



550 Howe Avenue, Suite 210
Sacramento, California 95825

Telephone: (916) 564-8727
FAX: (916) 564-8728

GOVERNANCE LETTER

Budget and Audit Committee
Yolo–Solano Air Quality Management District
Davis, California

We have audited the financial statements of the governmental activities and each major fund of the Yolo Solano Air Quality Management District (the District) for the year ended June 30, 2020, and have issued our report thereon dated April 14, 2021. Professional standards require that we provide you with the following information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards (GAAS) and Government Auditing Standards

As stated in our engagement letter dated October 2, 2020, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will also perform tests to the District's compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions is not an objective of our audit.

Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. A separate letter has been prepared regarding internal control related matters noted during our audit.

We performed the audit according to the planned scope previously communicated to you in our engagement letter dated October 2, 2020.

Qualitative Aspects of Accounting Practices

Management is responsible for selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Accounting estimates are used in the following areas: the current portion of the compensated absence liability, indirect cost allocations, other postemployment benefit liability, pension liability, the depreciable lives and methods used for capital assets and the collectability of accounts receivable. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Management has determined that no allowance for uncollectible accounts is needed. The accrual for postemployment and pension benefits was determined by actuarial valuations, which are required to be performed by a District-contracted actuarial every two years for postemployment benefits and by CalPERS every year for pension benefits. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was the following:

- Information on the District's pension plans, including the District's share of the unfunded pension liability, is shown in Note G. The District's share of the unfunded pension liability at June 30, 2019, the most recent measurement date, was \$2,880,959 which is reflected as a liability in the District's financial statements as of June 30, 2020. As a result of the changes in the net pension liability and related deferred inflows and outflows, the District's pension expense is \$674,439 primarily to record changes in the net pension liability and deferred outflows and inflows.
- The postemployment benefit (OPEB) disclosure in Note H shows that the District's share of the unfunded OPEB liability at June 30, 2019, the most recent measurement date, was \$1,736,880 which is reflected as a liability in the District's financial statements as of June 30, 2020. The balance decreased, due in part to the District making contributions to the trust during the year. As a result of the recording of the net OPEB liability and related deferred inflows and outflows, the District's OPEB expense is \$383,858 primarily to record changes in the net OPEB liability and deferred outflows and inflows.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate to the financial statements taken as a whole. Our audit disclosed six closing entries and audit adjustments needed to correct balances. Adjustments made during the course of the audit consistent of the following:

- Write off cash reconciling item which has been carried forward from June 30, 2019
- Write off 2017 and 2018 accounts receivable carried over from past years
- Recognize the receivable from the Woodsmoke Grant (CAPCOA) for expenses incurred as of June 30, 2020
- Record the unearned revenue for the Woodsmoke Grant (G18-WSRP-27-1) funds received not expended at June 30, 2020
- Record rent on the straight-line basis due to the lease including the scheduled rent increases
- Remove double posting of accrued revenue already included in accounts receivable

The attached schedule summarizes one uncorrected misstatement of the financial statements. Management has determined that the affect is immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements With Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor’s report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter date April 14, 2021.

Management Consultation With Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the District’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to required supplementary information (RSI) as reported in the table of contents of the financial statements that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of the Board of Directors and management of the District and is not intended to be and should not be used by anyone other than these specified parties.

Richardson & Company, LLP

April 14, 2021

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT
SUMMARY OF UNADJUSTED AUDIT DIFFERENCES - MOBILE SOURCE DMV (AB 923) FUND
JUNE 30, 2020

Description (Nature) of Audit Difference	Financial Statement Effect - Amount of Overstatement (Understatement) of:			
	Total Assets	Total Liabilities	Total Fund Balance	Total Change in Fund Balance
Difference between estimated AB2766 accrual and amount subsequently collected	\$ (5,704)	\$ -	\$ (5,704)	\$ (5,704)
Net Unadjusted Audit Differences - This Year	(5,704)	-	(5,704)	(5,704)
Financial Statement Caption Totals	2,356,062	-	2,356,062	598,360
Net Audit Differences as % of F/S Captions	(0.24%)		(0.24%)	(0.95%)

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT
SUMMARY OF UNADJUSTED AUDIT DIFFERENCES - MOBILE SOURCE DMV (AB 2766) FUND
JUNE 30, 2020

Description (Nature) of Audit Difference	Financial Statement Effect - Amount of Overstatement (Understatement) of:			
	Total Assets	Total Liabilities	Total Fund Balance	Total Change in Fund Balance
Difference between estimated AB2766 accrual and amount subsequently collected	\$ (11,408)	\$ -	\$ (11,408)	\$ (11,408)
Net Unadjusted Audit Differences - This Year	(11,408)	-	(11,408)	(11,408)
Financial Statement Caption Totals	674,279	16,138	658,141	130,195
Net Audit Differences as % of F/S Captions	(1.69%)	0.00%	(1.73%)	(8.76%)



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Sacramento, California 95825

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MANAGEMENT LETTER

Budget and Audit Committee
Yolo–Solano Air Quality Management District
Davis, California

In planning and performing our audit of the financial statements of the Yolo–Solano Air Quality Management District (the District) as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Given these limitations there can be no assurance that all deficiencies have been identified.

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 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. We did not identify any deficiencies in internal control that we consider to be a material weakness.

However, during our audit, we became aware of the following matters that have been included in this letter for your consideration:

Accrued Payroll

The accrued payroll calculation as of June 30, 2020 did not match the liability balance in the general ledger by \$4,011. We recommend the general ledger balance be adjusted to match the calculated balance at year-end.

Grant Tracking

The tracking of individual grants is currently done by each grant program manager and the expenditure information is not being relayed to the financial personnel so that the proper accounting can be done. In addition, claims for reimbursement of grant funds were not being done timely. We recommend that all grants be tracked by one person and claims for cost reimbursement grants be submitted on a quarterly basis. The District needs to ensure the proper accounting entries are made at the end of the year so the revenue is recorded in the same year as the corresponding expenses.

Capital Assets

While the capital asset listing was updated during the year, the balances on the listing did not match the general ledger by \$3,192. We recommend that the general ledger be adjusted to match the balance on the capital asset listing.

Payroll Liability Accounts

The District currently has a single liability account to reflect accrued payroll as well as payroll withholdings from employee paychecks. We recommend that separate liability accounts be set up for withholdings and that the withholding accounts be reviewed monthly to ensure they clear out every month.

Budget to Actual Reporting

We recommend the District add budget amounts in QuickBooks so that budgeted amounts can be compared to actual results on a monthly basis. These budget to actual reports should be provided to the Board at least on a quarterly basis to increase Board oversight.

* * * * *

We would like to take this opportunity to acknowledge the courtesy and assistance extended to us during the course of the audit. This communication is intended solely for the information and use of the Board of Directors, management, others within the District, and state and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Richardson & Company, LLP

April 14, 2021

**YOLO-SOLANO AIR QUALITY
MANAGEMENT DISTRICT**

Audited Financial Statements
and Other Reports

June 30, 2020

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YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

BASIC FINANCIAL STATEMENTS AND OTHER REPORTS

June 30, 2020

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550 Howe Avenue, Suite 210
Sacramento, California 95825
Telephone: (916) 564-8727
FAX: (916) 564-8728

INDEPENDENT AUDITOR'S 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, each major fund, and the aggregate remaining fund information of the Yolo–Solano Air Quality Management District (the District) as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit 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 for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2020 and the respective changes in financial position, and the budgetary comparison for the General and Major Special Revenue Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of Proportionate Share of the Net Pension Liability, Schedule of Contributions to the Pension Plan, Schedule of Contributions to the OPEB Plan and Schedule of Changes in the Net OPEB Liability and Related Ratios as listed in the accompanying 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 April 14, 2021 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. 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.

Richardson & Company, LLP

April 14, 2021

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

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 year ending June 30, 2020 and in conjunction with the 2019 financial statements. This information is presented in combination with the audited financial statements and the accompanying notes that follow this section.

Financial Highlights

- As of June 30, 2020, the total assets and deferred outflows of the District exceeded its total liabilities and deferred inflows by \$5,264,995 (net position). Of this amount, \$3,014,203 is restricted due to legislation under AB 2766 and AB 923, \$976,412 is restricted under Solano County property tax based on Board approval for public awareness programs, equipment and/or projects, and \$1,472,375 is restricted for FARMER Fund which is used to grant incentives for the replacement of agricultural equipment.
- As of the close of FY 2020, the District's combined fund balances reported an ending balance of \$8,741,708, an increase of \$913,160 in comparison with FY 2019. The restricted portion of the total fund balance is 62% of the combined balance.
- Net pension liability: The District has recognized a liability in the amount of \$2,880,959 for a net pension obligation due to Governmental Accounting Standards Board Statement (GASB) 68. The liability increased \$297,906 from the prior year. See Note G of the basic financial statements.
- Other Post-Employment Benefits (OPEB): The District continues to prefund health care premiums for eligible retirees and dependents and contributed \$436,353 in FY 2020. Due to the implementation of GASB 75, the OPEB liability is \$1,736,880 as of June 30, 2020. See Note H of the basic financial statements.

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 flows takes place.

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

The 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 as to whether the financial position of the District is improving or deteriorating.

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 12 and 13.

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 five funds:

- **General Fund:** This fund is used for the stationary source, agricultural burning, asbestos, and mutual settlement programs. The District 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 Clean Air Fund (CAF) projects and supports the staff that works within the mobile source program under AB 2766. 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 is included with the revenue received under AB 2766. Administrative fees are charged to these restricted funds and are reimbursed to the General Fund.
- **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. Also included in this fund are pass-throughs from successor agencies to former Redevelopment Agencies (RDA's) collected tax. An administrative fee is charged to this restricted fund and is reimbursed to the General Fund.
- **FARMER Fund:** This fund is considered a special revenue fund. The Funding Agricultural Replacement Measures for Emission Reductions (FARMER) fund manages the necessary tracking to support a new incentive program relating to the replacement of qualified agricultural equipment. An administrative fee is allocated within the funding and when expenses are recognized, the General Fund receives such fees.

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

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 14 and 16. Since different accounting bases are used to prepare the above statements, reconciliation is required to facilitate the comparison between the government-wide statements and the fund statements. The reconciliation between the total fund balances and the net position can be found on page 15. The reconciliation of the total change in fund balances for all governmental funds to the change in net assets can be found on page 17.

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

Budgeted and actual amounts by fund are provided on pages 18 through 22.

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 23 through 43 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 inflows of resources by \$5,264,995 as of June 30, 2020 and \$4,504,989 as of June 30, 2019.

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

The following schedule lists a condensed Statement of Net Position as of June 30, 2020 compared with 2019 and 2018.

	Year ended June 30,		
	2020	2019	2018
Assets:			
Current assets	\$ 9,084,399	\$ 8,089,498	\$ 4,768,896
Capital assets, net	123,682	124,882	134,414
Total assets	<u>9,208,081</u>	<u>8,214,380</u>	<u>4,903,310</u>
Deferred outflows of resources	<u>1,410,471</u>	<u>1,292,620</u>	<u>1,267,140</u>
Liabilities:			
Current liabilities	313,829	230,423	195,368
Noncurrent liabilities	<u>4,721,208</u>	<u>4,498,721</u>	<u>4,578,380</u>
Total liabilities	<u>5,035,037</u>	<u>4,729,144</u>	<u>4,773,748</u>
Deferred inflows of resources	<u>318,520</u>	<u>272,867</u>	<u>329,036</u>
Net Position:			
Net investment in capital assets	123,682	115,698	117,337
Restricted	5,462,990	4,883,729	2,421,300
Unrestricted	<u>(321,677)</u>	<u>(494,438)</u>	<u>(1,470,971)</u>
Total net position	<u>\$ 5,264,995</u>	<u>\$ 4,504,989</u>	<u>\$ 1,067,666</u>

Total net position increased 17% or \$760,006 from 2019 to 2020. Total net position increased 322% or \$3,437,323 from 2018 to 2019, most notably from the addition of the FARMER Fund during 2019. Explanations for the changes in net position are discussed below.

The most significant variances of total Net Position are related to cash and investments, which is covered in detail in Note B on pages 28 and 29, restricted cash and investments, which is covered in detail in Note C on pages 29 through 31, and the pension and OPEB liabilities which is covered in detail in Notes G and H on pages 33 through 40. 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.

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

In addition, there was an increase in FY 2020 from prior year in current liabilities of \$83,406, which consists of a combined total for accounts payable, accrued payroll, unearned income, and the current portion of compensated absences.

The following lists the Statement of Activities for the years ended June 30, 2020, 2019 and 2018:

	Year ended June 30,		
	2020	2019	2018
Program Revenues:			
Charges for services	\$ 2,592,001	\$ 2,682,178	\$ 3,007,105
Operating grants and contributions	4,615,865	4,564,784	2,606,213
Total program revenues	7,207,866	7,246,962	5,613,318
Program Expenses:			
Public health	6,589,491	4,418,310	4,419,025
Interest on long term debt	1,851	2,044	3,982
Total program expenses	6,591,342	4,420,354	4,423,007
General Revenues			
Investment income	141,791	118,923	43,490
Other	1,691	491,792	32,070
Total general revenues	143,482	610,715	75,560
Change in net position	760,006	3,437,323	1,265,871
Net Position - July 1	4,504,989	1,067,666	(198,205)
Net Position - June 30	\$ 5,264,995	\$ 4,504,989	\$ 1,067,666

Governmental Activities

Below are explanations of the significant revenue variances from fiscal years 2019 to 2020.

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 decrease in revenue that falls within this category from 2019 to 2020 of 2% or \$50,957 in comparison to 2018 to 2019 which was an increase of 15% or \$324,260. This revenue category can fluctuate based on permit activity.
- Operating Grants and Contributions: This is revenue received from the DMV, Solano County under property tax proceeds and redevelopment pass-through dollars, state or federal grants and/or pass-through funds, and the FARMER Fund. There was an increase of 1% or \$51,081 from 2019 to 2020 in comparison to 2018 to 2019 which was an increase of 75% or \$1,958,571. The FARMER

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2020

Fund was new to the District for fiscal 2019 and received \$1.8 million in funding during the year. These funds are to be used for grant incentives for the replacement of agricultural equipment.

Program Expenses

- **Public Health:** Expenses in this category were decreasing modestly during 2018 and 2019 from \$4,419,025 in 2018, to \$4,418,310 in 2019, but increased to \$6,589,491 in 2020 due to higher level of grant activity inside the FARMER Fund.
- 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 consists 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 continue to decrease from \$902,346 in 2018, to \$253,159 in 2019 (72% decrease) and \$213,939 in 2020 (15% decrease). This revenue is received due to violations of District rules and regulations, and federal and/or state law, and can vary from year to year. Investment income has been increasing since 2018, from \$43,490 in 2018 to \$118,923 in 2019 (173% increase) and \$141,791 in 2020 (19% increase). Investment income is the result of cash and investment balances held in the County Treasury. Also included in General Revenues is other income, which was \$32,670 in 2018, \$491,792 in 2019, and \$1,691 in 2020.

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, 2020 was \$8,741,708 which is an increase of 12% or \$913,160 from 2019.

The following table shows the fund balance by classifications for the last three years ending June 30. Classifications include Restricted AB 2766, AB 923, Solano Property Tax, and FARMER Fund, and General Funds. The General Fund includes the Board approved reserves of \$28,281 equipment replacement.

Fund Balance	Year ended June 30,		
	2020	2019	2018
General Fund	\$3,278,718	\$ 2,944,819	\$ 2,129,305
AB2766	658,141	527,946	429,983
AB923	2,356,062	1,757,702	1,332,237
Solano Property Tax	976,412	918,837	659,080
FARMER Fund	1,472,375	1,679,244	-
Total program fund balance	<u>\$8,741,708</u>	<u>\$ 7,828,548</u>	<u>\$ 4,550,605</u>

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

Variances of 12% in the fund balances by classification within the last two years are explained as follows.

- **General Fund:** The fund balance increased by 11% or \$333,899 in FY 2020. The District received higher than expected total revenues and incurred lower than expected expenses in public health in FY 20.
- **AB2766:** The fund balance increased by 25% or \$130,195 in FY 2020. The District received about \$24,000 more in total revenues than originally budgeted, and had favorable budget variances in expenses of about \$616,000 during the year.
- **AB923:** The fund balance increased by 34% or \$598,360 in FY 2020. The District received about \$55,000 more in revenues than originally budgeted, and had favorable budget variances in expenses of about \$2,257,000 during the year.
- **Solano Property Tax:** The fund balance increased by 6% or \$57,575 in FY 2020. The District received about \$208,000 more in revenues than originally budgeted, and approximately \$621,000 less in expenses than budgeted for 2020.
- **FARMER Fund:** The fund balance decreased by 12% or \$206,869 in FY 2020. The District received about \$18,000 more in revenues than originally budgeted, but was offset by \$209,000 more in grant disbursements than was expected.

Analysis of General Fund Budget

Significant variances from the Final Budget to the Actual amounts as shown on pages 18 through 22 for FY 2020 are:

General Fund

- Revenue received from licenses and permits show a \$39,312 increase from final to actual.
- Intergovernmental revenues received show a \$101,201 increase from final to actual.
- Settlements and penalties increased by \$69,939 from final to actual. This revenue received is based on violations of District Rules and Regulations and settlement of violations.
- Use of money consists of investment earnings and show a \$69,582 increase from final to actual.
- Expenditures in the Public Health category decreased from the final to the actual spent by \$866,599. There were savings in salaries and benefits, and professional services from the original budget.
- The district purchased additional air monitoring equipment during the year for \$32,000 that was not originally budgeted.

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

Capital Assets and Long-Term Debt

Capital Assets:

As of June 30, 2020, and June 30, 2019, the District's investment in capital assets amounted to \$123,682 and \$124,882 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 D to the Financial Statements.

Long-Term Liabilities:

As of June 30, 2020, and 2019, the District's long-term liabilities that are not due and payable in the current period total \$4,721,208 and \$4,498,721, respectively, which includes the District's accrued compensated absences (accrued leave), pension and other post-employment benefits. As of June 30, 2020, and 2019, the District's net pension liability totaled \$2,880,959 and \$2,583,053, respectively. As of June 30, 2020 and 2019, the District's other post-employment benefits (OPEB) liability was \$1,736,880 and \$1,843,985 respectively. Additional information on the District's long-term liabilities can be found in Note E, Note G and Note H 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 revenues 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, 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 2020 the District projected an 80 percent cost recovery in the stationary source program. By year's end the District ended 2020 with 99 percent cost recovery in the stationary source program. For fiscal year 2021, the District is projecting a cost recovery of the stationary source program of 71 percent. The cost recovery includes a cost of living adjustment tied to the Consumer Price Index.

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 \$109,000 toward the CAF Program using AB 2766 money for FY 2020. AB 923 supported the District's Lower Emission School Bus Program, and had \$1,000,000 budgeted, but due to COVID-19 these funds were not expended during this fiscal year. They were reallocated to next fiscal year.

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 the District granted \$350,000 for the 2020 CAF program. In FY 2021 the District plans to release \$480,000.

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

The following factors were considered in preparing the fiscal year 2021 approved final budget. The District's overall budget is projected an increase, which includes the General Fund and four restricted funds.

- General Fund is projected to increase by about 4 percent. For revenue, the District is projecting an decrease of \$152,294. On the expenditure side is a payment to the CERBT OPEB Trust to meet the District's ARC of \$239,618 for FY 2019 and funding for other operating expenses.
- Mobile Source DMV AB 2766 Fund is projected for FY 2021 to increase by \$58,287. 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 projecting an increase of \$640,363. This fund is used exclusively for grant programs that are allowed under AB 923 legislation. In FY 2021 the District Board has allocated \$1,600,000 toward replacing school buses.
- Solano County Property Tax Fund is projected to increase by \$169,109 for FY 2021. Available grant funds released through the CAF grant program is expected to increase \$37,000 from FY 2020.
- FARMER Fund is projected to decrease by \$974,340 for FY 2021. It is anticipated to receive \$871,360 in funding in FY 2021 and to allocate \$1,500,000 in grant incentives for the replacement of agricultural equipment.

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.

BASIC FINANCIAL STATEMENTS

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

STATEMENT OF NET ASSETS

June 30, 2020

ASSETS	
Cash and investments	\$ 3,494,321
Restricted cash and investments	4,861,193
Accounts receivable	123,659
Due from other agencies	548,555
Prepaid expenses	56,671
Capital assets, net	123,682
TOTAL ASSETS	<u>9,208,081</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	834,463
OPEB	576,008
TOTAL DEFERRED OUTFLOWS	<u>1,410,471</u>
LIABILITIES	
Accounts payable	43,743
Accrued payroll	69,949
Deferred rent	23,829
Unearned revenue	93,268
Compensated absences, current portion	83,040
Noncurrent liabilities:	
Compensated absences	103,369
Net pension liability	2,880,959
Net OPEB liability	1,736,880
TOTAL LIABILITIES	<u>5,035,037</u>
DEFERRED INFLOWS OF RESOURCES	
Pensions	294,867
OPEB	23,653
	<u>318,520</u>
NET POSITION	
Net investment in capital assets	123,682
Restricted for:	
Mobile Source DMV (AB 2766)	658,141
Mobile Source DMV (AB 923)	2,356,062
Solano County projects	976,412
FARMER program	1,472,375
Unrestricted	<u>(321,677)</u>
TOTAL NET POSITION	<u>\$ 5,264,995</u>

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

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2020

PROGRAM EXPENSES	
Governmental activities:	
Public health	\$ 6,589,491
Interest on long-term debt	1,851
	<u>6,591,342</u>
	TOTAL PROGRAM EXPENSES
PROGRAM REVENUES	
Charges for services	2,592,001
Operating grants and contributions	4,615,865
	<u>7,207,866</u>
	TOTAL PROGRAM REVENUES
	NET PROGRAM REVENUE
	616,524
GENERAL REVENUES	
Investment income	141,791
Other	1,691
	<u>143,482</u>
	TOTAL GENERAL REVENUES
	CHANGE IN NET ASSETS
	760,006
Net position at beginning of year	<u>4,504,989</u>
	NET POSITION AT END OF YEAR
	<u><u>\$ 5,264,995</u></u>

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

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

BALANCE SHEETS – GOVERNMENTAL FUNDS

June 30, 2020

	General Fund	Major Special Revenue Fund	Non-Major Special Revenue Funds			Total Governmental Funds
		Mobile Source DMV (AB 923) Fund	Mobile Source DMV (AB 2766) Fund	Solano Property Tax Fund	FARMER Fund	
ASSETS						
Cash and investments	\$ 3,494,321					\$ 3,494,321
Restricted cash and investments		\$ 2,252,500	\$ 173,372	\$ 1,012,337	\$ 1,422,984	4,861,193
Accounts receivable	123,659					123,659
Due from other governments	224,402	103,562	207,125	13,466		548,555
Due from other funds			289,272		49,391	338,663
Prepaid expenditures	52,161		4,510			56,671
TOTAL ASSETS	\$ 3,894,543	\$ 2,356,062	\$ 674,279	\$ 1,025,803	\$ 1,472,375	\$ 9,423,062
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 43,743					\$ 43,743
Accrued payroll	53,811		\$ 16,138			69,949
Unearned revenue	93,268					93,268
Deferred rent	23,829					23,829
Due to other funds	289,272			\$ 49,391		338,663
TOTAL LIABILITIES	503,923		16,138	49,391		569,452
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	111,902					111,902
TOTAL DEFERRED INFLOWS OF RESOURCES	111,902					111,902
FUND BALANCES						
Nonspendable:						
Prepaid expenditures	52,161		4,510			56,671
Restricted for:						
Mobile Source DMV (AB 2766)			653,631			653,631
Mobile Source DMV (AB 923)	\$ 2,356,062					2,356,062
Solano property tax				976,412		976,412
FARMER program					\$ 1,472,375	1,472,375
Assigned to:						
Equipment replacement	28,281					28,281
Unassigned	3,198,276					3,198,276
TOTAL FUND BALANCES	3,278,718	2,356,062	658,141	976,412	1,472,375	8,741,708
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 3,894,543	\$ 2,356,062	\$ 674,279	\$ 1,025,803	\$ 1,472,375	\$ 9,423,062

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

YOLO–SOLANO AIR QUALITY MANAGEMENT DISTRICT

RECONCILIATION OF THE BALANCE SHEETS TO THE GOVERNMENT-WIDE
STATEMENT OF NET ASSETS

June 30, 2020

Fund balances – total governmental funds		\$ 8,741,708
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Revenues that are earned but are not available or received within the period of availability are not recognized as inflows in the fund statements but are reported as revenue in the Government-Wide statement of activities		111,902
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds:		
Governmental capital assets	\$ 686,701	
Less: accumulated depreciation	<u>(563,019)</u>	123,682
Deferred outflows of resources related to pensions and OPEB		1,410,471
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Net pension liability	(2,880,959)	
Other post-employment benefits (OPEB)	(1,736,880)	
Accrued compensated absences	<u>(186,409)</u>	(4,804,248)
Deferred inflows of resources related to pensions and OPEB		<u>(318,520)</u>
Net assets – governmental activities		<u>\$ 5,264,995</u>

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

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

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

For the Year Ended June 30, 2020

	General Fund	Major Special Revenue Fund	Non-Major Special Revenue Funds			Total Governmental Funds
		Mobile Source DMV (AB 923) Fund	Mobile Source DMV (AB 2766) Fund	Solano Property Tax Fund	FARMER Fund	
REVENUES						
Licenses and permits	\$ 2,378,062					\$ 2,378,062
Intergovernmental	557,651	\$ 592,371	\$ 1,184,742	\$ 507,756	\$ 1,768,212	4,610,732
Settlements and penalties	213,939					213,939
Use of money	72,082	43,836	6,375		19,498	141,791
Other revenues	1,691					1,691
TOTAL REVENUES	3,223,425	636,207	1,191,117	507,756	1,787,710	7,346,215
EXPENDITURES						
Current:						
Public health	3,361,781		801,149	410,000	1,816,900	6,389,830
Capital outlay	32,190					32,190
Debt service:						
Principal	9,184					9,184
Interest	672	1,179				1,851
TOTAL EXPENDITURES	3,403,827	1,179	801,149	410,000	1,816,900	6,433,055
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES	(180,402)	635,028	389,968	97,756	(29,190)	913,160
OTHER FINANCING SOURCES (USES)						
Transfers in	514,301					514,301
Transfers out		(36,668)	(259,773)	(40,181)	(177,679)	(514,301)
TOTAL OTHER FINANCING SOURCES (USES)	514,301	(36,668)	(259,773)	(40,181)	(177,679)	
NET CHANGE IN FUND BALANCES	333,899	598,360	130,195	57,575	(206,869)	913,160
Fund balances at beginning of year	2,944,819	1,757,702	527,946	918,837	1,679,244	7,828,548
FUND BALANCES AT END OF YEAR	\$ 3,278,718	\$ 2,356,062	\$ 658,141	\$ 976,412	\$ 1,472,375	\$ 8,741,708

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

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

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

For the Year Ended June 30, 2020

Net changes in fund balances – total governmental funds		\$	913,160
Amounts reported for governmental activities in the Statement of Activities are different because:			
Certain nonexchange revenues will not be collected up to 60 days after the year end, and therefore are not considered "available" and are deferred in the governmental funds. Unavailable revenues increased by this amount during the year.			
			5,133
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		\$	32,190
Depreciation expense			(33,390)
			<u>(1,200)</u>
Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.			
Principal repayments on long-term liabilities			9,184
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 and related amounts			207,377
Change in pension and related amounts			(325,980)
Change in accrual for compensated absences			<u>(47,668)</u>
Change in net assets – governmental activities		\$	<u><u>760,006</u></u>

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 BALANCE
BUDGET AND ACTUAL – GENERAL FUND

For the Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Licenses and permits	\$ 2,338,750	\$ 2,338,750	\$ 2,378,062	\$ 39,312
Intergovernmental	456,450	456,450	557,651	101,201
Settlements and penalties	144,000	144,000	213,939	69,939
Use of money	2,500	2,500	72,082	69,582
Other revenues			1,691	1,691
Gain (loss) on sale of fixed assets	500	500		(500)
TOTAL REVENUES	2,942,200	2,942,200	3,223,425	281,225
EXPENDITURES				
Current				
Public health	4,228,380	4,228,380	3,361,781	866,599
Capital outlay			32,190	(32,190)
Debt service				
Principal			9,184	(9,184)
Interest	10,800	10,800	672	10,128
Contingencies	1,257,855	1,257,855		1,257,855
TOTAL EXPENDITURES	5,497,035	5,497,035	3,403,827	2,093,208
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(2,554,835)	(2,554,835)	(180,402)	2,374,433
OTHER FINANCING SOURCES				
Transfers in	429,300	429,300	514,301	85,001
TOTAL OTHER FINANCING SOURCES	429,300	429,300	514,301	85,001
NET CHANGE IN FUND BALANCES	(2,125,535)	(2,125,535)	333,899	2,459,434
Fund balances at beginning of year	2,944,819	2,944,819	2,944,819	
FUND BALANCES AT END OF YEAR	\$ 819,284	\$ 819,284	\$ 3,278,718	\$ 2,459,434

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 BALANCE
BUDGET AND ACTUAL – MOBILE SOURCE DMV (AB 923) SPECIAL REVENUE FUND

For the Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 581,000	\$ 581,000	\$ 592,371	\$ 11,371
Use of money	250	250	43,836	43,586
TOTAL REVENUES	581,250	581,250	636,207	54,957
EXPENDITURES				
Current				
Public health	1,000,000	1,000,000		1,000,000
Debt service:				
Interest			1,179	(1,179)
Contingencies	1,257,855	1,257,855		1,257,855
TOTAL EXPENDITURES	2,257,855	2,257,855	1,179	2,256,676
EXCESS OF REVENUES OVER EXPENDITURES				
	(1,676,605)	(1,676,605)	635,028	2,311,633
OTHER FINANCING USES				
Transfers out	(35,900)	(35,900)	(36,668)	(768)
TOTAL OTHER FINANCING USES	(35,900)	(35,900)	(36,668)	(768)
NET CHANGE IN FUND BALANCES	(1,712,505)	(1,712,505)	598,360	2,310,865
Fund balances at beginning of year	1,757,702	1,757,702	1,757,702	
FUND BALANCES AT END OF YEAR	\$ 45,197	\$ 45,197	\$ 2,356,062	\$ 2,310,865

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 BALANCE
BUDGET AND ACTUAL – MOBILE SOURCE DMV (AB 2766) SPECIAL REVENUE FUND

For the Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,167,000	\$ 1,167,000	\$ 1,184,742	\$ 17,742
Use of money	250	250	6,375	6,125
TOTAL REVENUES	<u>1,167,250</u>	<u>1,167,250</u>	<u>1,191,117</u>	<u>23,867</u>
EXPENDITURES				
Current				
Public health	1,063,400	1,063,400	801,149	262,251
Contingencies	353,740	353,740		353,740
TOTAL EXPENDITURES	<u>1,417,140</u>	<u>1,417,140</u>	<u>801,149</u>	<u>615,991</u>
EXCESS OF REVENUES OVER EXPENDITURES	(249,890)	(249,890)	389,968	639,858
OTHER FINANCING USES				
Transfers out	(233,400)	(233,400)	(259,773)	(26,373)
TOTAL OTHER FINANCING USES	<u>(233,400)</u>	<u>(233,400)</u>	<u>(259,773)</u>	<u>(26,373)</u>
NET CHANGE IN FUND BALANCES	(483,290)	(483,290)	130,195	613,485
Fund balances at beginning of year	<u>527,946</u>	<u>527,946</u>	<u>527,946</u>	
FUND BALANCES AT END OF YEAR	<u>\$ 44,656</u>	<u>\$ 44,656</u>	<u>\$ 658,141</u>	<u>\$ 613,485</u>

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 BALANCE
BUDGET AND ACTUAL – SOLANO PROPERTY TAX SPECIAL REVENUE FUND

For the Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 300,000	\$ 300,000	\$ 507,756	\$ 207,756
TOTAL REVENUES	<u>300,000</u>	<u>300,000</u>	<u>507,756</u>	<u>207,756</u>
EXPENDITURES				
Current				
Public health	350,000	350,000	410,000	(60,000)
Contingencies	681,130	681,130		681,130
TOTAL EXPENDITURES	<u>1,031,130</u>	<u>1,031,130</u>	<u>410,000</u>	<u>621,130</u>
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES	(731,130)	(731,130)	97,756	828,886
OTHER FINANCING USES				
Transfers out	(30,000)	(30,000)	(40,181)	(10,181)
TOTAL OTHER FINANCING USES	<u>(30,000)</u>	<u>(30,000)</u>	<u>(40,181)</u>	<u>(10,181)</u>
NET CHANGE IN FUND BALANCES	(761,130)	(761,130)	57,575	818,705
Fund balances at beginning of year	<u>918,837</u>	<u>918,837</u>	<u>918,837</u>	
FUND BALANCES AT END OF YEAR	<u>\$ 157,707</u>	<u>\$ 157,707</u>	<u>\$ 976,412</u>	<u>\$ 818,705</u>

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 BALANCE
BUDGET AND ACTUAL – FARMER SPECIAL REVENUE FUND

For the Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,765,000	\$ 1,765,000	\$ 1,768,212	\$ 3,212
Use of money	5,000	5,000	19,498	14,498
TOTAL REVENUES	<u>1,770,000</u>	<u>1,770,000</u>	<u>1,787,710</u>	<u>17,710</u>
EXPENDITURES				
Current				
Public health	1,607,900	1,607,900	1,816,900	(209,000)
Contingencies	1,770,000	1,770,000		1,770,000
TOTAL EXPENDITURES	<u>3,377,900</u>	<u>3,377,900</u>	<u>1,816,900</u>	<u>1,561,000</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(130,000)	(130,000)	(177,679)	(47,679)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(130,000)</u>	<u>(130,000)</u>	<u>(177,679)</u>	<u>(47,679)</u>
NET CHANGE IN FUND BALANCES	(1,737,900)	(1,737,900)	(206,869)	1,531,031
Fund balances at beginning of year	<u>1,679,244</u>	<u>1,679,244</u>	<u>1,679,244</u>	
FUND BALANCES AT END OF YEAR	<u><u>\$ (58,656)</u></u>	<u><u>\$ (58,656)</u></u>	<u><u>\$ 1,472,375</u></u>	<u><u>\$ 1,531,031</u></u>

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

YOLO–SOLANO AIR QUALITY MANAGEMENT DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Yolo–Solano Air Quality Management District (the 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.

Background: The Yolo–Solano Air Quality Management District (the 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 Treasurer of Yolo County serves as the District’s treasurer.

Basis of Presentation – Government-wide Financial Statements: The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. 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 District has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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 other items properly excluded among program revenues 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 government’s policy to use restricted resources first, then unrestricted resources as they are needed.

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.

YOLO–SOLANO AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 other than expenditure reimbursement grants to be available if they are collected within 60 days of the end of the current fiscal period. Expenditure reimbursement grants are available if received within 180 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.

Licenses and permits, intergovernmental revenues, settlements and penalties and investment earnings 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

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

Mobile Source DMV (AB 923) – This special revenue fund was created in FY 2012/13 to separately account for the restricted revenues received from the State under Assembly Bill 923 (AB 923), 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 for the reduction of air pollution by providing funding for cleaner than required engines and equipment.

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 (AB 8), 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.

FARMER – Funding Agricultural Replacement Measures for Emission Reductions (FARMER) is a special revenue fund used to account for restricted revenues from the California Air Resources Board (CARB) under Assembly Bill 134 (AB 134) and Assembly Bill 109 (AB 109). Monies are restricted for the reduction of agricultural sector emissions by providing grants, rebates and other financial incentives for agricultural harvesting equipment, heavy-duty trucks, agricultural pump engines, tractors and other equipment used in agricultural operations in order to decrease toxic and greenhouse gas emission.

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets: Budgets are adopted on a basis consistent with generally accepted accounting principles 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.

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 acquisition 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, except assets costing less 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 are 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.

Unearned Revenues: Unearned revenues arise when resources are received before the District has legal claim to them, such as when fees are received for the following fiscal year.

Deferred Rent: The District’s facilities lease provided for scheduled increases. The District has recorded rent on a straight-line basis and the difference between this amount and actual payments made is recorded as deferred rent.

Compensated Absences: The District’s personnel policy allows employees to accumulate earned but unused vacation. Unused accrued vacation time will be paid to employees upon separation from the District’s service, subject to a vesting policy. The cost of vacation is recorded in the period accrued.

Amounts that are expected to be liquidated with expendable available financial resources, for example, as a result of employee resignations or retirements that are currently payable are reported as expenditures and fund liability of the governmental fund that will pay it. Amounts not expected to be liquidated with expendable available financial resources represent a reconciling item between the fund and government-wide presentation. No expenditure is reported in the governmental fund financial statements for these amounts. Compensated absences are liquidated by the General Fund.

Deferred Outflows/Inflows of Resources: In addition to assets, the Statement of Net Assets 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. Deferred outflows and inflows of resources represent amounts deferred related to the District’s pension and OPEB plans as described in Notes G and H.

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

YOLO–SOLANO AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

California Public Employees’ Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans’ 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.

Postemployment Benefits Other Than Pensions (OPEB): For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan’s fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Balance: In the fund financial statements, governmental funds report nonspendable, restricted, committed, assigned and unassigned balances.

Nonspendable Funds – Fund balance should be reported as nonspendable when the amounts cannot be spent because they are either not in spendable form, or are legally or contractually required to be maintained intact. Nonspendable balances are not expected to be converted to cash within the next operating cycle, which include prepaid expenses.

Restricted Funds – Fund balance should be reported as restricted when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. The purpose of each restriction is listed on the face of the balance sheet.

Committed Funds – Fund balance should be reported as committed when the amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority, which is by resolution of the District. These amounts cannot be used for any other purpose unless the governing body modifies or removes the fund commitment.

Assigned Funds – Fund balance should be reported as assigned when self-imposed limitations are placed on resources that 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.

Unassigned Funds – Unassigned fund balance is the residual classification of the District’s funds and includes all spendable amounts that have not been restricted, committed, or assigned to specific purposes.

Net Position: The government-wide financial statements present net position. Net position is categorized as the net investment in capital assets, restricted, committed 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.

YOLO–SOLANO AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors, 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.

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. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District has provided otherwise in its commitment or assignment actions.

Operating Transfers: Operating transfers are for the allocation of overhead costs and for administrative costs attributable to the AB 2766, AB 923, Solano Property Tax and FARMER programs.

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.

New Pronouncement: In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

In June 2017, the GASB issued Statement No. 87, *Leases*. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. A lease is defined as a contract that conveys control of the right to use another entity’s nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

YOLO–SOLANO AIR QUALITY MANAGEMENT DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objective of this Statement is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issuers that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to leases, intra-entity transfers, reporting assets accumulated for postemployment benefits, measurement of liabilities related to asset retirement obligations, applicability of certain requirements of Statement No.84 *Fiduciary Activities* to postemployment benefit arrangements, public entity risk pools, nonrecurring fair value measurements of assets or liabilities and terminology used to refer to derivative instruments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

NOTE B – CASH AND INVESTMENTS

The District’s cash and cash equivalents at June 30, 2020 is classified in the accompanying financial statements as follows:

Cash and cash equivalents	\$ 3,494,321
Restricted cash and cash equivalents	<u>4,861,193</u>
Total cash and investments	<u><u>\$ 8,355,514</u></u>

Cash and cash equivalents as of June 30, 2020 consisted of the following:

Deposits with financial institutions	\$ 840,728
Investment in Yolo County Pooled Investment Fund	<u>7,514,786</u>
Total cash and investments	<u><u>\$ 8,355,514</u></u>

Investment in the County of Yolo Investment Pool: Most of the District’s cash is held in the County of Yolo Treasury. The County maintains an investment pool and allocates interest to the various funds based upon the average daily cash balances. Investments held in the County’s investment pool are available on demand to the District and are stated at cost, which approximates fair value.

Investment Policy: California statutes authorize governmental agencies to invest surplus funds in a variety of credit instruments as provided in the California Government Code, Section 53600, Chapter 4 – Financial Affairs. The District follows the investment policy of the County of Yolo.

Interest Rate Risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2020, the weighted average maturity of the investments contained in the County of Yolo investment pool was approximately 416 days.

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County of Yolo investment pool does not have a rating provided by a nationally recognized statistical rating organization.

Custodial credit risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to

YOLO–SOLANO AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE B – CASH AND INVESTMENTS (Continued)

recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Custodial credit risk does not apply to a local government’s indirect deposits or investment in securities through the use of government investment pools (such as the County of Yolo investment pool).

At June 30, 2020, the carrying amount of the District’s deposits was \$840,728 and the balance in financial institutions was \$877,873. Of the balance in financial institutions, \$250,000 was covered by federal depository insurance and \$627,873 at June 30, 2020 was covered by the pledging financial institution with assets held in a common pool for the District and other governmental agencies, but not in the name of the District.

NOTE C – RESTRICTED CASH

Revenues received under AB 2766 and AB 923 are restricted from cash available for current operations in accordance with that legislation. As of June 30, 2020, the restricted cash balance in the AB 2766 special revenue fund, which totaled \$173,372, and the AB 923 special revenue fund, which totaled \$2,252,500, is restricted for clean air projects as approved by the Board. Expenditures under AB 2766 for the year ended June 30, 2020 were made in accordance with the District’s Board of Directors’ authorizations and were as follows:

	Mobile Service DMV (AB 2766) Fund
Salaries and benefits	\$ 729,186
Professional services:	
Professional Service and IT A87 Costs	12,335
Other services and supplies	20,828
Program expenditures:	
Woodland Gateway Center	2,800
City of Davis: Street Smarts Program	10,000
Willet Elementary School: Bike Rack Installation	10,000
Yolo County: EV Charging Infrastructure	10,000
City of Winters: Wagoner Elementary School Crosswalk Improvements	6,000
Total current expenditures	801,149
Transfers out:	
Overhead allocation*	193,773
Administrative fee*	66,000
Total AB 2766 Expenditures and Transfers	\$ 1,060,922

YOLO–SOLANO AIR QUALITY MANAGEMENT DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE C – RESTRICTED CASH (Continued)

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

Expenditures under AB 923 for the year ended June 30, 2020 were made in accordance with the District’s Board of Directors’ authorizations and were as follows:

	Mobile Service DMV (AB 923) Fund
Expenses:	
Interest Expense	\$ 1,179
Transfers out:	
Administrative fee*	36,668
Total AB 923 Expenditures and Transfers	\$ 37,847

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

As of June 30, 2020, the cash balance in the Solano Property Tax special revenue fund, which totaled \$1,012,337, 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 year ended June 30, 2020 were made in accordance with the District’s Board of Directors’ authorizations and were as follows:

	Solano Property Tax Fund
Program expenditures:	
City of Rio Vista: Bicycle and pedestrian pathway for students	\$ 100,000
Solano County: Timm Road Safety Project	134,000
Willett Elementary School: Bike Rack Installation	11,000
Solano Transportation Authority: Solano Safe Routes to School	60,000
River Delta Unified: Light Duty Fleet Vehicle Replacement	60,000
City of Rio Vista: Tractor Replacement	45,000
Total current expenditures	410,000
Transfers out:	
Administrative fee*	40,181
Total Solano Property Tax Expenditures	\$ 450,181

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

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE C – RESTRICTED CASH (Continued)

As of June 30, 2020 the cash balance in the FARMER’s special revenue fund was \$1,422,984 which is restricted for agriculture replacement measures for emission reduction projects. Expenditures for the year were made in accordance with the District’s Board of Directors’ authorizations and were as follows:

	FARMER Fund
Program expenditures:	
Payne Brothers	\$ 356,374
Los Rios Farms	618,448
Park Avenue Turf	225,364
Don Beeman	616,714
Total current expenditures	1,816,900
Transfer out:	
Administrative fee	177,679
Total FARMER Expenditures	\$ 1,994,579

NOTE D – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

	Balance at July 1, 2019	Additions	Deletions	Balance at June 30, 2020
Capital assets being depreciated:				
Office equipment	\$ 105,306			\$ 105,306
Office furniture	118,465			118,465
Air monitoring equipment	178,057	\$ 32,190		210,247
Vehicles	252,683			252,683
Total capital assets, being depreciated	654,511	32,190		686,701
Less accumulated depreciation for:				
Office equipment	(105,306)			(105,306)
Office furniture	(118,465)			(118,465)
Air monitoring equipment	(178,057)	(4,599)		(182,656)
Vehicles	(127,801)	(28,791)		(156,592)
Total accumulated depreciation	(529,629)	(33,390)		(563,019)
Capital assets, net	\$ 124,882	\$ (1,200)	\$ -	\$ 123,682

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE E – LONG-TERM LIABILITIES

The following is a summary of long-term liabilities activity of the District for the year ended June 30, 2020:

	Balance July 1, 2019	Additions	Repayments	Balance June 30, 2020	Due Within One Year
Capital lease	\$ 9,184		\$ (9,184)		
Compensated absences	138,741	\$ 47,668		\$ 186,409	\$ 83,040
Net pension liability	2,583,053	297,906		2,880,959	
Other post-employment benefits	1,843,985		(107,105)	1,736,880	
	<u>\$ 4,574,963</u>	<u>\$ 345,574</u>	<u>\$ (116,289)</u>	<u>\$ 4,804,248</u>	<u>\$ 83,040</u>

The following is a description of the composition of long-term liabilities at June 30, 2020:

Capital Lease Obligation: The District leases equipment under capital leases which have monthly payments of \$830, incorporating current sales tax, through June 1, 2020. Capital assets acquired under the capital lease consist of office equipment totaling \$34,699, and accumulated depreciation at June 30, 2020 of \$34,699. The lease was paid off as of June 30, 2020.

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.

NOTE F – INTERFUND TRANSACTIONS

Current Interfund Balances

Current interfund balances arise in the normal course of business and are expected to be repaid within the next fiscal year. At June 30, 2020, the following funds have interfund balances.

<u>Due to Other Funds</u>	<u>Due from Other Funds</u>	
Mobile Source (AB 923) Fund	General Fund	\$ 289,272
Farmer's Fund	Solano Property Tax	49,391
Total Due to/from Other Funds		<u>\$ 338,663</u>

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE F – INTERFUND TRANSACTIONS (Continued)

Interfund Transfers

Interfund transfers are used to allocate overhead expenses and administrative fees from the General Fund to the other funds. Interfund transfers for the years ended June 30, 2020 were as follows:

Fund Receiving Transfer	Fund Making Transfer	
General Fund	Mobile Source DMV (AB 2766) Fund	\$ 259,773
	Mobile Source (AB 923) Fund	36,668
	Solano Property Tax	40,181
	Farmer's Fund	177,679
Total Interfund Transfers		\$ 514,301

NOTE G – DEFINED BENEFIT PENSION PLANS

Plan Description: All qualified employees are eligible to participate in the District’s Miscellaneous Plan, an agent multiple-employer defined benefit pension plan administered by the California Public Employees’ Retirement System (CalPERS) which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues a publicly available report that includes a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Provided: CalPERS provides service 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. Members with five years of total service are eligible to retire at age 50 (52 for PEPRA Miscellaneous Plan) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after ten years of service. The death benefit is the Basic Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plans’ provisions and benefits in effect for the year ended June 30, 2020 is summarized as follows for each rate plan:

Hire date	Miscellaneous Plan (Prior to January 1, 2013)	Miscellaneous Plan (On or after January 1, 2013)
Benefit formula (at full retirement)	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7.000%	6.250%
Required employer contribution rates	10.221%	6.985%

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE G – DEFINED BENEFIT PENSION PLANS (Continued)

In addition to the contribution rates above, the District was also required to make payments of \$163,588 toward its unfunded actuarial liability during the year ended June 30, 2020.

The Classic Miscellaneous Plan is closed to new members that are not already CalPERS eligible participants.

Contributions: Section 20814(c) of the California Public Employees’ Retirement Law 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. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The contributions made to the Plan were \$348,459 for the year ended June 30, 2020.

Net Pension Liability: As of June 30, 2020, the District reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$2,880,959.

The District’s net pension liability for the Plan is measured as the total pension liability, less the plan’s fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2019, using an annual actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019.

The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District’s proportionate share of the net pension liability for the Plan as of June 30, 2020 and 2019 was as follows:

Proportion - June 30, 2019	0.06854%
Proportion - June 30, 2020	0.07194%
Change - Increase	0.00340%

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions: For the year ended June 30, 2020, the District recognized pension expense of \$674,439. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 348,459	
Changes in assumptions	137,377	\$ (48,699)
Differences between actual and expected experience	200,095	(15,503)
Net differences between projected and actual earnings on plan investments		(50,368)
Change in employer's proportion	148,532	
Differences between the employer's contribution and the employer's proportionate share of contributions		(180,297)
Total	\$ 834,463	\$ (294,867)

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE G – DEFINED BENEFIT PENSION PLANS (Continued)

The \$348,459 reported as deferred outflows of resources related to contributions subsequent to the measurement date of June 30, 2019 will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as net deferred inflows of resources related to pensions will be recognized as pension expense as follows as of June 30, 2020:

Year Ended June 30	
2021	\$ 192,537
2022	(30,111)
2023	18,533
2024	10,178
	\$ 191,137

Actuarial Assumptions: The total pension liability at the June 30, 2018 measurement date was determined using the following actuarial assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15% (1)
Inflation	2.50%
Mortality ¹	Derived using CalPERS Membership Data for all Funds

(1) Net of pension plan investment expenses, including inflation

¹ The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Discount Rate: The discount rate used to measure the total pension liability was 7.15% at the June 30, 2018 measurement date. To determine whether the municipal bond rate should be used in the calculation of a discount rate, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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.

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE G – DEFINED BENEFIT PENSION PLANS (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds’ asset classes, expected compound 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.

The table below reflects the long-term expected real rate of return by asset class for the Plan as of the measurement date of June 30, 2018. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	50.0%	4.80%	5.98%
Global Fixed Income	28.0%	1.00%	2.62%
Inflation Sensitive	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	(0.92)%
Total	<u>100.0%</u>		

(a) An expected inflation of 2.0% used for this period.

(b) An expected inflation of 2.92% used for this period.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the District, calculated using the discount rate for the Plan, as well as what the District’s 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:

1% Decrease	6.15%
Net Pension Liability	\$ 4,696,364
Current Discount Rate	7.15%
Net Pension Liability	\$ 2,880,959
1% Increase	8.15%
Net Pension Liability	\$ 1,382,470

YOLO–SOLANO AIR QUALITY MANAGEMENT DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE H – 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 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 contributes 100% of the monthly medical premiums for the retiree and eligible dependents. The District’s current monthly maximum contribution for active employees is: Employee only \$550, employee plus one \$1,100 and employee and family \$1,430. The District’s monthly contribution for retirees is 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. 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. The Trust is administered by CalPERS as an agent multiple-employer plan. During the year ended June 30, 2020, the District’s cash contributions to the trust were \$239,618, benefit payments were \$144,240 and the estimated implicit subsidy was \$64,304.

Employees Covered by Benefit Terms: As of the June 30, 2019 actuarial valuation, the following current and former employees were covered by the benefit terms under the Plan:

Inactive employees or beneficiaries currently receiving benefit payments	17
Active employees	21
Inactive plan members entitled to but not receiving benefits	1
Total	39

Net OPEB Liability: The District's total OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019.

Actuarial Assumptions and Other Inputs: The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

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

Valuation date	June 30, 2019
Measurement date	June 30, 2019
Actuarial cost method	Entry-age normal cost method
Actuarial assumptions:	
Discount rate	6.60%
Inflation	2.75%
Salary increases	3.0% per year
General inflation rate	2.50% per year
Mortality rate	Derived using CalPERS membership data
Mortality Improvement	Mac Leod Watts Scale 2018 applied generationally from 2015
Healthcare trend rate	Start at 5.4%. Grade down to 4.0% for years after 2076

Demographic actuarial assumptions used in this valuation are based on the 2017 experience study of the California Public Employees Retirement System using data from 1997 to 2015, except for a different basis used to project future mortality improvements. Mortality rates used were those published by CalPERS, adjusted to back out 15 years of Scale MP 2016 to central year 2015.

Changes in assumptions in the June 30, 2019 valuation consist of the following: Decrease in discount rate from 6.80% to 6.60%, decrease in the salary increases form 3.25% to 3.0% and decrease in the general inflation rate from 2.75% to 2.50%.

The assumed gross return on OPEB 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 OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Percentage of Portfolio	Assumed Gross Return
Global Equity	59.0%	4.82%
Fixed Income	25.0%	1.47%
Tresaurry Inflation Protected Securities	5.0%	1.29%
Real Estate Investment Trusts	8.0%	3.76%
Commodities	3.0%	0.84%
	100.0%	

Discount Rate: The discount rate used to measure the total OPEB liability was 6.60%. The discount rate was decreased from 6.80% to 6.60% for the June 30, 2019 measurement date to reflect the lower expected rate of returns on plan assets. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

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

Changes in the Net OPEB Liability: The changes in the net OPEB liability for the plan are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
Balance at June 30, 2019	\$ 2,591,758	\$ 747,773	\$ 1,843,985
Changes in the year:			
Service cost	100,155		100,155
Interest	177,628		177,628
Contributions - employer		387,482	(387,482)
Investment income		61,049	(61,049)
Assumption changes	(15,488)		(15,488)
Plan experience	78,952		78,952
Administrative expenses		(179)	179
Benefit payments	(159,482)	(159,482)	-
Net changes	<u>181,765</u>	<u>288,870</u>	<u>(107,105)</u>
Balance at June 30, 2020 (measurement date June 30, 2019)	<u>\$ 2,773,523</u>	<u>\$ 1,036,643</u>	<u>\$ 1,736,880</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate: The following presents the net OPEB liability of the District, as well as what the District's net OPEB 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 discount rate:

	1% Decrease	Current Discount Rate	1% Increase
	5.60%	6.60%	7.60%
Net OPEB liability	\$ 2,024,029	\$ 1,736,880	\$ 1,491,852

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	Current Healthcare Cost		
	1% Decrease (4.4% Medical decreasing to 3%)	Trend Rates (5.4% Medical decreasing to 4%)	1% Increase (6.4% Medical decreasing to 5%)
Net OPEB liability	\$ 1,630,702	\$ 1,736,880	\$ 1,862,532

YOLO–SOLANO AIR QUALITY MANAGEMENT DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

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

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:
 For the year ended June 30, 2020, the District recognized OPEB expense of \$383,858. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 436,353	
Changes of assumptions	72,382	\$ (13,197)
Net differences between projected and actual earnings on plan investments		(10,456)
Differences between expected and actual experience	67,273	
Total	\$ 576,008	\$ (23,653)

The \$463,353 reported as deferred outflows of resources related to contributions after the measurement date will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30	
2021	\$ 20,250
2022	20,250
2023	23,125
2024	24,039
2025	21,202
Thereafter	7,136
	\$ 116,002

Recognition of Deferred Outflows and Deferred Inflows of Resources: Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of the gain or loss. The net difference between projected and actual earnings on OPEB plan investments is recognized over 5 years. All other amounts are recognized over the expected average remaining service lifetime (EARSL), which was 6.76 years at June 30, 2020.

YOLO–SOLANO AIR QUALITY MANAGEMENT DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE I – INSURANCE

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. The District’s deductibles and maximum coverage are as follows:

Coverage	YCPARMIA	Excess	Deductible
Cyber liability		\$ 1,000,000	
General and Auto Liability	\$ 500,000	40,000,000	\$ 1,000
Worker’s Compensation	500,000	Statutory limit	1,000
Pollution Legal Liability	100,000	10,000,000	
Property Damage	25,000	959,357,100	1,000
Fidelity	25,000	2,000,000	1,000

During the year ended June 30, 2020, 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 J – RELATED PARTY TRANSACTIONS

Under the District’s clean air funds programs 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 receive 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.

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE J – RELATED PARTY TRANSACTIONS (Continued)

Expenses for services provided by related parties and payments to related parties under clean air programs during the fiscal year ended June 30, 2020 are summarized as follows:

Related Party	Fiscal Year 2019-2020 Expenses
City of Woodland	
Gateway Center	\$ 2,800
City of Rio Vista	
Tractor Replacement	45,000
City of Davis	
Street Smarts Program	10,000
City of Winters	
Waggpner Elementary School Crosswalk	6,000
Solano County	
Timm Road Safety	134,000
Yolo County	
EV Charging	10,000
Bike Rack Installation	10,000
Legal Services	32,450
District Directors and Hearing Board Members	
Board meeting stipends	7,200
Milage Reimbursements	90
Total	<u>\$ 257,540</u>

NOTE K – LEASE COMMITMENTS

The District amended its office space lease agreement effective in December 2018, which includes 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, 2029. Rent expense under all operating lease agreements was approximately \$219,045 for the year ended June 30, 2020. As of June 30, 2020, future minimum lease payments under operating leases are as follows:

Fiscal year ending June 30,	
2021	\$ 200,219
2022	206,226
2023	212,412
2024	218,785
2025	225,349
Thereafter	<u>1,013,537</u>
Total minimum lease commitments	<u>\$ 2,076,528</u>

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2020

NOTE L – 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.

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) pandemic. The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the District's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and the impact on businesses, employees and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the financial condition or results of operations is uncertain.

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REQUIRED SUPPLEMENTARY INFORMATION

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2020

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (UNAUDITED)
Last 10 Years**

	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Proportion of the net pension liability	0.07194%	0.06854%	0.06690%	0.02560%	0.02360%	0.02660%
Proportionate share of the net pension liability	\$ 2,880,959	\$ 2,583,053	\$ 2,637,270	\$ 2,215,008	\$ 1,619,296	\$ 1,656,926
Covered payroll - measurement period	\$ 1,925,641	\$ 1,988,330	\$ 1,807,348	\$ 1,780,319	\$ 1,800,152	\$ 1,794,933
Proportionate share of the net pension liability as a percentage of covered payroll	149.61%	129.91%	145.92%	124.42%	89.95%	92.31%
Plan fiduciary net position as a percentage of the total pension liability	78.65%	79.12%	77.19%	74.06%	78.40%	79.82%

Notes to Schedule:

Change in Benefit Terms: None.

Changes in assumptions: The discount rate was changed from 7.50% in 2015 to 7.65% in 2016 to 7.15% in 2018.

Omitted years: GASB Statement No. 68 was implemented during the year ended June 30, 2015. No information was available prior to this date.

**SCHEDULE OF CONTRIBUTIONS TO THE PENSION PLAN (UNAUDITED)
Last 10 Years**

	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution (actuarially determined)	\$ 348,459	\$ 300,961	\$ 258,810	\$ 226,957	\$ 208,597	\$ 285,922
Contributions in relation to the actuarially determined contributions	(348,459)	(300,961)	(258,810)	(226,957)	(208,597)	(285,922)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll - fiscal year	\$ 2,031,714	\$ 1,925,641	\$ 1,988,330	\$ 1,807,348	\$ 1,780,319	\$ 1,800,152
Contributions as a percentage of covered payroll	17.15%	15.63%	13.02%	12.56%	11.72%	15.88%

Notes to Schedule:

Valuation date: June 30, 2017 June 30, 2016 June 30, 2015 June 30, 2014 June 30, 2013 June 30, 2012

Methods and assumptions used to determine contribution rates:

	Market Value	Market Value	Market Value	Market Value	Market Value	15-year smoothed market
Valuation cost method			Entry age normal			
Amortization method			Level percentage of payroll, closed			
Remaining amortization period			Varies, not more than 30 years			
Asset valuation method	Market Value	Market Value	Market Value	Market Value	Market Value	15-year smoothed market
Inflation	2.625%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases			Varies by entry age and service			
Payroll growth	2.875%	3.00%	3.00%	3.00%	3.00%	3.00%
Investment rate of return	7.25%	7.375% ⁽¹⁾	7.50% ⁽¹⁾	7.50% ⁽¹⁾	7.50% ⁽¹⁾	7.50%
Mortality	(3)	(2)	(2)	(1)	(1)	(1)

Notes to Schedule:

⁽¹⁾ Probabilities of retirement and mortality are based on CalPERS' 2010 Experience Study for the period from 1997 to 2007.

⁽²⁾ Probabilities of retirement and mortality are based on CalPERS' 2014 Experience Study for the period from 1997 to 2011.

⁽³⁾ Probabilities of retirement and mortality are based on CalPERS' 2017 Experience Study for the period from 1997 to 2015.

Omitted years: GASB Statement No. 68 was implemented during the year ended June 30, 2015, thus information prior to this date was not presented.

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

For the measurement periods ended June 30

**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY
AND RELATED RATIOS (UNAUDITED)**

	2020	2019	2018
Total OPEB liability:			
Service cost	\$ 100,155	\$ 90,099	\$ 87,263
Interest	177,628	172,852	163,911
Differences between expected and actual experience	78,952		
Changes of assumptions	(15,488)	102,666	
Benefit payments	(159,482)	(135,855)	(125,500)
Net change in total OPEB liability	181,765	229,762	125,674
Total OPEB liability - beginning	2,591,758	2,361,996	2,236,322
Total OPEB liability - ending (a)	<u>\$ 2,773,523</u>	<u>\$ 2,591,758</u>	<u>\$ 2,361,996</u>
Plan fiduciary net position:			
Contributions - employer	\$ 387,482	\$ 342,855	\$ 326,500
Net investment income	61,049	47,849	40,033
Other trust expense		(920)	
Administrative expenses	(179)	(343)	(223)
Benefit payments	(159,482)	(135,855)	(125,500)
Net change in plan fiduciary net position	288,870	253,586	240,810
Plan fiduciary net position - beginning	747,773	494,187	253,377
Plan fiduciary net position - ending (b)	<u>\$ 1,036,643</u>	<u>\$ 747,773</u>	<u>\$ 494,187</u>
Net OPEB liability - ending (a)-(b)	<u>\$ 1,736,880</u>	<u>\$ 1,843,985</u>	<u>\$ 1,867,809</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>37.38%</u>	<u>28.85%</u>	<u>20.92%</u>
Covered-employee payroll - measurement period	<u>\$ 2,071,003</u>	<u>\$ 1,914,724</u>	<u>\$ 1,780,314</u>
Total net OPEB liability as percentage of covered-employee payroll	<u>83.87%</u>	<u>96.31%</u>	<u>104.91%</u>
Notes to schedule:			
Valuation date	June 30, 2019	June 30, 2017	June 30, 2017
Measurement period	June 30, 2019	June 30, 2018	June 30, 2017
Discount Rate	6.60%	6.80%	7.25%

Benefit changes. None since June 30, 2017.

Changes in assumptions. None since June 30, 2017.

Omitted years: GASB Statement No. 75 was implemented during the year ended June 30, 2017. No information was available prior to this date. Information will be added prospectively as it becomes available until 10 years are reported.

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2020

SCHEDULE OF CONTRIBUTIONS TO THE OPEB PLAN (UNAUDITED)

	2020	2019	2018
Actuarially determined contribution - employer fiscal year	\$ 207,100	\$ 228,705	\$ 207,000
Contributions in relation to the actuarially determined contributions	(436,353)	(387,482)	(342,855)
Contribution deficiency (excess)	<u>\$ (229,253)</u>	<u>\$ (158,777)</u>	<u>\$ (135,855)</u>
Covered-employee payroll - employer fiscal year	\$ 2,163,100	\$ 2,071,003	\$ 1,914,724
Contributions as a percentage of covered-employee payroll	20.17%	18.71%	17.91%

Notes to Schedule:

Valuation date used to determine ADC	June 30, 2019	June 30, 2017	June 30, 2015
Discount rate used to determine ADC	6.60%	7.25%	7.25%
Actuarial cost method		Entry age normal	
Amortization method		Level % of pay	
Amortization period	20 years closed	21 years closed	22 years closed
Asset valuation method	Market value	Market value	Actuarial value
Inflation	2.75%	2.75%	2.75%
Healthcare cost trend rates	5.4% in 2021 to 4% in 2076 in steps of 0.1%	7.5% in 2019 to 5% in steps of 0.5%	7.0% in 2017 to 5% in steps of 0.5%
Salary increases	3%	3.25%	3.25%
Retirement age		50 to 75	
Mortality	CalPERS 2017	CalPERS 2014	
Mortality improvement	MW Scale 2018 generationally	Experience Study MW Scale 2017 generationally	MP-2014

Omitted years: GASB Statement No. 75 was implemented during the year ended June 30, 2018. No information was available prior to this date. Information will be added prospectively as it becomes available until 10 years are reported.

COMPLIANCE REPORTS

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 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, each major fund and the aggregate remaining fund information of the Yolo–Solano Air Quality Management District (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated April 14, 2021.

Internal Control Over Financial Reporting

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

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.

Richardson & Company, LLP

April 14, 2021