rules and regulations and mandates. Other expenditures to effectively run the District consist of services and supplies including rent of office space, utilities, insurance, training, travel and professional services such as legal, accounting, payroll, computer network support, etc.

General Revenues

- General Revenue: Settlement revenues increased by 64% or $93,308 from 2015 to 2016, which compares to a decrease by 38% or $90,180 from 2014 to 2015. This revenue is received due to violation of District rules and regulations, and federal and/or state law, and can vary from year to year.

Financial Analysis of the Governmental Funds

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements focus on individual parts of the District, reporting the District's operations in more detail than the government-wide financial statements. The governmental funds provide information on near-term inflows, outflows and balances of spending resources. Total governmental fund balance at June 30, 2016 was $3,094,495 which is a decrease of $481,275 in comparison with FY 2015.

The following table shows the fund balance by classifications for the last three years ending June 30. Classifications include Restricted (AB 2766, AB 923 and Solano Property Tax), Assigned (General Fund's Equipment Replacement and Special Programs reserve accounts) and Unassigned (which also includes the General Fund's "General Reserves" of $259,146).

Fund Balance	2016	2015	2014
General Fund	$ 1,066,951	$ 878,265	$ 822,837
AB2766	262,237	227,883	266,251
AB923	1,219,525	1,965,957	1,528,823
Solano Property Tax	545,782	504,115	569,631
Total Fund Balance	$ 3,094,495	$ 3,576,220	$ 3,187,542

Variances of 15% in the fund balances by classification within the last three years are explained as follows.

- General Fund: The fund balance increased by 21% or $188,616 in FY 2016. The District received unanticipated revenue and had an overall savings in expenses in FY 2017 including salary and benefits, and services and supplies.

- Mobile Source DMV AB 923 fund balance decreased by 38% or $746,432 in FY 2016. The Board approved a new Agricultural Equipment and Public Fleet Grant Program in 2014 and the District staff rolled out the program in FY 2015, but was not able to release the majority of the available funds (only $82,095 out of $1,300,000). However, in FY 2016 the District was successful in releasing up to $1,293,000.

Analysis of General Fund Budget

Significant variances from the Final Budget to the Actual amounts as shown on pages 50 through 57 for FY 2016 are:

General Fund

- Revenue received from licenses and permits shows a $65,978 increase from final to actual.
- Settlements and penalties increased by $123,212 from final to actual. This revenue received is based on violations of District Rules and Regulations and settlement of violations.
- Expenditures in the Public Health category decreased from the final to the actual spent by $234,471. There was savings in salaries and benefits of approximately $177,195 (several unfilled vacancies). In addition, contingency reserve was not appropriated for use at $282,960.

Capital Assets and Long-Term Debt

Capital Assets:

As of June 30, 2016 and June 30, 2015, the District's investment in capital assets amounted to $140,586 and $97,759 respectively, net of accumulated depreciation. This investment in capital assets includes air monitoring equipment, vehicles, office equipment, and furniture. Additional information on the District's capital assets can be found in Note 4 to the Financial Statements.

Long-Term Liabilities:

As of June 30, 2016 and 2015, the District's long-term liabilities that are not due and payable in the current period total $463,146 and $431,434, respectively, which includes the District's accrued compensated absences (accrued leave), capital lease obligations (photocopiers), and other post-employment benefits. As of June 30, 2016 and 2015, the District’s net pension liability totaled $1,619,296 and $1,656,926, respectively. Additional information on the District's long-term liabilities can be found in Note 5 and Note 7 to the Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The District's policies include taking a conservative approach to budgeting and careful forecasting for future revenue and expenditures.

The General Fund's main support is from fees received from permit holders under the stationary source permit program. As the General Fund supports salaries and benefits and service and supplies to support the employees funded through the General Fund, the District looks closely at cost recovery in the stationary source program. This determines future cost recovery adjustments in permit fees to ensure the District has the revenue to support operations. For FY 2016 the District projected an 87% cost recovery in the stationary source program. By year's end the District ended 2016 with 98% cost recovery in the stationary source program. For fiscal year 2017, the District is projecting a cost recovery of the stationary source program of 78%. To avoid larger increases to fees in the future, the Executive Director did recommend and the Board approved a 1.1% CPI adjustment effective July 1, 2016.

The DMV revenue is received from vehicle registration fees within the District's jurisdiction. The DMV revenue received under AB 2766 supports employees working within the Mobile Source program, which includes salaries and benefits, and operating costs; and a portion supports the Clean Air Funds (CAF) program. The District has budgeted $82,250 toward the CAF Program using AB 2766 money for FY 2017. AB 923 supported the District's Lower Emission School Bus Program 2011 to 2014. In FY 2015 with Board approval the District started allocating grant funds using AB 923 money toward the District's Clean Agricultural Equipment and Public Fleet Program. The District had $1,800,000 available for FY 2016, and awarded $1,293,383. For FY 2017 the District Board approved once again to support clean school bus replacement buses. The District expects to grant $1,088,719 under this program in FY 2017.

Solano County property tax proceeds are allocated to the District through the Solano County Auditor-Controller's Office. This revenue has been used exclusively for the District's CAF program, and other public health awareness programs, and the District granted $260,000 for the 2016 CAF program. In FY 2017 the District plans to release $300,000 and the Board has approved to use $10,000 towards public outreach effort.

The following factors were considered in preparing the fiscal year 2017 approved final budget. The District's overall budget is projected as a 6% decrease, which includes the General Fund and the three restricted funds.

- General Fund is projected to increase by 6%. For revenue, the District is projecting a slight decrease of $25,900 in the Stationary Source Program, no change in Air Toxic Hot Spot State Program, and a $25,000 increase in the Asbestos Program. On the expenditure side is a payment to the CERBT OPEB Trust to meet the District's ARC of $201,000 for FY 2017 and funding for other operating expenses.
- Mobile Source DMV AB 2766 Fund is projected for FY 2017 to increase by 5%. There is an increase of $46,065 in fund balance expected. The expenditures cover operating costs including salaries and benefits for those employees that are designated to work within the restricted program.
- Mobile Source DMV AB 923 Fund is projected to decrease by 43%. This fund is used exclusively for grant programs that are allowed under AB 923 legislation. In FY 2017 the District Board has allocated $1,088,719 toward replacing school buses
  Solano County Property Tax Fund is projected to increase by 5% for FY 2017. Available grant funds released through the CAF grant program remain consistent with FY 2016 and the cash moving from 2016 to 2017 is projected to increase by $41,667.

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 information provided in this report or requests for additional financial information should be addressed to the Administrative Services Manager, 1947 Galileo Court, Suite 103, Davis, California 95618.

YOLO–SOLANO AIR QUALITY MANAGEMENT DISTRICT

STATEMENTS OF NET POSITION – GOVERNMENTAL ACTIVITIES

JUNE 30, 2016 AND 2015

	2016	2015
ASSETS		
Cash and investments	$ 851,713	$ 662,754
Restricted cash and investments	1,777,230	2,406,935
Accounts receivable	46,527	49,230
Due from other agencies	553,317	517,255
Prepaid expenses	14,896	-
Capital assets, net	140,586	97,759
TOTAL ASSETS	3,384,269	3,733,933
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	221,159	285,922
LIABILITIES		
Accounts payable	17,375	30,169
Due to other funds	70,241	-
Accrued payroll	37,111	13,647
Unearned revenue	24,461	16,138
Noncurrent liabilities:		
Due within one year	19,825	27,961
Due in more than one year	463,146	431,434
Net pension liability	1,619,296	1,656,926
TOTAL LIABILITIES	2,251,455	2,176,275
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	378,793	539,824
NET POSITION		
Net investment in capital assets	123,276	79,322
Restricted for:		
Mobile Source DMV (AB2766)	262,237	227,883
Mobile Source DMV (AB923)	1,219,525	1,965,957
Solano Property Tax	545,782	504,115
Unrestricted	(1,175,640)	(1,473,521)
TOTAL NET POSITION	$ 975,180	$ 1,303,756

The accompanying notes are an integral part of these financial statements.

YOLO–SOLANO AIR QUALITY MANAGEMENT DISTRICT

STATEMENTS OF ACTIVITIES – GOVERNMENTAL ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
PROGRAM EXPENSES		
Governmental activities:		
Public health	$ 4,905,675	$ 3,644,284
Interest on long-term debt	8,836	888
TOTAL PROGRAM EXPENSES	4,914,511	3,645,172
PROGRAM REVENUES		
Charges for services	1,916,178	1,773,299
Operating grants and contributions	2,364,196	2,313,645
TOTAL PROGRAM REVENUES	4,280,374	4,086,944
NET PROGRAM REVENUE (EXPENSE)	(634,137)	441,772
GENERAL REVENUES		
Settlements and penalties	238,212	144,904
Investment income	29,246	8,694
Other	38,103	16,084
TOTAL GENERAL REVENUES	305,561	169,682
CHANGES IN NET POSITION	(328,576)	611,454
Net Position at Beginning of Year (as restated)	1,303,756	692,302
Net Position at End of Year	$ 975,180	$ 1,303,756

The accompanying notes are an integral part of these financial statements.

YOLO–SOLANO AIR QUALITY MANAGEMENT DISTRICT

BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2016

		Special Revenue Funds			
	General Fund	Mobile Source DMV (AB2766) Fund	Mobile Source DMV (AB923) Fund	Solano Property Tax Fund	Total Governmental Funds
ASSETS					
Cash and investments	$ 851,713	$ -	$ -	$ -	$ 851,713
Restricted cash and investments	-	123,135	1,111,593	542,502	1,777,230
Accounts receivable	46,527	-	-	-	46,527
Due from other governments	215,632	219,888	107,932	9,865	553,317
Prepaid expenses	14,896	-	-	-	14,896
TOTAL ASSETS	$ 1,128,768	$ 343,023	$ 1,219,525	$ 552,367	$ 3,243,683
LIABILITIES					
Accounts payable	$ 9,725	$ 1,065	$ -	$ 6,585	$ 17,375
Due to other funds	-	70,241	-	-	70,241
Accrued payroll	27,631	9,480	-	-	37,111
Unearned revenue	24,461	-	-	-	24,461
TOTAL LIABILITIES	61,817	80,786	-	6,585	149,188
FUND BALANCES					
Nonspendable:					
Prepaid expenses	14,896	-	-	-	14,896
Restricted for:					
AB2766	-	262,237	-	-	262,237
AB923	-	-	1,219,525	-	1,219,525
Solano Property Tax	-	-	-	545,782	545,782
Unassigned	1,052,055	-	-	-	1,052,055
TOTAL FUND BALANCES	1,066,951	262,237	1,219,525	545,782	3,094,495
TOTAL LIABILITIES AND FUND BALANCES	$ 1,128,768	$ 343,023	$ 1,219,525	$ 552,367	$ 3,243,683

The accompanying notes are an integral part of these financial statements.

YOLO–SOLANO AIR QUALITY MANAGEMENT DISTRICT

BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2015

		Special Revenue Funds			
	General Fund	Mobile Source DMV (AB2766) Fund	Mobile Source DMV (AB923) Fund	Solano Property Tax Fund	Total Governmental Funds
ASSETS					
Cash and investments	$ 660,837	$ 1,917	$ -	$ -	$ 662,754
Restricted cash and investments	-	40,119	1,871,148	495,668	2,406,935
Accounts receivable	49,230	-	-	-	49,230
Due from other governments	219,380	194,619	94,809	8,447	517,255
TOTAL ASSETS	$ 929,447	$ 236,655	$ 1,965,957	$ 504,115	$ 3,636,174
LIABILITIES					
Accounts payable	$ 26,868	$ 3,301	$ -	$ -	$ 30,169
Accrued payroll	8,176	5,471	-	-	13,647
Unearned revenue	16,138	-	-	-	16,138
TOTAL LIABILITIES	51,182	8,772	-	-	59,954
FUND BALANCES:					
Restricted for:					
AB2766	-	227,883	-	-	227,883
AB923	-	-	1,965,957	-	1,965,957
Solano Property Tax	-	-	-	504,115	504,115
Unassigned	878,265	-	-	-	878,265
TOTAL FUND BALANCES	878,265	227,883	1,965,957	504,115	3,576,220
TOTAL LIABILITIES AND FUND BALANCES	$ 929,447	$ 236,655	$ 1,965,957	$ 504,115	$ 3,636,174

The accompanying notes are an integral part of these financial statements.

YOLO–SOLANO AIR QUALITY MANAGEMENT DISTRICT

RECONCILIATION OF THE BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

JUNE 30, 2016

Fund balances – total governmental funds		$ 3,094,495
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds:		
Governmental capital assets	$ 687,707	
Less: accumulated depreciation	(547,121)	140,586
Deferred outflows of resources related to pensions		221,159
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Accrual for other post-employment benefits (OPEB)	(288,749)	
Net pension liability	(1,619,296)	
Capitalized lease obligations	(17,310)	
Accrued compensated absences	(176,912)	(2,102,267)
Deferred inflows of resources related to pensions		(378,793)
Net position – governmental activities		$ 975,180

The accompanying notes are an integral part of these financial statements.

YOLO–SOLANO AIR QUALITY MANAGEMENT DISTRICT

RECONCILIATION OF THE BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

JUNE 30, 2015

Fund balances – total governmental funds		$ 3,576,220
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds:		
Governmental capital assets	$ 665,788	
Less: accumulated depreciation	(568,029)	97,759
Deferred outflows of resources related to pensions		285,922
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Accrual for other post-employment benefits (OPEB)	(309,270)	
Net pension liability	(1,656,926)	
Capitalized lease obligations	(18,437)	
Accrued compensated absences	(131,688)	(2,116,321)
Deferred inflows of resources related to pensions		(539,824)
Net position – governmental activities		$ 1,303,756

The accompanying notes are an integral part of these financial statements.

YOLO–SOLANO AIR QUALITY MANAGEMENT DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Special Revenue Funds: Mobile Source DMV (AB2766) Fund	Special Revenue Funds: Mobile Source DMV (AB923) Fund	Special Revenue Funds: Solano Property Tax Fund	Total Governmental Funds
REVENUES					
Licenses and permits	$ 1,916,178	$ -	$ -	$ -	$ 1,916,178
Intergovernmental	296,364	1,120,257	560,628	386,947	2,364,196
Settlements and penalties	238,212	-	-	-	238,212
Use of money	11,553	995	16,698	-	29,246
Other revenues	38,103	-	-	-	38,103
TOTAL REVENUES	2,500,410	1,121,252	577,326	386,947	4,585,935
EXPENDITURES					
Current:					
Public health	2,554,594	862,738	1,293,383	266,585	4,977,300
Capital outlay	80,397	-	-	-	80,397
Debt service:					
Principal	1,127	-	-	-	1,127
Interest	8,836	-	-	-	8,836
TOTAL EXPENDITURES	2,644,954	862,738	1,293,383	266,585	5,067,660
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(144,544)	258,514	(716,057)	120,362	(481,725)
OTHER FINANCING SOURCES (USES)					
Transfers in	333,230	-	-	-	333,230
Transfers out	-	(224,160)	(30,375)	(78,695)	(333,230)
TOTAL OTHER FINANCING SOURCES (USES)	333,230	(224,160)	(30,375)	(78,695)	-
NET CHANGE IN FUND BALANCES	188,686	34,354	(746,432)	41,667	(481,725)
Fund Balances at Beginning of Year	878,265	227,883	1,965,957	504,115	3,576,220
Fund Balances at End of Year	$ 1,066,951	$ 262,237	$ 1,219,525	$ 545,782	$ 3,094,495

The accompanying notes are an integral part of these financial statements.

YOLO–SOLANO AIR QUALITY MANAGEMENT DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Special Revenue Funds: Mobile Source DMV (AB2766) Fund	Special Revenue Funds: Mobile Source DMV (AB923) Fund	Special Revenue Funds: Solano Property Tax Fund	Total Governmental Funds
REVENUES					
Licenses and permits	$ 1,773,299	$ -	$ -	$ -	$ 1,773,299
Intergovernmental	316,169	1,086,917	540,958	369,601	2,313,645
Settlements and penalties	144,904	-	-	-	144,904
Use of money	2,781	557	5,356	-	8,694
Other revenues	15,839	245	-	-	16,084
TOTAL REVENUES	2,252,992	1,087,719	546,314	369,601	4,256,626
EXPENDITURES					
Current:					
Public health	2,444,536	888,188	82,095	400,000	3,814,819
Capital outlay	59,696	-	-	-	59,696
Debt service:					
Principal	10,979	-	-	-	10,979
Interest	891	-	-	-	891
TOTAL EXPENDITURES	2,516,102	888,188	82,095	400,000	3,886,385
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(263,110)	199,531	464,219	(30,399)	370,241
OTHER FINANCING SOURCES (USES)					
Capital leases	18,437	-	-	-	18,437
Transfers in	300,101	-	-	-	300,101
Transfers out	-	(237,899)	(27,085)	(35,117)	(300,101)
TOTAL OTHER FINANCING SOURCES (USES)	318,538	(237,899)	(27,085)	(35,117)	18,437
NET CHANGE IN FUND BALANCES	55,428	(38,368)	437,134	(65,516)	388,678
Fund Balances at Beginning of Year	822,837	266,251	1,528,823	569,631	3,187,542
Fund Balances at End of Year	$ 878,265	$ 227,883	$ 1,965,957	$ 504,115	$ 3,576,220

The accompanying notes are an integral part of these financial statements.

YOLO–SOLANO AIR QUALITY MANAGEMENT DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2016

Net changes in fund balances – total governmental funds		$ (481,725)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlay as expenditures. In the Statement of Activities, however, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital outlay	$ 80,397	
Depreciation expense	(37,570)	42,827
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Principal repayments on long-term liabilities		1,127
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in OPEB liability		20,521
Change in pension related amounts		133,898
Change in accrual for compensated absences		(45,224)
Change in net position – governmental activities		$ (328,576)

The accompanying notes are an integral part of these financial statements.

YOLO–SOLANO AIR QUALITY MANAGEMENT DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

Net changes in fund balances – total governmental funds		$ 388,678
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlay as expenditures. In the Statement of Activities, however, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital outlay	$ 59,699	
Depreciation expense	(28,649)	31,050
Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Issuance of capital lease obligation		(18,437)
Principal repayments on long-term liabilities		10,979
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in OPEB liability		110,724
Change in pension related amounts		98,194
Change in accrual for compensated absences		(9,734)
Change in net position – governmental activities		$ 611,454

The accompanying notes are an integral part of these financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Yolo–Solano Air Quality Management District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The most significant accounting policies of the District are described below.

A. Background:

The Yolo–Solano Air Quality Management District (District), was formed June 18, 1971, by ratification of the Boards of Supervisors of Yolo and Solano Counties, under the name, "Yolo–Solano Air Pollution Control District", under the provisions of Article 7, Chapter 2, of the Health and Safety Code of California. The District is empowered to maintain a program of air pollution control under the provisions of Article XI, Section 7, of the Constitution of the State of California, and under the Joint Powers Agreement between the two counties, effective February 10, 1992. On July 17, 1993, the Board of Directors adopted their resolution renaming the District to Yolo–Solano Air Quality Management District.

The District includes all of Yolo County and the northeast portion of Solano County which lies within the Sacramento Valley Air Basin. The District is governed by a Board of Directors, which is comprised of four members from the Board of Supervisors of Yolo County, three members from the Board of Supervisors of Solano County and seven city representatives. The Auditor-Controller/Treasurer/Tax Collector of Yolo County serves as the District's Treasurer.

B. Basis of Presentation – Government-Wide Financial Statements:

The government-wide financial statements (e.g., the *Statement of Net Position* and the *Statement of Activities*) report information on all of the non-fiduciary activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Interest and settlements and penalties are reported instead as general revenues.

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 related cash flows.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Fund Financial Statements:

The accounts of the District are organized on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. Each fund was established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions, or limitations. Separate financial statements are provided for each governmental fund. Major individual governmental funds are reported as separate columns in the fund financial statements.

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. For this purpose, the District considers all revenues, to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Payable balances consist primarily of payables to vendors and employees.

Licenses and permits, intergovernmental revenues, settlement and penalties, and interest income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

The District reports the following major governmental fund:

General Fund – The General Fund is the general operating fund of the District and accounts for revenues collected to provide legislative mandated services and used to finance the fundamental operations of the District. The fund is charged with all costs of operations, for which a specialized fund has not been established.

Mobile Source DMV (AB2766) – This special revenue fund is used to account for the restricted revenues received from the State under Assembly Bill 2766 (AB2766) for implementation of the California Clean Air Act to reduce air pollution from motor vehicles and related studies.

Mobile Source DMV (AB923) – This special revenue fund was created in FY 2012/2013 to separately account for the restricted revenues received from the State under Assembly Bill 923 (AB923), whereby the Board of Directors approved the addition of $2.00 for each vehicle registration for various projects as established by legislation, which are legally restricted to expenditures for specific purposes.

Mobile Source (Solano Property Tax) – This special revenue fund is used to account for the restricted tax revenues collected by the County of Solano from the northeast portion of the County under Assembly Bill 8 (AB8), which have been restricted for the reduction of air pollution from motor vehicles and related studies. The District signed an agreement with the County of Solano in 1992 whereby the District would administer the Solano property tax funds as part of the Clean Air Funds Program. These taxes are restricted for specified purposes within the County of Solano.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgets:

Budgets are adopted on a budgetary basis and in accordance with the District's policy and procedure. Budgetary control is exercised by major object. All budgetary changes during the fiscal year require the approval of the District's Board of Directors. Unencumbered budget appropriations lapse at the end of the fiscal year.

E. Capital Assets:

Capital assets for governmental fund types are not capitalized in the funds used to acquire or construct them. Capital acquisitions are reflected as an expenditure in the governmental fund, and the related assets are reported in the government-wide financial statements. Capital assets owned by the District are stated at historical cost or estimated historical cost, if actual historical cost is not available. Contributed capital assets are recorded at their estimated fair market value at the time received. Capital assets are depreciated using the straight-line method over the estimated useful lives, which is generally seven years.

It is the District's policy to capitalize all land, structures and improvements, and equipment, with historical cost greater than $3,000. Costs of assets sold or retired (and related amounts of accumulated depreciation) are eliminated from the accounts in the year of sale or retirement. The proceeds from the sale of capital assets is included in the statement of revenues, expenditures and changes in fund balances of the related fund. The proceeds reported in the governmental fund are eliminated and the gain or loss on sale is reported in the government-wide presentation.

F. Deferred Outflows/Inflows of Resources:

In addition to assets, the Statement of Net Position may report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an expense/expenditure until then.

In addition to liabilities, the balance sheet of the governmental funds reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as revenue until that time.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Net Position:

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

Net Investment in Capital Assets – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This category represents net position of the District not restricted for any project or other purpose.

H. Fund Balance:

Fund balance classifications comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The District has established the following classifications and definitions of fund balance:

Nonspendable – Resources that cannot be spent because they are not in an expendable form (e.g. prepaid asset, inventory) or must be maintained intact (e.g. endowment principal).

Restricted – Resources that are constrained to specific purposes by an external provider (e.g. grantors, contributors, governmental laws and regulations) or by constitutional provisions or enabling legislation.

Committed – Resources with self-imposed limitations, evidenced by the District's formal action (resolution), and require both the approval of the highest level of decision making authority (District Board) and the same formal action to remove or modify the limitations.

Assigned – Resources with self-imposed limitations but do not require approval by the highest level of decision making authority or the same level of formal action to remove or modify limitations. The District Board has the authority to assign fund balance through the budget process which is recommended by staff and approved by the Board each year. Residual balances in Special Revenue Funds.

Unassigned – Resources that cannot be reported in any other classification in the General Fund.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balances are available, the District's policy is to first apply restricted fund balance. When expenditures are incurred for purposes for which committed, assigned, or unassigned fund balances are available, the District's policy is to first apply committed fund balance, then assigned fund balance, and finally unassigned fund balance.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Fair Value Measurement

As of July 1, 2014, the District retrospectively applied Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements. The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District is a participant in the Yolo County Treasurer's Pool (County Pool). The County Pool is an external investment pool, is not rated and is not registered with the Securities Exchange Commission (SEC). The Yolo County Treasury Oversight Committee conducts County Pool oversight. Cash on deposit in the County Pool at June 30, 2016, is stated at fair value. The County Pool values participant shares on an amortized cost basis during the year and adjusts to fair value at year-end. For further information regarding the County Pool, refer to the County of Yolo Comprehensive Annual Financial Report.

J. 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. Accordingly, actual results could differ from those estimates.

K. Pensions:

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

L. New Effective Accounting Pronouncements:

The Governmental Accounting Standards Board (GASB) releases new accounting and financial reporting standards which may have a significant impact on the District's financial reporting process. New standards which may impact the District include the following:

GASB Statement No. 72 – In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. The primary objective of this statement is to define fair value and describe how fair value should be measured, define what assets and liabilities should be measured at fair value, and determine what information about fair value should be disclosed in the notes to the financial statements. The Statement was implemented as of July 1, 2014.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. New Effective Accounting Pronouncements (Continued):

GASB Statement No. 73 – In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements Nos. 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2015. The District has determined that this statement is not applicable.

GASB Statement No. 76 – In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this statement is to reduce the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55. The District has determined that this statement is not applicable.

GASB Statement No. 79 – In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. The District has determined that this statement is not applicable.

GASB Statement No. 82 – In March 2016, GASB issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73.* This statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The Statement was implemented as of July 1, 2014.

M. Future Accounting Pronouncements:

The Governmental Accounting Standards Board (GASB) releases new accounting and financial reporting standards which may have a significant impact on the District's financial reporting process. Future new standards which may impact the Authority include the following:

GASB Statement No. 73 – In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements Nos. 67 and 68*. The provisions in Statement No. 73 are effective for fiscal years beginning after June 15, 2015—except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2017. The District has not determined its effect on the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Future Accounting Pronouncements (Continued):

GASB Statement No. 74 – In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Statement No. 74 replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended,* and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, statement 43, and statement No. 50, *Pension Disclosures*. The provisions in statement 74 are effective for fiscal years beginning after June 15, 2017. The District has not determined its effect on the financial statements.

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement No. 75 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The provisions in statement 75 are effective for fiscal years beginning after June 15, 2018. The District has not determined its effect on the financial statements.

GASB Statement No. 77 – In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. The objective of this statement is to provide financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs. This statement is effective for reporting periods beginning after December 15, 2017. The District has not determined its effect on the financial statements.

GASB Statement No. 78 – In December 2015, GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This Statement is effective for reporting periods beginning after December 15, 2015. The District has not determined the effect of the Statement.

GASB Statement No. 80 – In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement is effective for reporting periods beginning after June 15, 2016. The District has not determined the effect of this Statement.

GASB Statement No. 81 – In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement is effective for reporting periods beginning after December 15, 2016. The District has not determined the effect of this Statement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Future Accounting Pronouncements (Continued):

GASB Statement No. 83 – In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The District has not determined its effect on the financial statements.

NOTE 2 – CASH AND INVESTMENTS

Cash in County Treasury:

The District maintains most of its cash and investments with the Yolo County Treasurer in a cash and investment pool. On a quarterly basis, the Treasurer allocates interest to participants based upon their average daily balances. Required disclosure information regarding the classification of investments and other deposit and investment risk disclosures can be found in the County's Comprehensive Annual Financial Report (CAFR). The County of Yolo's financial statements may be obtained by contacting the County of Yolo's Auditor-Controller's Office at 625 Court Street, Room 103, Woodland, California 95695. The Yolo County Treasury Oversight Committee oversees the Treasurer's investments and policies.

The District had no deposit or investment policy that addressed a specific type of risk. Investments held in the County's investment pool are available on demand and are stated at amortized cost plus accrued interest.

The total amounts held by the District are as follows:

	2016	2015
County pooled cash and investments:		
Unrestricted cash and investments	$ 770,052	$ 530,238
Restricted cash and investments (AB2766)	123,135	40,119
Restricted cash and investments (AB923)	1,111,593	1,871,148
Restricted cash and investments (Solano Co. Property Tax)	542,502	495,668
Total County pooled cash and investments	2,547,282	2,937,173
Cash in bank	81,661	132,516
Total Cash and Investments	$ 2,628,943	$ 3,069,689

NOTE 2 – CASH AND INVESTMENTS (Continued)

California Government Code authorizes the Treasurer of the County to invest excess funds in the following list of eligible securities:

a) Obligations of the County or any local agency and instrumentality in or of the State of California.
b) Obligations of the U.S. Treasury, agencies and instrumentalities.
c) Bankers' acceptances eligible for purchase by the Federal Reserve System.
d) Commercial paper with an A-1 rating by Moody's Investors Service or a P-1 rating by Standard & Poor's Corporation.
e) Repurchase agreements or reverse repurchase agreements.
f) Medium-term notes with a five-year maximum maturity of corporations operating within the United States and rated in the top three rating categories by Moody's Investors Service and Standard & Poor's Corporation.
g) Shares of beneficial interest issued by diversified management companies (money market funds) investing in securities and obligations as outlined in a) through f) above. Certain security rankings and/or organizational requirements apply to this type of investment.

The County Treasurer's investment pool is subject to oversight by the Treasury Oversight Committee.

Cash and investments are classified in the financial statements as follows:

	2016	2015
Cash and investments	$ 851,713	$ 662,754
Restricted cash and investments	1,777,230	2,406,935
Total Cash and Investments	$ 2,628,943	$ 3,069,689

Interest Rate Risk:

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

Credit Risk:

State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The District has no investment policy that would further limit its investment choices.

NOTE 2 – CASH AND INVESTMENTS (Continued)

Custodial Credit Risk:

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2016 and 2015, $0 and $0, respectively, was exposed to custodial credit risk. The District has three outside bank accounts at a local bank, First Northern Bank. At June 30, 2016 and 2015, the reported amount of the District's deposits was as follows and is reported as cash on hand.

Cash on hand

	2016	2015
District deposits at First Northern Bank	$ 81,661	$ 132,516
Federally Insured deposits	81,661	132,516
Uninsured deposits	$ -	$ -

Fair Value Measurement

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 input are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2016, the District held no individual investments. All funds are invested in the County Pool.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. Deposits and withdrawals from the County Pool are made on the basis of $1 and not fair value. Accordingly, the District's proportionate share of investments in the County Pool at June 30, 2016 and 2015 of $2,547,282 and $2,937,173, respectively, is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input.

NOTE 3 – RESTRICTED CASH/PROGRAM EXPENDITURES

Revenues received under AB2766 and AB923 are restricted from cash available for current operations in accordance with that legislation. As of June 30, 2016 and 2015, the restricted cash balance in the AB2766 special revenue fund, which totaled $123,135 and $40,119, and the AB923 special revenue fund, which totaled $1,111,593 and $1,871,148, respectively, is restricted for clean air projects as approved by the Board. Expenditures under AB2766 for the years ended June 30, 2016 and 2015 were made in accordance with the District's Board of Directors' authorizations and were as follows:

	Mobile Source DMV (AB 2766) Fund	
	2016	2015
Expenditures:		
Public health:		
Salaries and benefits	$ 664,779	$ 631,707
Professional services:		
Discretional external projects/programs	-	22,590
Other services and supplies	100,209	128,691
Program expenditures:		
Yolo County Healthy School Air Program	11,729	-
Solano County Healthy School Air Program	11,700	-
2015 Ford C-Max SELF Energi	8,000	-
Upgrade Replace Existing Trucks	20,000	-
Putah Creek Road Safety Improvement Project	4,537	-
Expending Folding Bike Program	10,000	-
Nature's Theater Presents The Kids from Plant Earth	11,784	-
10-Wheel Dump Truck Replacement	20,000	-
Yolo County Child & Adult Environmental Education	-	6,131
Planning for Household Transportation Related GHG Reduction	-	5,000
Smart Street Program	-	6,989
Can YOU Spare The Air?	-	7,500
Woodland Folding Bike Loan Program	-	8,000
Workplace Charging Station	-	15,000
New Electric Vehicle/Nissan Leaf	-	14,580
Replace 1985 Utility Truck w/new Flex Fuel Truck	-	20,000
DPF Retrofit of Planning/Public Works Trash Truck	-	12,000
Yolobus Summer Sizzler	-	10,000
Total public health expenditures	862,738	888,188
Transfers out:		
Overhead allocation *	163,558	183,554
Administrative fee *	60,602	54,345
Total transfers out	224,160	237,899
Total AB2766 Expenditures and Transfers	$ 1,086,898	$ 1,126,087

* Administrative fees and overhead allocation transferred from the Special Revenue Funds to the General Fund to support operations.

NOTE 3 – RESTRICTED CASH/PROGRAM EXPENDITURES (Continued)

Expenditures under AB923 for the year ended June 30, 2016 and June 30, 2015, were made in accordance with the District's Board of Directors' authorizations and were as follows:

	Mobile Source DMV (AB 923) Fund	
	2016	2015
Expenditures:		
Public health:		
Program expenditures:		
Tractor Replacement	$ 1,293,383	$ 82,095
Transfers out:		
Administrative fee *	30,375	27,085
Total AB923 Expenditures and Transfers	$ 1,323,758	$ 109,180

* Administrative fees and overhead allocation transferred from the Special Revenue Funds to the General Fund to support operations.

NOTE 3 – RESTRICTED CASH/PROGRAM EXPENDITURES (Continued)

As of June 30, 2016 and 2015, the cash balance in the Solano Property Tax Special Revenue Fund, which totaled $542,502 and $495,668, respectively, is restricted for clean air projects in Solano County as approved by the Board of Directors. Expenditures and transfers under Solano Property Tax for the fiscal years ended June 30, 2016 and 2015 were made in accordance with the District's Board of Directors' authorizations and were as follows:

	Solano Property Tax Fund	
	2016	2015
Public health:		
Professional expenditures:		
Other services and supplies	$ 6,585	$ -
Program expenditures:		
CNG Refuse Truck Deployment	30,129	-
2015 Backhoe/Loader Tier 4F	45,000	-
Rio Vista Lighted Crosswalk	70,330	-
Replace Shop Truck	23,310	-
Rocky Hill Trail Improvement	52,358	-
Putah Creek Road Safety Improvement Project	38,873	-
Solano County Child and Adult Environmental Education	-	14,643
Purchase of New Electric Vehicle	-	16,477
Putah Creek Road Safety Improvement Project	-	126,590
Replace 1982 Gas Dump Truck with New 2015 Flex Fuel Truck	-	82,290
Safe Routes to School	-	160,000
Total public health expenditures:	266,585	400,000
Transfers out:		
Administrative fee *	38,695	-
Discretionary Program	40,000	35,117
Total Solano Property Tax Expenditures	$ 345,280	$ 435,117

* Administrative fees and overhead allocation transferred from the Special Revenue Funds to the General Fund to support operations.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2016 and 2015 was as follows:

	Balance at July 1, 2015	Additions	Deletions	Balance at June 30, 2016
Capital assets being depreciated:				
Office equipment	$ 143,868	$ 5,438	$ (34,261)	$ 115,045
Office furniture	139,574	-	-	139,574
Air monitoring equipment	224,319	-	-	224,319
Vehicles	158,027	74,959	(24,217)	208,769
Total capital assets, being depreciated	665,788	80,397	(58,478)	687,707
Less accumulated depreciation for:				
Office equipment	(102,079)	(11,396)	34,261	(79,214)
Office furniture	(137,740)	(1,832)	-	(139,572)
Air monitoring equipment	(209,489)	(4,155)	-	(213,644)
Vehicles	(118,721)	(20,187)	24,217	(114,691)
Total accumulated depreciation	(568,029)	(37,570)	58,478	(547,121)
Total capital assets being depreciated, net	$ 97,759	$ 42,827	$ -	$ 140,586

	Balance at July 1, 2014	Additions	Deletions	Balance at June 30, 2015
Capital assets being depreciated:				
Office equipment	$ 109,169	$ 34,699	$ -	$ 143,868
Office furniture	139,574	-	-	139,574
Air monitoring equipment	224,319	-	-	224,319
Vehicles	154,930	25,000	(21,903)	158,027
Total capital assets, being depreciated	627,992	59,699	(21,903)	665,788
Less accumulated depreciation for:				
Office equipment	(89,349)	(12,730)	-	(102,079)
Office furniture	(135,908)	(1,832)	-	(137,740)
Air monitoring equipment	(204,880)	(4,609)	-	(209,489)
Vehicles	(131,146)	(9,478)	21,903	(118,721)
Total accumulated depreciation	(561,283)	(28,649)	21,903	(568,029)
Total capital assets being depreciated, net	$ 66,709	$ 31,050	$ -	$ 97,759

Depreciation expense of $37,570 and $28,649 is charged to Public Health for the fiscal years ended June 30, 2016 and 2015, respectively.

NOTE 5 – LONG-TERM LIABILITIES

The following is a summary of long-term liabilities activity of the District for the years ended June 30, 2016 and 2015:

	Balance July 1, 2015	Additions	Repayments	Balance June 30, 2016	Due Within One Year
Liability for other post-employment benefits	$ 309,270	$ -	$ (20,521)	$ 288,749	$ -
Capital lease obligations	18,437	-	(1,127)	17,310	1,825
Compensated absences	131,688	45,224	-	176,912	18,000
	$ 459,395	$ 45,224	$ (21,648)	$ 482,971	$ 19,825

	Balance June 30, 2014	Additions	Repayments	Balance June 30, 2015	Due Within One Year
Liability for other post-employment benefits	$ 419,994	$ -	$ (110,724)	$ 309,270	$ -
Capital lease obligations	10,979	18,437	(10,979)	18,437	9,961
Compensated absences	121,954	9,734	-	131,688	18,000
	$ 552,927	$ 28,171	$ (121,703)	$ 459,395	$ 27,961

The General Fund is utilized to liquidate all long-term liabilities.

The following is a description of the composition of long-term liabilities at June 30, 2016 and 2015:

<u>Capital Lease Obligation</u>:

The District leases equipment (photocopiers) under capital leases which has monthly payments of $830, incorporating current sales tax, through June 1, 2020. Capital assets acquired under the capital lease consist of office equipment totaling $18,440 and accumulated depreciation at June 30, 2016 and 2015, of $3,991 and $307, respectively. As of June 30, 2016, future minimum lease payments under capital lease obligations are as follows:

Fiscal Year Ending June, 30,	
2017	$ 9,960
2018	9,960
2019	9,960
2020	9,960
Total payments	39,840
Less: amounts representing interest	(22,530)
Net present value of future minimum lease payments	$ 17,310

NOTE 5 – LONG-TERM LIABILITIES (Continued)

Accrued Compensated Absences:

Accumulated unpaid employee vacation and compensated hours, are recognized as liabilities of the District to the extent they vest. Sick leave has not been included as employees only receive accumulated sick leave upon death, layoff, and/or retirement. Also, in the event of retirement, employees have the option to either convert unused sick leave into additional service credits or be paid at one half of any accumulated sick leave in excess of 200 hours. It is management's belief and estimate that all employees will take the service credit. The General Fund is utilized to liquidate liabilities related to compensated absences.

NOTE 6 – INTERFUND TRANSACTIONS

Interfund Transfers:

Interfund transfers for the years ended June 30, 2016 and 2015, were as follows:

Transfers from	Transfers to	2016	2015
General Fund	Mobile Source DMV (AB2766) Fund	$ 224,160	$ 237,899
	Mobile Source DMV (AB923) Fund	30,375	27,085
	Solano Property Tax Fund	78,695	35,117
	Total	$ 333,230	$ 300,101

Transfers are used to allocate overhead expenses and administrative fees from the General Fund to the other funds.

NOTE 7 – DEFINED BENEFIT PENSION PLANS

Plan Description:

District employees are eligible to participate in the District's plan, a cost sharing multiple-employer public employee defined benefit pension plan administered by the California Public Employees Retirement System (CalPERS). CalPERS acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the plan are established by State statute and may be amended by district resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided:

CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment with the retirement formula of 2 percent @ 55 for existing “classic” members and 2 percent @ 62 for “new” members. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

NOTE 7 – DEFINED BENEFIT PENSION PLANS (*Continued*)

The Plan's provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Classic	**PEPRA New Member**
Hire Date	Prior to January 1, 2013	On or after January 1, 2013
Formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50-63	52-67
Monthly benefits, as a % of annual salary	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7.00%	6.25%
Required employer contribution rates	12.262%	6.237%

<u>Contributions</u>:

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employees under the Classic and PEPRA Tiers are required to contribute 7.0 percent and 6.25 percent of their annual pay, respectively. For the fiscal year ended June 30, 2016 and 2015, the District contributed 3.75 percent and 5.0 percent for Class Members and 0.0 percent and 5.0 percent for PEPRA New Members, respectively, of the employees' required contribution. The District's contractually required contribution rate, for the Classic and PEPRA Tiers, was 12.262 percent and 6.237 percent, respectively, of annual payroll for the year ended June 30, 2016 and 11.522 percent and 6.25 percent, respectively, of annual payroll for the year ended June 30, 2015. The contribution rate, 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, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were $208,597 and $285,922 for the year ended June 30, 2016 and 2015, respectively.

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

At June 30, 2016 and 2015, the District reported a liability of $1,619,296 and $1,656,926, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and June 30, 2014, and the total pension liability used to calculate the 2015 and 2014 net pension liability was determined by an actuarial valuation as of June 30, 2014 and 2013, respectively. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the District's proportion was 0.0236 percent, which was a decrease of 0.003 percent from its proportion measured as of June 30, 2014.

NOTE 7 – DEFINED BENEFIT PENSION PLANS (Continued)

For the years ended June 30, 2016 and 2015, the District recognized pension expense of $74,697 and $187,728, respectively. At June 30, 2016, 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
Differences between expected and actual experience	$ 12,562	$ -
Changes in assumptions	-	118,850
Net difference between projected and actual earnings on pension plan investments	-	59,580
Changes in proportion and difference between District's contributions and proportionate share of contributions	-	200,363
Contributions subsequent to the measurement date	208,597	-
Total	$ 221,159	$ 378,793

The amount of $208,597 reported as deferred outflows of resources related to pension contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year ended June 30	
2017	$ (126,695)
2018	(125,417)
2019	(99,224)
2020	(14,895)
	$ (366,231)

NOTE 7 – DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions:

The total pension liability in the June 30, 2014 and 2013 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2014	June 30, 2013
Measurement Date	June 30, 2015	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	7.65%	7.5%
Inflation	2.75%	2.75%
Payroll Growth	3.0%	3.0%
Projected Salary Increase	3.3% - 14.2% (1)	3.3% - 14.2% (1)
Investment Rate of Return	7.65% (2)	7.5% (2)
Mortality	Derived using CalPERS membership data	Rates are from CalPERS 2014 Experience Study 20 years of mortality improvements using the Society of Actuaries Scale BB

(1) Depending on age, service and type of employment

(2) Net of pension plan investment and administrative expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period of 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

CalPERS changed the assumption of discount rate from 7.50 percent in the June 30, 2013 valuation to 7.65percent in the June 30, 2014 valuation. There were no other changes in assumptions or other inputs that affected the measurement of the total pension liability in the June 20, 2014 valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

NOTE 7 – DEFINED BENEFIT PENSION PLANS (Continued)

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

Asset Class	Target Allocation	Real Return Years 1 - 10	Real Return Years 11+
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	10.0%	6.83%	6.95%
Real Estate	10.0%	4.50%	5.13%
Infrastructure and Forestland	2.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	100.0%		

Discount Rate:

The discount rate used to measure the total pension liability as of June 30, 2015 and 2014 was 7.65 percent and 7.50 percent, respectively. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the district's contributions will be made at rates equal to the difference between actuarially determined contributions rates and the employee rate. Based on those assumptions, each pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

NOTE 7 – DEFINED BENEFIT PENSION PLANS (Continued)

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

The following presents the District’s proportionate share of the net pension liability, calculated using the discount rate of 7.65 and 7.50 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	2016		
	1% Decrease 6.65%	Current Discount Rate 7.65%	1% Increase 8.65%
District's proportionate share of the net pension liability	$ 2,644,005	$ 1,619,296	$ 776,584

	2015		
	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
District's proportionate share of the net pension liability	$ 2,898,057	$ 1,656,926	$ 626,905

Pension Plan Fiduciary Net Position:

Detailed information about each pension plans’ fiduciary net position is available in the separately issued CalPERS financial reports.

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description:

The District provides healthcare benefits to eligible retirees and their dependents through the California Public Employees' Retirement System healthcare program (PEMHCA). Benefit provisions are established and may be amended through agreements and memorandums of understanding between the District and its employees.

The District provides a retiree medical contribution for employees who retire directly from the District under CalPERS. The retiree is covered as well as dependents. The District's employer contribution is a formula set through a contract with CalPERS.

The "uneven formula" contribution for each retiree was set in 1989 by Resolution No. 89-03 which had a minimum contribution of $12.50 per month. Each year thereafter, the monthly retiree contribution increased monthly by not less than five percent of the monthly employer contribution for active employees. Resolution No. 89-03 also stated that increases would occur under the employer contribution for retirees until such time the contributions are equal between active and retirees.

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Plan Description (Continued):

Over time CalPERS realized that retiree health care contributions under this approach did not achieve parity with active employee's contributions. In 2007, AB2544 was passed to change the computation for annual increases under the uneven plan formula effective January 1, 2008. Under the new provisions, the District has to annually increase the total monthly retiree health care contribution to equal an amount not less than the number of years the agency has been in PEMHCA, multiplied by five percent of the current monthly employer contributions for employees, until the time that the employer contribution for retirees equals the employer contribution paid for active employees. This annual adjustment to the monthly employer contribution for a retiree cannot exceed $100 per retiree per month. The District, based on years in PEMHCA, has increased the employer contribution for retirees by $100 per retiree per month annually since 2008. The District is required to do so until the employer contribution for retirees reaches the amount the District contributes for active employees. This increase takes effect in January of each calendar year.

The District's current monthly maximum contribution for active employees: Employee only $550, employee plus one $1,110 and employee and family $1,430. The District monthly contribution for retirees are capped at the same amounts; however once the retiree and/or dependent reaches Medicare eligibility, the employer contribution can be reduced based on the coordination of Medicare and PEMHCA.

Funding Policy:

The contribution requirements of the District's participants and the District are established by and may be amended by the District pursuant to agreements with its employees. Contributions to the OPEB plan for the years ended June 30, 2016 and 2015, totaled $95,943 and $103,773, respectively, on the pay-as-you-go method. Retired plan members and their beneficiaries pay the annual premium cost not paid by the employer. In December 2013, the Board entered into an agreement with the California Employers' Retirement Benefit Trust Program (CERBT) for prefunding of Other Post-Employment Benefits. For the fiscal year ended June 30, 2016 and 2015, the District contributed an additional $40,000 and $127,000, respectively.

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation:

The District's annual other post-employment benefit cost (expense) is calculated based on the annual required contribution (ARC) of the employer. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the District's annual required contribution for the year, the interest on OPEB obligation, adjustments to the ARC, the amount actually contributed to the Plan, and changes in the District's Net OPEB obligation:

	2016	2015
Annual required contribution	$ 127,000	$ 123,000
Interest on OPEB obligation	22,422	30,449
Adjustment to ARC	(34,000)	(33,000)
Annual OPEB cost (expense)	115,422	120,449
Contributions made:		
Premium payments made	(95,943)	(103,773)
Prefunding CERBT contribution	(40,000)	(127,400)
Increase/(Decrease) in net OPEB obligation	(20,521)	(110,724)
Net OPEB obligation, beginning of year	309,270	419,994
Net OPEB obligation, end of year	$ 288,749	$ 309,270

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the OPEB obligation for fiscal years 2016, 2015, and 2014, were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2016	$ 115,422	117.78%	$ 288,749
6/30/2015	120,450	191.93%	309,270
6/30/2014	109,206	172.70%	419,994

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)

Funded Status and Funding Progress:

The funded status of the Plan as of June 30, 2015, the Plan's most recent actuarial valuation date, was as follows:

Date of valuation:		June 30, 2015
Actuarial accrued liability (AAL)	$	2,064,000
Actuarial value of Plan assets		(208,000)
Unfunded actuarial accrued liability (UAAL)		1,856,000
Funded ratio (actuarial value of Plan assets/AAL)		10.08%
Covered payroll (active Plan participants)		1,768,000
UAAL as a percentage of covered payroll		104.98%

Actuarial valuations of an ongoing plan involve estimates of the value of expected benefit payments and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan participants) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan participants to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

For the June 30, 2015, actuarial valuation, the entry age normal actuarial cost level of pay method was used. The actuarial assumptions included a 4.25 percent investment rate of return, a 3.25 percent salary increase, and a 3 percent general inflation rate. Premiums were assumed to increase with a CalPERS minimum medical plan premium decrease rate of 7 percent for 2016 grading down to 5 percent for 2021 and thereafter. The initial UAAL was amortized as a level percentage of projected payroll on a closed basis over fixed 25-year period as of the year ended June 30, 2016.

NOTE 9 – RISK MANAGEMENT

The District is exposed to various risks of loss related to the loss of, damage to and destruction of assets caused by accidents, forces of nature, and the requirements of the California Labor Code.

The District participates in the Yolo County Public Agency Risk Management Insurance Authority (YCPARMIA), a public entity risk pool of governmental entities within Yolo County, for comprehensive general and auto liability, including errors and omissions, workers' compensation, property, and fidelity (dishonest acts, forgery) insurance. Through the District's membership in the YCPARMIA, the District is provided with excess coverage through the California State Association of Counties–Excess Insurance for catastrophic liability losses. Loss contingency reserves established by YCPARMIA are funded by contributions from member agencies.

The District pays an annual premium to YCPARMIA that includes its pro-rata share of excess insurance premiums, charges for the pooled risk, claims adjusting and legal costs, and administrative and other costs to operate the YCPARMIA.

During the years ending June 30, 2016 and June 30, 2015, the District has no settlements exceeding insurance coverage for these categories of risk. For the past three years, settlements or judgment amounts have not exceeded insurance provided for District.

NOTE 10 – RELATED PARTY TRANSACTIONS

Under the District's clean air funds programs (DMV AB2766 and Solano Co. Property Tax) the District contracts with certain other local agencies that are considered to be related parties due to District Board members holding positions of potentially significant influence with the contracted parties. The County of Yolo (County) provides certain legal, accounting, and other professional services to the District. Although the District was created in part by the County, it is not a part of the County's financial reporting entity. Legal, payroll and accounting services are billed separately and at amounts that will approximately recover the County's full cost of providing such services. The District's Board of Directors receives a $100 fee per meeting and other administrative reimbursements. In addition, the District’s Hearing Board receives stipends that equal $60 per hearing board meeting. Expenses for services provided by related parties during the fiscal year ended June 30, 2016, are summarized as follows:

Related Party	Fiscal Year 2015-2016 Expenses
City of Dixon:	
2015 Ford C-Max SEL Energi	$ 8,000
Solano County:	
Putah Creek Road Safety Improvement Project	43,410
Rocky Hill Trail Improvement Project	52,358
City of Vacaville:	
10-wheel dump truck	20,000
Yolo County	
Legal and accounting services, and indirect charges from Yolo Co.	76,878
District Directors and Hearing Board Members	
Board meeting stipends	8,540
Mileage Reimbursements	225
Total	$ 209,411

NOTE 10 – RELATED PARTY TRANSACTIONS (Continued)

Expenses for services provided by related parties during the fiscal year ended June 30, 2015, are summarized as follows:

Related Party	Fiscal Year 2014-2015 Expenses
City of Davis:	
Smart Street Program	$ 6,989
City of Rio Vista:	
Replace 1982 Gas Dump Truck with New 2015 Diesel Dump Truck	62,290
Replace 1985 Utility Truck with New Flex Fuel Pickup Truck	20,000
Replace 1982 Pickup Truck with New Flex Fuel Pickup Truck	20,000
Solano County:	
Putah Creek Road Safety Improvement Project	126,590
City of Vacaville:	
Safe Routes to School Improvement Project	100,000
City of Woodland and Yolo County:	
Workplace Charging Station	15,000
Yolo County Planning Department:	
DFP Retrofit of Trash Truck	12,000
Yolo County:	
Legal and accounting services, and indirect charges from Yolo Co.	54,788
District Directors:	
Board meeting stipends and reimbursements	10,197
Hearing Board members:	
Meeting stipends	840
Total	$ 428,694

NOTE 11 – LEASE COMMITMENTS

The District amended its office space lease agreement effective November 1, 2009, which includes an expansion of the existing office space, first right of refusal for additional office space as it becomes available, and a liquidating damages clause should the District terminate the lease agreement before its amended expiration date of August 31, 2019. Rent expense under all operating lease agreements was $177,726 and $173,015, for the years ended June 30, 2016 and 2015, respectively. As of June 30, 2016, future minimum lease payments under operating leases are as follows:

Fiscal year ending June 30,		
2017	$	155,220
2018		155,220
2019		155,220
Thereafter		25,870
Total minimum lease commitments	$	491,530

NOTE 12 – CONTINGENCIES

The District is a party to claims and legal proceedings arising in the ordinary course of business. After taking into consideration information furnished by legal counsel to the District as to the current status of various claims and proceedings to which the District is a party, management is of the opinion that the ultimate aggregate liability represented thereby, if any, will not have a material adverse effect on the financial position or results of operations of the District.

The District receives funding for specific purposes that are subject to review and audit by the funding source. Such audits could result in a request for reimbursement for expenditures disallowed under the terms and conditions of the contracts. Management is of the opinion that no material liabilities will result from such potential audits.

REQUIRED SUPPLEMENTARY INFORMATION

YOLO–SOLANO AIR QUALITY MANAGEMENT DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS – SCHEDULE OF FUNDING PROGRESS

FOR THE YEAR ENDED JUNE 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2015	$ 208,000	$ 2,064,000	$ 1,856,000	10.08%	$ 1,768,000	104.98%
6/30/2013	108,000	1,274,000	1,166,000	8.48%	1,698,000	68.67%
6/30/2009	-	1,758,000	1,758,000	0.00%	1,727,000	101.80%

See accompanying note to required supplementary information.

YOLO–SOLANO AIR QUALITY MANAGEMENT DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variance With Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Licenses and permits	$ 1,850,200	$ 1,850,200	$ 1,916,178	$ 65,978
Intergovernmental	290,158	290,158	296,364	6,206
Settlements and penalties	115,000	115,000	238,212	123,212
Use of money	2,500	2,500	11,553	9,053
Other revenues	32,299	32,299	38,103	5,804
TOTAL REVENUES	2,290,157	2,290,157	2,500,410	210,253
EXPENDITURES				
Current:				
Public health	2,789,065	2,789,065	2,554,594	234,471
Capital outlay	81,299	81,299	80,397	902
Debt service:				
Principal	7,000	7,000	1,127	5,873
Interest	3,000	3,000	8,836	(5,836)
TOTAL EXPENDITURES	2,880,364	2,880,364	2,644,954	235,410
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(590,207)	(590,207)	(144,544)	445,663
OTHER FINANCING SOURCES (USES)				
Transfers in	305,475	305,475	333,230	27,755
TOTAL OTHER FINANCING SOURCES (USES)	305,475	305,475	333,230	27,755
NET CHANGE IN FUND BALANCE	(284,732)	(284,732)	188,686	473,418
Fund Balance at Beginning of Year	878,265	878,265	878,265	-
Fund Balance at End of Year	$ 593,533	$ 593,533	$ 1,066,951	$ 473,418

See accompanying note to required supplementary information.

YOLO–SOLANO AIR QUALITY MANAGEMENT DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance With Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Licenses and permits	$ 1,769,250	$ 1,769,250	$ 1,773,299	$ 4,049
Intergovernmental	257,500	257,500	316,169	58,669
Settlements and penalties	165,000	165,000	144,904	(20,096)
Use of money	4,000	4,000	2,781	(1,219)
Other revenues	11,000	11,000	15,839	4,839
TOTAL REVENUES	2,206,750	2,206,750	2,252,992	46,242
EXPENDITURES				
Current:	-			
Public health	2,933,318	2,953,318	2,444,536	508,782
Capital outlay	44,000	44,000	59,696	(15,696)
Debt service:				
Principal	9,800	9,800	10,979	(1,179)
Interest	-	-	891	(891)
TOTAL EXPENDITURES	2,987,118	3,007,118	2,516,102	491,016
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(780,368)	(800,368)	(263,110)	537,258
OTHER FINANCING SOURCES (USES)				
Capital lease	-	-	18,437	18,437
Transfers in	265,420	265,420	300,101	34,681
TOTAL OTHER FINANCING SOURCES (USES)	265,420	265,420	318,538	53,118
NET CHANGE IN FUND BALANCE	(514,948)	(534,948)	55,428	590,376
Fund Balance at Beginning of Year	822,837	822,837	822,837	-
Fund Balance at End of Year	$ 307,889	$ 287,889	$ 878,265	$ 590,376

See accompanying note to required supplementary information.

YOLO–SOLANO AIR QUALITY MANAGEMENT DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – MOBILE SOURCE DMV (AB 2766) SPECIAL REVENUE FUND

FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variance With Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Intergovernmental	$ 1,076,500	$ 1,076,500	$ 1,120,257	$ 43,757
Use of money	250	250	995	745
TOTAL REVENUES	1,076,750	1,076,750	1,121,252	44,502
EXPENDITURES				
Current:				
Public health	935,070	935,070	862,738	72,332
TOTAL EXPENDITURES	935,070	935,070	862,738	72,332
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	141,680	141,680	258,514	116,834
OTHER FINANCING SOURCES (USES)				
Transfers out	(214,000)	(214,000)	(224,160)	(10,160)
TOTAL OTHER FINANCING SOURCES (USES)	(214,000)	(214,000)	(224,160)	(10,160)
NET CHANGE IN FUND BALANCE	(72,320)	(72,320)	34,354	106,674
Fund Balance at Beginning of Year	227,883	227,883	227,883	-
Fund Balance at End of Year	$ 155,563	$ 155,563	$ 262,237	$ 106,674

See accompanying note to required supplementary information.

YOLO–SOLANO AIR QUALITY MANAGEMENT DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – MOBILE SOURCE DMV (AB 2766) SPECIAL REVENUE FUND

FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance With Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Intergovernmental	$ 1,055,450	$ 1,055,450	$ 1,086,917	$ 31,467
Use of money	2,600	2,600	802	(1,798)
TOTAL REVENUES	1,058,050	1,058,050	1,087,719	29,669
EXPENDITURES				
Current:				
Public health	1,098,314	1,078,314	888,188	190,126
TOTAL EXPENDITURES	1,098,314	1,078,314	888,188	190,126
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(40,264)	(20,264)	199,531	219,795
OTHER FINANCING SOURCES (USES)				
Transfers out	(213,975)	(213,975)	(237,899)	(23,924)
TOTAL OTHER FINANCING SOURCES (USES)	(213,975)	(213,975)	(237,899)	(23,924)
NET CHANGE IN FUND BALANCE	(254,239)	(234,239)	(38,368)	195,871
Fund Balance at Beginning of Year	266,251	266,251	266,251	-
Fund Balance at End of Year	$ 12,012	$ 32,012	$ 227,883	$ 195,871

See accompanying note to required supplementary information.

YOLO–SOLANO AIR QUALITY MANAGEMENT DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – MOBILE SOURCE DMV (AB 923) SPECIAL REVENUE FUND

FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variance With Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Intergovernmental	$ 539,500	$ 539,500	$ 560,628	$ 21,128
Use of money	3,000	3,000	16,698	13,698
TOTAL REVENUES	542,500	542,500	577,326	34,826
EXPENDITURES				
Current:				
Public health	1,800,000	1,800,000	1,293,383	506,617
TOTAL EXPENDITURES	1,800,000	1,800,000	1,293,383	506,617
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,257,500)	(1,257,500)	(716,057)	541,443
OTHER FINANCING SOURCES (USES)				
Transfers out	(101,975)	(101,975)	(30,375)	71,600
TOTAL OTHER FINANCING SOURCES (USES)	(101,975)	(101,975)	(30,375)	71,600
NET CHANGE IN FUND BALANCE	(1,359,475)	(1,359,475)	(746,432)	613,043
Fund Balance at Beginning of Year	1,965,957	1,965,957	1,965,957	-
Fund Balance at End of Year	$ 606,482	$ 606,482	$ 1,219,525	$ 613,043

See accompanying note to required supplementary information.

YOLO–SOLANO AIR QUALITY MANAGEMENT DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – MOBILE SOURCE DMV (AB 923) SPECIAL REVENUE FUND

FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance With Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Intergovernmental	$ 529,000	$ 529,000	$ 540,958	$ 11,958
Use of money	2,680	2,680	5,356	2,676
TOTAL REVENUES	531,680	531,680	546,314	14,634
EXPENDITURES				
Current:				
Public health	1,953,468	1,953,468	82,095	1,871,373
TOTAL EXPENDITURES	1,953,468	1,953,468	82,095	1,871,373
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,421,788)	(1,421,788)	464,219	1,886,007
OTHER FINANCING SOURCES (USES)				
Transfers out	(26,450)	(26,450)	(27,085)	(635)
TOTAL OTHER FINANCING SOURCES (USES)	(26,450)	(26,450)	(27,085)	635
NET CHANGE IN FUND BALANCE	(1,448,238)	(1,448,238)	437,134	1,885,372
Fund Balance at Beginning of Year	1,528,823	1,528,823	1,528,823	-
Fund Balance at End of Year	$ 80,585	$ 80,585	$ 1,965,957	$ 1,885,372

See accompanying note to required supplementary information.

YOLO–SOLANO AIR QUALITY MANAGEMENT DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL –SOLANO PROPERTY TAX SPECIAL REVENUE FUND

FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Variance With Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Intergovernmental	$ 245,000	$ 245,000	$ 386,947	$ 141,947
TOTAL REVENUES	245,000	245,000	386,947	141,947
EXPENDITURES				
Current				
Public health	319,250	319,250	266,585	52,665
TOTAL EXPENDITURES	319,250	319,250	266,585	52,665
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(74,250)	(74,250)	120,362	194,612
OTHER FINANCING SOURCES (USES)				
Transfers out	(64,500)	(64,500)	(78,695)	(14,195)
TOTAL OTHER FINANCING SOURCES (USES)	(64,500)	(64,500)	(78,695)	(14,195)
NET CHANGE IN FUND BALANCE	(138,750)	(138,750)	41,667	180,417
Fund Balance at Beginning of Year	504,115	504,115	504,115	-
Fund Balance at End of Year	$ 365,365	$ 365,365	$ 545,782	$ 180,417

See accompanying note to required supplementary information.

YOLO–SOLANO AIR QUALITY MANAGEMENT DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – SOLANO PROPERTY TAX SPECIAL REVENUE FUND

FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Variance With Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Intergovernmental	$ 245,000	$ 245,000	$ 369,601	$ 124,601
TOTAL REVENUES	245,000	245,000	369,601	124,601
EXPENDITURES				
Current:	-			
Public health	790,131	790,131	400,000	390,131
TOTAL EXPENDITURES	790,131	790,131	400,000	390,131
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(545,131)	(545,131)	(30,399)	514,732
OTHER FINANCING SOURCES (USES)				
Transfers out	(24,500)	(24,500)	(35,117)	(10,617)
TOTAL OTHER FINANCING SOURCES (USES)	(24,500)	(24,500)	(35,117)	(10,617)
NET CHANGE IN FUND BALANCE	(569,631)	(569,631)	(65,516)	504,115
Fund Balance at Beginning of Year	569,631	569,631	569,631	-
Fund Balance at End of Year	$ -	$ -	$ 504,115	$ 504,115

See accompanying note to required supplementary information.

YOLO–SOLANO AIR QUALITY MANAGEMENT DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
CALPERS COST SHARING DEFINED BENEFIT PENSION PLAN

LAST 10 FISCAL YEARS*

	2016	2015
District's proportion of the net pension liability	0.0236%	0.0266%
District's proportionate share of the net pension liability	$ 1,619,296	$ 1,656,926
District's covered payroll	$ 1,800,152	$ 1,794,933
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	89.95%	92.31%
Plan fiduciary net position as a percentage of the total pension liability	78.40%	79.82%
Measurement date	6/30/2015	6/30/2014

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

See accompanying note to required supplementary information.

YOLO–SOLANO AIR QUALITY MANAGEMENT DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS
CALPERS COST SHARING DEFINED BENEFIT PENSION PLAN

LAST 10 FISCAL YEARS*

	2016	2015
Actuarially determined contributions	$ 208,597	$ 285,922
Contributions in relation to the actuarially determined contribution	208,597	285,922
Contribution deficiency (excess)	$ -	$ -
Covered payroll	$ 1,780,319	$ 1,800,152
Contributions as a percentage of covered payroll	11.72%	15.88%

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

See accompanying note to required supplementary information.

YOLO–SOLANO AIR QUALITY MANAGEMENT DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2016

NOTE 1 – BUDGETARY DATA

The District is required to prepare a budget each fiscal year for its General Fund, Mobile Source DMV (AB2766 and AB923) Special Revenue Fund, and Mobile Source (Solano Property Tax) Special Revenue Fund based on estimates of revenues and expected expenditures. The budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America. All changes to the budget during the year are reflected in these financial statements and require the approval of the governing board. All unencumbered annual appropriations lapse at the end of each fiscal year.

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Yolo-Solano Air Quality Management District
Davis, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Yolo-Solano Air Quality Management District (District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 8, 2017. Our report includes an emphasis of a matter for the District's adoption of new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application,* and GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*, effective July 1, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the district's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, material weaknesses, or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Vavrinek, Trine, Day & Co. LLP

Sacramento, California
February 8, 2017