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MANAGEMENT LETTER

Budget and Audit Committee and Management
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, 2021, 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.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses.

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

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.

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.

* * * * *

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

May 25, 2022



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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, 2021, and have issued our report thereon dated May 25, 2022. 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 Responsibilities 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 opinions 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, 2020, the most recent measurement date, was \$3,187,998 which is reflected as a liability in the District's financial statements as of June 30, 2021. As a result of the changes in the net pension liability and related deferred inflows and outflows, the District's pension expense is \$631,894 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, 2020, the most recent measurement date, was \$1,519,251 which is reflected as a liability in the District's financial statements as of June 30, 2021. 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 \$334,092 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 seven closing entries and audit adjustments needed to correct balances. Adjustments made during the course of the audit consistent of the following:

- Recorded reversal of prior year deferred revenue entry
- Remove permit renewals billed in June for July renewals
- Reclass grant disbursement recorded in the incorrect fund
- Correct accrued payroll
- Entry to balance due to and due from between funds
- Accrue a receivable for grant for expenses incurred up to June 30, 2021
- Correct posting error between funds

The attached schedule summarizes four 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 May 25, 2022.

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

May 25, 2022

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT
SUMMARY OF UNADJUSTED AUDIT DIFFERENCES - MOBILE SOURCE DMV (AB 923) FUND
JUNE 30, 2021

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 AB923 accrual and amount subsequently collected	\$ (1,753)	\$ -	\$ (1,753)	\$ (1,753)
Net Unadjusted Audit Differences - This Year	(1,753)	-	(1,753)	(1,753)
Financial Statement Caption Totals	2,553,986	-	2,553,986	197,924
Net Audit Differences as % of F/S Captions	(0.07%)		(0.07%)	(0.89%)

**YOLO-SOLANO AIR QUALITY
MANAGEMENT DISTRICT**

Audited Financial Statements
and Other Reports

June 30, 2021

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YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

BASIC FINANCIAL STATEMENTS AND OTHER REPORTS

June 30, 2021

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BASIC FINANCIAL STATEMENTS

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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, 2021 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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, 2021 and the respective changes in financial position 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, budgetary comparison information, 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 May 25, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. 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

May 25, 2022

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

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, 2021 and in conjunction with the 2020 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, 2021, the total assets and deferred outflows of the District exceeded its total liabilities and deferred inflows by \$5,162,345 (net position). Of this amount, \$3,212,995 is restricted due to legislation under AB 2766 and AB 923, \$1,097,076 is restricted under Solano County property tax based on Board approval for public awareness programs, equipment and/or projects, and \$779,414 is restricted for FARMER Fund which is used to grant incentives for the replacement of agricultural equipment, \$85,503 invested in Capital Assets and (\$12,643) is unrestricted.
- As of the close of FY 2021, the District's combined fund balances reported an ending balance of \$8,734,443, a decrease of \$7,265 in comparison with FY 2020. The restricted portion of the total fund balance is 58% of the combined balance.
- Net pension liability: The District has recognized a liability in the amount of \$3,187,998 for a net pension obligation due to Governmental Accounting Standards Board Statement (GASB) 68. The liability increased \$307,039 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 \$405,506 in FY 2021. Due to the implementation of GASB 75, the OPEB liability is \$1,519,251 as of June 30, 2021. The liability decreased \$217,629 from the prior year. 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.

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

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 take place.

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

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

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.

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 38 through 42.

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 18 through 37 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 \$5,162,345 as of June 30, 2021 and \$5,264,995 as of June 30, 2020.

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

The following schedule lists a condensed Statement of Net Position as of June 30, 2021 compared with 2020 and 2019.

	Year ended June 30,		
	2021	2020	2019
Assets:			
Current assets	\$8,967,528	\$9,084,399	\$8,089,498
Capital assets, net	85,503	123,682	124,882
Total assets	<u>9,053,031</u>	<u>9,208,081</u>	<u>8,214,380</u>
Deferred outflows of resources	<u>1,373,416</u>	<u>1,410,471</u>	<u>1,292,620</u>
Liabilities:			
Current liabilities	206,482	313,829	230,423
Noncurrent liabilities	<u>4,825,962</u>	<u>4,721,208</u>	<u>4,498,721</u>
Total liabilities	<u>5,032,444</u>	<u>5,035,037</u>	<u>4,729,144</u>
Deferred inflows of resources	<u>231,658</u>	<u>318,520</u>	<u>272,867</u>
Net Position:			
Net investment in capital assets	85,503	123,682	115,698
Restricted	5,089,485	5,462,990	4,883,729
Unrestricted	<u>(12,643)</u>	<u>(321,677)</u>	<u>(494,438)</u>
Total net position	<u><u>\$5,162,345</u></u>	<u><u>\$5,264,995</u></u>	<u><u>\$4,504,989</u></u>

Total net position decreased 2% or \$102,650 from 2020 to 2021. Total net position increased 17% or \$760,006 from 2019 to 2020. 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 23 and 24, restricted cash and investments, which is covered in detail in Note C on pages 24 through 26, due from other agencies, and the pension and OPEB liabilities which is covered in detail in Notes G and H on pages 28 through 35. 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, 2021

In addition, there was a decrease in FY 2021 from the prior year in current liabilities of \$107,347, which consists of a combined total for accounts payable, accrued payroll, deferred rent, unearned income, and the current portion of compensated absences.

The following lists the Statement of Activities for the years ended June 30, 2021, 2020 and 2019:

	Year ended June 30,		
	2021	2020	2019
Program Revenues:			
Charges for services	\$3,030,317	\$2,592,001	\$2,682,178
Operating grants and contributions	3,592,407	4,615,865	4,564,784
Total program revenues	6,622,724	7,207,866	7,246,962
Program Expenses:			
Public health	6,812,722	6,589,491	4,418,310
Interest on long term debt	3,392	1,851	2,044
Total program expenses	6,816,114	6,591,342	4,420,354
General Revenues			
Investment income	84,618	141,791	118,923
Other	6,122	1,691	491,792
Total general revenues	90,740	143,482	610,715
Change in net position	(102,650)	760,006	3,437,323
Net Position - July 1	5,264,995	4,504,989	1,067,666
Net Position - June 30	\$5,162,345	\$5,264,995	\$4,504,989

Governmental Activities

Below are explanations of the significant revenue variances from fiscal years 2020 to 2021.

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 an increase in revenue that falls within this category from 2020 to 2021 of 17% or \$438,316 in comparison to 2019 to 2020 which was a decrease of 3% or \$90,177. 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 a decrease of 22% or \$1,023,458 from 2020 to 2021 in comparison to 2019 to 2020 which was an increase of 1% or \$51,081. The FARMER Fund was new to the District for fiscal 2019 and received \$1.8 million in funding during 2019, \$1.8

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

million during 2020 and \$743 thousand in the current year. These funds are to be used for grant incentives for the replacement of agricultural equipment.

Program Expenses

- **Public Health:** Expenses in this category have been increasing in recent years from \$4,418,310 in 2019, \$6,589,491 in 2020 and \$6,812,722 in 2021. The increases from 2019 to 2020 is in relation to the grant activity inside the FARMER Fund, and the increases from 2020 to 2021 is in relation to the activity in the general fund for employee related and mitigation offset expenses.
- 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 decreased from \$253,159 in 2019 to \$213,939 in 2020 (15% decrease), and increased to \$639,939 in 2021 (199% increase). 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 increased from \$118,923 in 2019 to \$141,791 in 2020 (19% increase) and decreasing to \$84,618 (40% decrease) in 2021. 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 \$491,792 in 2019, \$1,691 in 2020 and \$6,122 in 2021.

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 balances at June 30, 2021 were \$8,734,443 which is a decrease of 1% or \$7,265 from 2020.

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, FARMER Fund, and General Funds. The General Fund includes the Board approved assigned reserve of \$28,281 for equipment replacement.

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2021

Fund Balance	Year ended June 30,		
	2021	2020	2019
General Fund	\$3,644,958	\$3,278,718	\$2,944,819
AB2766	659,009	658,141	527,946
AB923	2,553,986	2,356,062	1,757,702
Solano Property Tax	1,097,076	976,412	918,837
FARMER Fund	779,414	1,472,375	1,679,244
Total program fund balance	<u>\$8,734,443</u>	<u>\$8,741,708</u>	<u>\$7,828,548</u>

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

- General Fund: The fund balance increased by 11% or \$366,240 in FY 2021. The District received about \$894,000 more in revenues than expected, and incurred approximately \$183,000 less in public health expenses than budgeted in FY 2021.
- AB2766: The fund balance increased by \$868 in FY 2021. Revenues received were more than budget by about \$33,000, and the District had favorable budget variances in expenses of about \$624,000 during the year.
- AB923: The fund balance increased by 8% or \$197,924 in FY 2021. The District received about \$5,000 more in revenues than originally budgeted, and had favorable budget variances in expenses of about \$2,550,000 during the year.
- Solano Property Tax: The fund balance increased by 12% or \$120,664 in FY 2021. The District received about \$75,000 more in revenues than originally budgeted, and had approximately \$1,020,000 less in expenses than budgeted for 2021.
- FARMER Fund: The fund balance decreased by 47% or \$692,961 in FY 2021. The District received about \$126,000 less in revenues than originally budgeted, and had grant expenditures of about \$1,122,000 less than what was expected.

Analysis of General Fund Budget

Significant variances from the Final General Fund Budget to the Actual amounts as shown on pages 38 for FY 2021 are:

- Revenue received from licenses and permits show a \$424,208 increase from final to actual.
- Intergovernmental revenues received show a \$43,443 decrease from final to actual.
- Settlements and penalties increased by \$503,939 from final to actual. This revenue received is based on violations of District Rules and Regulations and settlement of violations.

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

- Expenditures in the Public Health category decreased from the final to the actual spent by \$182,524. There were savings in salaries and benefits, and professional services from the original budget.
- The district did budget \$1,470,180 in contingencies for fiscal 2021; however, no expenditures were recognized in this category during the year.

Capital Assets and Long-Term Debt

Capital Assets:

As of June 30, 2021, and June 30, 2020, the District's investment in capital assets amounted to \$85,503 and \$123,682 respectively, net of accumulated depreciation. This investment in capital assets includes air monitoring equipment, vehicles, office equipment, and furniture. There were no additions to capital assets during the current fiscal year. 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, 2021, and 2020, the District's long-term liabilities that are not due and payable in the current period total \$4,825,962 and \$4,721,208, respectively, which includes the District's accrued compensated absences (accrued leave), pension and other post-employment benefits. As of June 30, 2021, and 2020, the District's net pension liability totaled \$3,187,998 and \$2,880,959, respectively. As of June 30, 2021 and 2020, the District's other post-employment benefits (OPEB) liability was \$1,519,251 and \$1,736,880 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 2021 the District projected an 71 percent cost recovery in the stationary source program. By year's end the District ended 2021 with 94 percent cost recovery in the stationary source program. For fiscal year 2022, the District is projecting a cost recovery of the stationary source program of 78 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 \$150,000 toward the CAF Program using AB 2766 money for FY 2022. AB 923 supports the District's Lower Emission School Bus Program, and has \$1,300,000 budgeted for fiscal 2022 compared to \$1,600,000 in fiscal 2021.

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

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 \$330,000 for the 2021 CAF program. In FY 2022 the District plans to release \$325,299.

The following factors were considered in preparing the fiscal year 2022 approved final budget. The District's overall budget is projected with a modest 1% decrease compared to FY 2020/2021, which includes the General Fund and four restricted funds.

- General Fund is projected to decrease by about 15 percent. For revenue, the District is projecting an increase of \$434,124. On the expenditure side is a payment to the CERBT OPEB Trust to meet the District's ARC of \$338,274 for FY 2022 and funding for other operating expenses.
- Mobile Source DMV AB 2766 Fund is projected for FY 2022 to increase by \$24,114. 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 a decrease of \$715,313. This fund is used exclusively for grant programs that are allowed under AB 923 legislation. In FY 2022 the District Board has allocated \$1,300,000 towards replacing school buses.
- Solano County Property Tax Fund is projected to increase by \$57,211 for FY 2022. Available grant funds released through the CAF grant program is expected to decrease by \$4,701 from FY 2021.
- FARMER Fund is projected to decrease by \$398,475 for FY 2022. It is anticipated to receive \$1,250,000 in funding in FY 2022 and to allocate \$1,550,000 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.

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

STATEMENT OF NET ASSETS

June 30, 2021

ASSETS	
Cash and investments	\$ 3,918,198
Restricted cash and investments	4,489,015
Accounts receivable	110,002
Due from other agencies	450,313
Capital assets, net	85,503
TOTAL ASSETS	<u>9,053,031</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	831,906
OPEB	541,510
TOTAL DEFERRED OUTFLOWS	<u>1,373,416</u>
LIABILITIES	
Accounts payable	15,155
Accrued payroll	20,564
Deferred rent	47,540
Unearned revenue	47,690
Compensated absences, current portion	75,533
Noncurrent liabilities:	
Compensated absences	118,713
Net pension liability	3,187,998
Net OPEB liability	1,519,251
TOTAL LIABILITIES	<u>5,032,444</u>
DEFERRED INFLOWS OF RESOURCES	
Pensions	220,752
OPEB	10,906
	<u>231,658</u>
NET POSITION	
Investment in capital assets	85,503
Restricted for:	
Mobile Source DMV (AB 2766)	659,009
Mobile Source DMV (AB 923)	2,553,986
Solano County projects	1,097,076
FARMER program	779,414
Unrestricted	<u>(12,643)</u>
TOTAL NET POSITION	<u>\$ 5,162,345</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, 2021

PROGRAM EXPENSES	
Governmental activities:	
Public health	\$ 6,812,722
Interest on long-term debt	3,392
	<u>6,816,114</u>
	TOTAL PROGRAM EXPENSES
PROGRAM REVENUES	
Charges for services	3,030,317
Operating grants and contributions	3,592,407
	<u>6,622,724</u>
	TOTAL PROGRAM REVENUES
	NET PROGRAM REVENUE
	(193,390)
GENERAL REVENUES	
Investment income	84,618
Other	6,122
	<u>90,740</u>
	TOTAL GENERAL REVENUES
	CHANGE IN NET ASSETS
	(102,650)
Net position at beginning of year	<u>5,264,995</u>
	NET POSITION AT END OF YEAR
	<u><u>\$ 5,162,345</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, 2021

	Major Special Revenue Funds					Total Governmental Funds
	General Fund	Mobile Source DMV (AB 2766) Fund	Mobile Source DMV (AB 923) Fund	Solano Property Tax Fund	FARMER Fund	
ASSETS						
Cash and investments	\$ 3,918,198					\$ 3,918,198
Restricted cash and investments		\$ 170,702	\$ 2,451,478	\$ 1,087,421	\$ 779,414	4,489,015
Accounts receivable	110,002					110,002
Due from other governments	133,133	205,017	102,508	9,655		450,313
Due from other funds	2,156	289,313				291,469
TOTAL ASSETS	\$ 4,163,489	\$ 665,032	\$ 2,553,986	\$ 1,097,076	\$ 779,414	\$ 9,258,997
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 14,477	\$ 678				\$ 15,155
Accrued payroll	17,375	3,189				20,564
Unearned revenue	47,690					47,690
Deferred rent	47,540					47,540
Due to other funds	289,313	2,156				291,469
TOTAL LIABILITIES	416,395	6,023				422,418
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	102,136					102,136
TOTAL DEFERRED INFLOWS OF RESOURCES	102,136					102,136
FUND BALANCES						
Restricted for:						
Mobile Source DMV (AB 2766)		659,009				659,009
Mobile Source DMV (AB 923)			\$ 2,553,986			2,553,986
Solano property tax				\$ 1,097,076		1,097,076
FARMER program					\$ 779,414	779,414
Assigned to:						
Equipment replacement	28,281					28,281
Unassigned	3,616,677					3,616,677
TOTAL FUND BALANCES	3,644,958	659,009	2,553,986	1,097,076	779,414	8,734,443
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 4,163,489	\$ 665,032	\$ 2,553,986	\$ 1,097,076	\$ 779,414	\$ 9,258,997

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, 2021

Fund balances – total governmental funds		\$ 8,734,443
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		102,136
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>(601,198)</u>	85,503
Deferred outflows of resources related to pensions and OPEB		1,373,416
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Accrued compensated absences	(194,246)	(4,901,495)
Net pension liability	(3,187,998)	
Net OPEB liability	<u>(1,519,251)</u>	
Deferred inflows of resources related to pensions and OPEB		<u>(231,658)</u>
Net assets – governmental activities		<u>\$ 5,162,345</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, 2021

	Major Special Non-Major Special Revenue Funds					Total Governmental Funds
	General Fund	Mobile Source DMV (AB 2766) Fund	Mobile Source DMV (AB 923) Fund	Solano Property Tax Fund	FARMER Fund	
REVENUES						
Licenses and permits	\$ 2,390,378					\$ 2,390,378
Intergovernmental	546,403	\$ 1,208,721	\$ 603,548	\$ 500,090	\$ 743,411	3,602,173
Settlements and penalties	639,939					639,939
Use of money	41,342	1,648	27,175		14,453	84,618
Other revenues	6,122					6,122
TOTAL REVENUES	3,624,184	1,210,369	630,723	500,090	757,864	6,723,230
EXPENDITURES						
Current:						
Public health	3,762,716	895,579	391,767	330,000	1,347,041	6,727,103
Debt service:						
Interest	82		3,310			3,392
TOTAL EXPENDITURES	3,762,798	895,579	395,077	330,000	1,347,041	6,730,495
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES	(138,614)	314,790	235,646	170,090	(589,177)	(7,265)
OTHER FINANCING SOURCES (USES)						
Transfers in	504,854					504,854
Transfers out		(313,922)	(37,722)	(49,426)	(103,784)	(504,854)
TOTAL OTHER FINANCING SOURCES (USES)	504,854	(313,922)	(37,722)	(49,426)	(103,784)	
NET CHANGE IN FUND BALANCES	366,240	868	197,924	120,664	(692,961)	(7,265)
Fund balances at beginning of year	3,278,718	658,141	2,356,062	976,412	1,472,375	8,741,708
FUND BALANCES AT END OF YEAR	\$ 3,644,958	\$ 659,009	\$ 2,553,986	\$ 1,097,076	\$ 779,414	\$ 8,734,443

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, 2021

Net changes in fund balances – total governmental funds	\$ (7,265)
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.	(9,766)
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.	
Depreciation expense	(38,179)
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 accrual for compensated absences	(7,837)
Change in pension and related amounts	(235,481)
Change in OPEB liability and related amounts	<u>195,878</u>
Change in net assets – governmental activities	<u>\$ (102,650)</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, 2021

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, 2021

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, 2021

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.

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

June 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions: For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (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.

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

June 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors, 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 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 lease’s guidance, unless specifically excluded in this Statement. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

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.

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

June 30, 2021

NOTE B – CASH AND INVESTMENTS

The District’s cash and investments at June 30, 2021 is classified in the accompanying financial statements as follows:

Cash and investments	\$ 3,918,198
Restricted investments	4,489,015
	\$ 8,407,213
	\$ 8,407,213

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

Deposits with financial institutions	\$ 602,323
Investment in Yolo County Pooled Investment Fund	7,804,890
	\$ 8,407,213
	\$ 8,407,213

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, 2021, the weighted average maturity of the investments contained in the County of Yolo investment pool was approximately 408 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 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).

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

June 30, 2021

NOTE B – CASH AND INVESTMENTS (Continued)

At June 30, 2021, the carrying amount of the District’s deposits was \$602,323 and the balance in financial institutions was \$659,108. Of the balance in financial institutions, \$250,000 was covered by federal depository insurance and \$409,108 at June 30, 2021 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, 2021, the restricted cash balance in the AB 2766 special revenue fund, which totaled \$170,702, and the AB 923 special revenue fund, which totaled \$2,451,478, is restricted for clean air projects as approved by the Board. Expenditures under AB 2766 for the year ended June 30, 2021 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	\$ 739,504
Professional services:	
Professional Service and IT A87 Costs	17,454
Other services and supplies	26,621
Program expenditures:	
The Bike Campaign: Bike Racks for Woodland Schools	7,000
Davis Auto Tech Booster Assn: EV Conversion Project	5,000
City of West Sacramento: Police Station EV Charger	9,000
City of Woodland: Diesel Mower Replacement	12,000
Solano Transportation Authority: Electrification Plan	40,000
Phil Haupt Electric: West Sac Shopping Center EV Charger	2,500
Caeser Chavez Elementary: Bike Striping Safety Project	5,000
Washington Unified School District: Bus Infrastructure	31,500
Total current expenditures	895,579
Transfers out:	
Overhead allocation*	238,478
Administrative fee*	75,444
Total AB 2766 Expenditures and Transfers	\$ 1,209,501

* 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, 2021

NOTE C – RESTRICTED CASH (Continued)

Expenditures under AB 923 for the year ended June 30, 2021 were made in accordance with the District’s Board of Directors’ authorizations and were as follows:

	<u>Mobile Service DMV (AB 923) Fund</u>
Program expenditures:	
Clean School Bus Program	
Vacaville Unified School District: 1 electric bus	\$ 92,257
Winters Joint Unified School District: 1 electric bus	299,510
	<u>391,767</u>
Total current expenditures	
Transfers out:	
Administrative fee*	37,722
	<u>37,722</u>
Total AB 923 Expenditures and Transfers	<u>\$ 429,489</u>

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

As of June 30, 2021, the cash balance in the Solano Property Tax special revenue fund, which totaled \$1,186,203 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, 2021 were made in accordance with the District’s Board of Directors’ authorizations and were as follows:

	<u>Solano Property Tax Fund</u>
Program expenditures:	
River Delta: Lawn Mower and Diesel Truck Replacement	\$ 65,000
Solano Transportation Authority: I80 Corridor TDM Project	50,000
Solano County: Winters Road Class II Bike Lane	140,000
Solano Transportation Authority: Rio Vista Bus Shelter	30,000
City of Rio Vista: Diesel Backhoe Replacement	45,000
	<u>330,000</u>
Total current expenditures	
Transfers out:	
Administrative fee*	49,426
	<u>49,426</u>
Total Solano Property Tax Expenditures	<u>\$ 379,426</u>

* 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, 2021

NOTE C – RESTRICTED CASH (Continued)

As of June 30, 2021 the cash balance in the FARMER’s special revenue fund was \$680,632 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:	
River Garden Farms: Tractor Replacement	\$ 722,738
Beeman: Tractor Replacement	441,954
Salvatore Muzzi: Tractor Replacement	34,194
Robben Orchards: Tractor Replacement	90,977
Stan Lester Farms: Tractor Replacement	57,178
Total current expenditures	1,347,041
Transfer out:	
Administrative fee	103,784
Total FARMER Expenditures	\$ 1,450,825

NOTE D – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 was as follows:

	Balance at July 1, 2020	Additions	Deletions	Balance at June 30, 2021
Capital assets being depreciated:				
Office equipment	\$ 105,306			\$ 105,306
Office furniture	118,465			118,465
Air monitoring equipment	210,247			210,247
Vehicles	252,683			252,683
Total capital assets, being depreciated	686,701			686,701
Less accumulated depreciation for:				
Office equipment	(105,306)			(105,306)
Office furniture	(118,465)			(118,465)
Air monitoring equipment	(182,656)	\$ (4,598)		(187,254)
Vehicles	(156,592)	(33,581)		(190,173)
Total accumulated depreciation	(563,019)	(38,179)		(601,198)
Capital assets, net	\$ 123,682	\$ (38,179)	\$ -	\$ 85,503

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

June 30, 2021

NOTE E – LONG-TERM LIABILITIES

The following is a summary of long-term liabilities activity of the District for the year ended June 30, 2021:

	Balance July 1, 2020	Additions	Repayments	Balance June 30, 2021	Due Within One Year
Compensated absences	\$ 186,409	\$ 7,837		\$ 194,246	\$ 75,533
Net pension liability	2,880,959	307,039		3,187,998	
Other post-employment benefits	1,736,880		\$ (217,629)	1,519,251	
	<u>\$ 4,804,248</u>	<u>\$ 314,876</u>	<u>\$ (217,629)</u>	<u>\$ 4,901,495</u>	<u>\$ 75,533</u>

The following is a description of the composition of long-term liabilities at June 30, 2021:

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, 2021, the following funds have interfund balances.

<u>Due to Other Funds</u>	<u>Due from Other Funds</u>	
Mobile Source (AB 2766) Fund	General Fund	\$ 289,313
General Fund	Mobile Source (AB 2766) Fund	<u>2,156</u>
Total Due to/from Other Funds		<u>\$ 291,469</u>

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, 2021 were as follows:

<u>Fund Receiving Transfer</u>	<u>Fund Making Transfer</u>	
General Fund	Mobile Source DMV (AB 2766) Fund	\$ 313,922
	Mobile Source (AB 923) Fund	37,722
	Solano Property Tax	49,426
	Farmer's Fund	<u>103,784</u>
Total Interfund Transfers		<u>\$ 504,854</u>

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

June 30, 2021

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, 2021 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%	6.750%
Required employer contribution rates	11.031%	7.732%

In addition to the contribution rates above, the District was also required to make payments of \$192,979 toward its unfunded actuarial liability during the year ended June 30, 2021.

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 \$396,414 for the year ended June 30, 2021.

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2021

NOTE G – DEFINED BENEFIT PENSION PLANS (Continued)

Net Pension Liability: As of June 30, 2021, the District reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$3,187,998.

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, 2019 rolled forward to June 30, 2020.

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, 2021 and 2020 was as follows:

Proportion - June 30, 2020	0.07194%
Proportion - June 30, 2021	<u>0.07558%</u>
Change - Increase	0.00364%

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions: For the year ended June 30, 2021, the District recognized pension expense of \$631,894. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 396,414	
Changes in assumptions		\$ (22,738)
Differences between actual and expected experience	164,287	
Net differences between projected and actual earnings on plan investments	94,705	
Change in employer's proportion	176,500	
Differences between the employer's contribution and the employer's proportionate share of contributions		<u>(198,014)</u>
Total	<u>\$ 831,906</u>	<u>\$ (220,752)</u>

The \$396,414 reported as deferred outflows of resources related to contributions subsequent to the measurement date of June 30, 2020 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, 2021:

<u>Year Ended June 30</u>	
2022	\$ 26,250
2023	77,268
2024	65,800
2025	45,422
Thereafter	<u>-</u>
	<u>\$ 214,740</u>

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

June 30, 2021

NOTE G – DEFINED BENEFIT PENSION PLANS (Continued)

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

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15% (1)
Inflation	2.50%
Mortality	Derived using CalPERS Membership Data for all Funds

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

(2) 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 7.00% at the June 30, 2019 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.

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, 2019. 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.

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

June 30, 2021

NOTE G – DEFINED BENEFIT PENSION PLANS (Continued)

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%	77.00%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.0%	(.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	\$ 5,087,463
Current Discount Rate	7.15%
Net Pension Liability	\$ 3,187,998
1% Increase	8.15%
Net Pension Liability	\$ 1,618,530

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.

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

June 30, 2021

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

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, 2021, the District’s cash contributions to the trust were \$199,045, benefit payments were \$135,047 and the estimated implicit subsidy was \$71,414.

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, 2020, 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, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation date		June 30, 2019
Measurement date		June 30, 2020
Actuarial cost method		Entry-age normal cost method
Actuarial assumptions:		
Discount rate		6.60%
Inflation		2.5%
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%.

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2021

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

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%	4.80%
Fixed Income	25.0%	1.10%
Treasury Inflation Protected Securities	5.0%	25.00%
Real Estate Investment Trusts	8.0%	3.20%
Commodities	3.0%	1.50%
	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.

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, 2020	\$ 2,773,523	\$ 1,036,643	\$ 1,736,880
Changes in the year:			
Service cost	76,249		76,249
Interest	181,593		181,593
Contributions - employer		436,353	(436,353)
Investment income		39,626	(39,626)
Assumption changes			-
Plan experience			-
Administrative expenses		(508)	508
Benefit payments	(196,735)	(196,735)	-
Net changes	61,107	278,736	(217,629)
Balance at June 30, 2021 (measurement date June 30, 2019)	\$ 2,834,630	\$ 1,315,379	\$ 1,519,251

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2021

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

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 5.60%	Current Discount Rate 6.60%	1% Increase 7.60%
Net OPEB liability	\$ 1,811,018	\$ 1,519,251	\$ 1,270,009

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:

	1% Decrease 5.60%	Current Healthcare Cost Trend Rates 6.60%	1% Increase 7.60%
Net OPEB liability	\$ 1,410,734	\$ 1,519,251	\$ 1,647,671

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the year ended June 30, 2021, the District recognized OPEB expense of \$334,092. At June 30, 2021, 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	\$ 405,506	
Changes of assumptions	57,240	\$ (10,906)
Net differences between projected and actual earnings on plan investments	23,170	
Differences between expected and actual experience	55,594	
Total	<u>\$ 541,510</u>	<u>\$ (10,906)</u>

The \$405,506 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:

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

June 30, 2021

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

Year Ended June 30	
2022	\$ 27,587
2023	30,462
2024	31,376
2025	28,537
2026	7,136
Thereafter	-
	\$ 125,098

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, 2021.

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

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2021

NOTE I – INSURANCE (Continued)

During the year ended June 30, 2021, 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.

Expenses for services provided by related parties and payments to related parties under clean air programs during the fiscal year ended June 30, 2021 are summarized as follows:

Related Party	Fiscal Year 2020-2021 Expenses
City of Woodland	
Replace Diesel mower with electric	\$ 12,000
City of Rio Vista	
Replace Diesel Backhoe	45,000
Solano County	
I80 Corridor TDM Project	50,000
City of West Sacramento	
Install Level 2 EV Charger	9,000
Solano County	
Class II Bike Path on Winters Road	140,000
Electrification Plan - Vacaville, Dixon and Rio Vista	40,000
Rio Vista Bus Shelter	30,000
Yolo County	
Bike Rack Installation	7,000
Legal Services	45,050
District Directors and Hearing Board Members	
Board meeting stipends	6,000
Milage Reimbursements	8,659
	<u>8,659</u>
Total	<u>\$ 392,709</u>

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

June 30, 2021

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. The lease has scheduled rent increases, so rent is being recorded on the straight-line basis. Deferred rent totaled \$47,540 as of June 30, 2021. Rent expense under all operating lease agreements was approximately \$249,624 for the year ended June 30, 2021. As of June 30, 2021, future minimum lease payments under operating leases are as follows:

Fiscal year ending June 30,	
2022	\$ 206,226
2023	212,412
2024	218,785
2025	225,349
2026	232,110
Thereafter	<u>781,427</u>
Total minimum lease commitments	<u>\$ 1,876,309</u>

The District leases equipment under operating leases which have monthly payments of \$619, incorporating current sales tax, through January 1, 2026 for office equipment totaling \$37,128.

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

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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, 2021

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Licenses and permits	\$ 1,966,170	\$ 1,966,170	\$ 2,390,378	\$ 424,208
Intergovernmental	589,846	589,846	546,403	(43,443)
Settlements and penalties	136,000	136,000	639,939	503,939
Use of money	36,200	36,200	41,342	5,142
Other revenues			6,122	6,122
Gain (loss) on sale of fixed assets	1,500	1,500		(1,500)
TOTAL REVENUES	2,729,716	2,729,716	3,624,184	894,468
EXPENDITURES				
Current:				
Public health	3,945,240	3,945,240	3,762,716	182,524
Debt service:				
Interest	12,500	12,500	82	12,418
Contingencies	1,470,180	1,470,180		1,470,180
TOTAL EXPENDITURES	5,427,920	5,427,920	3,762,798	1,665,122
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,698,204)	(2,698,204)	(138,614)	2,559,590
OTHER FINANCING SOURCES				
Transfers in	391,538	391,538	504,854	113,316
TOTAL OTHER FINANCING SOURCES	391,538	391,538	504,854	113,316
NET CHANGE IN FUND BALANCE	(2,306,666)	(2,306,666)	366,240	2,672,906
Fund balance at beginning of year	3,278,718	3,278,718	3,278,718	
FUND BALANCE AT END OF YEAR	\$ 972,052	\$ 972,052	\$ 3,644,958	\$ 2,672,906

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, 2021

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,182,000	\$ 1,173,000	\$ 1,208,721	\$ 35,721
Use of money	250	4,500	1,648	(2,852)
TOTAL REVENUES	<u>1,182,250</u>	<u>1,177,500</u>	<u>1,210,369</u>	<u>32,869</u>
EXPENDITURES				
Current:				
Public health	1,062,884	1,062,884	895,579	167,305
Contingencies	461,901	461,901		461,901
TOTAL EXPENDITURES	<u>1,524,785</u>	<u>1,524,785</u>	<u>895,579</u>	<u>629,206</u>
EXCESS OF REVENUES OVER EXPENDITURES	(342,535)	(347,285)	314,790	662,075
OTHER FINANCING USES				
Transfers out	(260,700)	(260,700)	(313,922)	(53,222)
TOTAL OTHER FINANCING USES	<u>(260,700)</u>	<u>(260,700)</u>	<u>(313,922)</u>	<u>(53,222)</u>
NET CHANGE IN FUND BALANCE	(603,235)	(607,985)	868	608,853
Fund balance at beginning of year	658,141	658,141	658,141	
FUND BALANCE AT END OF YEAR	<u>\$ 54,906</u>	<u>\$ 50,156</u>	<u>\$ 659,009</u>	<u>\$ 608,853</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 – MOBILE SOURCE DMV (AB 923) SPECIAL REVENUE FUND

For the Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 586,500	\$ 586,500	\$ 603,548	\$ 17,048
Use of money	39,500	39,500	27,175	(12,325)
TOTAL REVENUES	626,000	626,000	630,723	4,723
EXPENDITURES				
Current:				
Public health	1,600,000	1,600,000	391,767	1,208,233
Contingencies	1,341,614	1,341,614		1,341,614
Debt service:				
Interest			3,310	(3,310)
TOTAL EXPENDITURES	2,941,614	2,941,614	395,077	2,546,537
EXCESS OF REVENUES OVER EXPENDITURES	(2,315,614)	(2,315,614)	235,646	2,551,260
OTHER FINANCING USES				
Transfers out	(36,700)	(36,700)	(37,722)	(1,022)
TOTAL OTHER FINANCING USES	(36,700)	(36,700)	(37,722)	(1,022)
NET CHANGE IN FUND BALANCE	(2,352,314)	(2,352,314)	197,924	2,550,238
Fund balance at beginning of year	2,356,062	2,356,062	2,356,062	
FUND BALANCE AT END OF YEAR	\$ 3,748	\$ 3,748	\$ 2,553,986	\$ 2,550,238

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, 2021

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 425,000	\$ 425,000	\$ 500,090	\$ 75,090
TOTAL REVENUES	<u>425,000</u>	<u>425,000</u>	<u>500,090</u>	<u>75,090</u>
EXPENDITURES				
Current:				
Public health	480,000	480,000	330,000	150,000
Contingencies	870,446	870,446		870,446
TOTAL EXPENDITURES	<u>1,350,446</u>	<u>1,350,446</u>	<u>330,000</u>	<u>1,020,446</u>
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES	(925,446)	(925,446)	170,090	1,095,536
OTHER FINANCING USES				
Transfers out	(37,500)	(37,500)	(49,426)	(11,926)
TOTAL OTHER FINANCING USES	<u>(37,500)</u>	<u>(37,500)</u>	<u>(49,426)</u>	<u>(11,926)</u>
NET CHANGE IN FUND BALANCE	(962,946)	(962,946)	120,664	1,083,610
Fund balance at beginning of year	<u>976,412</u>	<u>976,412</u>	<u>976,412</u>	
FUND BALANCE AT END OF YEAR	<u>\$ 13,466</u>	<u>\$ 13,466</u>	<u>\$ 1,097,076</u>	<u>\$ 1,083,610</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, 2021

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 871,360	\$ 871,360	\$ 743,411	\$ (127,949)
Use of money	12,525	12,525	14,453	1,928
TOTAL REVENUES	883,885	883,885	757,864	(126,021)
EXPENDITURES				
Current:				
Public health	1,556,824	1,556,824	1,347,041	209,783
Contingencies	912,073	912,073		912,073
TOTAL EXPENDITURES	2,468,897	2,468,897	1,347,041	1,121,856
OTHER FINANCING USES				
Transfers out	(130,000)	(130,000)	(103,784)	26,216
TOTAL FINANCING OTHER USES	(130,000)	(130,000)	(103,784)	26,216
NET CHANGE IN FUND BALANCE	(1,715,012)	(1,715,012)	(692,961)	1,022,051
Fund balance at beginning of year	(58,656)	(58,656)	1,472,375	1,531,031
FUND BALANCE AT END OF YEAR	\$ (1,773,668)	\$ (1,773,668)	\$ 779,414	\$ 2,553,082

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

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2021

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

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Proportion of the net pension liability	0.07558%	0.07194%	0.06854%	0.06690%	0.02560%	0.02360%	0.02660%
Proportionate share of the net pension liability	\$ 3,187,998	\$ 2,880,959	\$ 2,583,053	\$ 2,637,270	\$ 2,215,008	\$ 1,619,296	\$ 1,656,926
Covered payroll - measurement period	\$ 2,031,714	\$ 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	156.91%	149.61%	129.91%	145.92%	124.42%	89.95%	92.31%
Plan fiduciary net position as a percentage of the total pension liability	77.66%	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 2017 and to 7.00% 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, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution (actuarially determined)	\$ 396,414	\$ 348,459	\$ 300,961	\$ 258,810	\$ 226,957	\$ 208,597	\$ 285,922
Contributions in relation to the actuarially determined contributions	(396,414)	(348,459)	(300,961)	(258,810)	(226,957)	(208,597)	(285,922)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll - fiscal year	\$ 2,126,650	\$ 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	18.64%	17.15%	15.63%	13.02%	12.56%	11.72%	15.88%

Notes to Schedule:

Valuation date: June 30, 2017 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	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	Market Value	15-year smoothed market
Inflation	2.500%	2.625%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases				Varies by entry age and service			
Payroll growth	2.750%	2.875%	3.00%	3.00%	3.00%	3.00%	3.00%
Investment rate of return	7.00%	7.25%	7.375% ⁽¹⁾	7.50% ⁽¹⁾	7.50% ⁽¹⁾	7.50% ⁽¹⁾	7.50%
Mortality	(3)	(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)**

	2021	2020	2019	2018
Total OPEB liability:				
Service cost	\$ 76,249	\$ 100,155	\$ 90,099	\$ 87,263
Interest	181,593	177,628	172,852	163,911
Differences between expected and actual experience		78,952		
Changes of assumptions		(15,488)	102,666	
Benefit payments	(196,735)	(159,482)	(135,855)	(125,500)
Net change in total OPEB liability	61,107	181,765	229,762	125,674
Total OPEB liability - beginning	2,773,523	2,591,758	2,361,996	2,236,322
Total OPEB liability - ending (a)	<u>\$ 2,834,630</u>	<u>\$ 2,773,523</u>	<u>\$ 2,591,758</u>	<u>\$ 2,361,996</u>
Plan fiduciary net position:				
Contributions - employer	\$ 436,353	\$ 387,482	\$ 342,855	\$ 326,500
Net investment income	39,626	61,049	47,849	40,033
Other trust expense			(920)	
Administrative expenses	(508)	(179)	(343)	(223)
Benefit payments	(196,735)	(159,482)	(135,855)	(125,500)
Net change in plan fiduciary net position	278,736	288,870	253,586	240,810
Plan fiduciary net position - beginning	1,036,643	747,773	494,187	253,377
Plan fiduciary net position - ending (b)	<u>\$ 1,315,379</u>	<u>\$ 1,036,643</u>	<u>\$ 747,773</u>	<u>\$ 494,187</u>
Net OPEB liability - ending (a)-(b)	<u>\$ 1,519,251</u>	<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>46.40%</u>	<u>37.38%</u>	<u>28.85%</u>	<u>20.92%</u>
Covered-employee payroll - measurement period	<u>\$ 2,172,124</u>	<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>69.94%</u>	<u>83.87%</u>	<u>96.31%</u>	<u>104.91%</u>
Notes to schedule:				
Valuation date	June 30, 2019	June 30, 2019	June 30, 2017	June 30, 2017
Measurement period	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Discount Rate	6.60%	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, 2021

SCHEDULE OF CONTRIBUTIONS TO THE OPEB PLAN (UNAUDITED)

	2021	2020	2019	2018
Actuarially determined contribution - employer fiscal year	\$ 195,533	\$ 207,100	\$ 228,705	\$ 207,000
Contributions in relation to the actuarially determined contributions	(405,506)	(436,353)	(387,482)	(342,855)
Contribution deficiency (excess)	<u>\$ (209,973)</u>	<u>\$ (229,253)</u>	<u>\$ (158,777)</u>	<u>\$ (135,855)</u>
Covered-employee payroll - employer fiscal year	\$ 2,314,851	\$ 2,163,100	\$ 2,071,003	\$ 1,914,724
Contributions as a percentage of covered-employee payroll	17.52%	20.17%	18.71%	17.91%

Notes to Schedule:

Valuation date used to determine ADC	June 30, 2019	June 30, 2019	June 30, 2017	June 30, 2015
Discount rate used to determine ADC	6.60%	6.60%	7.25%	7.25%
Actuarial cost method	Entry age normal			
Amortization method	Level % of pay			
Amortization period	19 years closed	20 years closed	21 years closed	22 years closed
Asset valuation method	Market value	Market value	Market value	Actuarial value
Inflation	2.75%	2.75%	2.75%	2.75%
Healthcare cost trend rates	5.4% in 2021 to 4% in 2076 in steps of 0.1%	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%	3.25%	3.25%
Retirement age	50 to 75			
Mortality	CalPERS 2017	CalPERS 2017	CalPERS 2014	
	Experience Study			
Mortality improvement	MW Scale 2018 generationally	MW Scale 2018 generationally	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

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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, 2021, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated May 25, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District’s internal control over financial reporting (internal control) as a basis for designing 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 financial statements. 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

May 25, 2022