RICHARDSON & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

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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, 2022, 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, material weaknesses may exist that have not been identified.

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

Fund Balance

Since the accounting system is not able to close net income to fund balance in each fund, the District needs to ensure that at the beginning of each fiscal year, manual entries are made to adjust fund balances to each fund for the amount of net income in the previous fiscal year so that beginning fund balance amounts are correct.

* * * * *

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 1, 2023

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CERTIFIED PUBLIC ACCOUNTANTS

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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, 2022, and have issued our report thereon dated May 1, 2023. 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.

<u>Our Responsibilities under U.S. Generally Accepted Auditing Standards (GAAS) and Government Auditing Standards</u>

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.

<u>Planned Scope and Timing of the Audit</u>

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.

We are required by the audit standards to identify potential risks of material misstatement during the audit process. We have identified the following significant risk of material misstatement as part of our audit planning: Management override of controls and revenue recognition. These are the areas that the audit standards require at a minimum to be identified as significant risks.

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. The District implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases.* The implementation of GASB Statement No. 87 resulted in the recognition of a lease liability and an intangible right-to-use lease asset. Note E to the financial statements describes the impact of GASB Statement No. 87 on the District's financial statements. 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, 2021, the most recent measurement date, was $1,600,843 which is reflected as a liability in the District's financial statements as of June 30, 2022. As a result of the changes in the net pension liability and related deferred inflows and outflows, the District's pension expense is $271,532 primarily to record changes in the net pension liability and deferred outflows and inflows. The large decrease in the pension liability is due to the unusually large investment earnings on plan assets as of the June 30, 2021 measurement date.

- The postemployment benefit (OPEB) disclosure in Note H shows that the District's share of the unfunded OPEB liability at June 30, 2021, the most recent measurement date, was $582,735 which is reflected as a liability in the District's financial statements as of June 30, 2022. 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 $86,553 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 four closing entries and audit adjustments needed to correct balances. Adjustments made during the course of the audit consistent of the following:

- True up Fund Balance for prior year net income.
- Roll forward fund balance and net position.
- Move July prepaid rent from accounts payable to prepaids.
- Correction to pension liability and related accounts.

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 1, 2023.

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 1, 2023

YOLO–SOLANO AIR QUALITY
MANAGEMENT DISTRICT

Audited Financial Statements
and Other Reports

June 30, 2022

YOLO–SOLANO AIR QUALITY MANAGEMENT DISTRICT

BASIC FINANCIAL STATEMENTS AND OTHER REPORTS

June 30, 2022

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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 Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, and each major fund, of the Yolo–Solano Air Quality Management District (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the District, as of June 30, 2022, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information for the general fund and major special revenue funds, schedule of proportionate share of the net pension liability, schedule of contributions to the pension plan, schedule of changes in the net OPEB liability and related ratios and schedule of contributions to the OPEB plan be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 1, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Commission's internal control over financial reporting and compliance.

Richardson & Company, LLP

May 1, 2023

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, 2022 and in conjunction with the 2021 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, 2022, the total assets and deferred outflows of the District exceeded its total liabilities and deferred inflows by $6,529,649 (net position). Of this amount, $3,764,643 is restricted due to legislation under AB 2766 and AB 923, $1,286,244 is restricted under Solano County property tax based on Board approval for public awareness programs, equipment and/or projects, and $336,554 is restricted for FARMER Fund which is used to grant incentives for the replacement of agricultural equipment.

- As of the close of FY 2022, the District's combined fund balances reported an ending balance of $9,616,667, an increase of $882,224 in comparison with FY 2021. The restricted portion of the total fund balance is 56% of the combined balance.

- Net pension liability: The District has recognized a liability in the amount of $1,600,843 for a net pension obligation due to Governmental Accounting Standards Board Statement (GASB) 68. The liability decreased $1,587,155 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 $426,869 in FY 2022. Due to the implementation of GASB 75, the OPEB liability is $582,735 as of June 30, 2022. The liability decreased $936,516 from the prior year. See Note H of the basic financial statements.

- During fiscal 2022, the District implemented GASB Statement No. 87, *Leases*. This statement requires the recognition of a lease liability and an intangible right to use lease asset for the office space currently being used by the District. As of June 30, 2022 the carrying value of the lease asset and lease liability is $1,338,644 and $1,392,479 respectively. See Note E of the basic financial statements.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to District's basic financial statements. The District's basic financial statements have three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the basic financial statements. This report also contains required supplementary information in addition to the basic financial statements.

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

Government-Wide Financial Statements

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

The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows 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 13 and 14.

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 six funds:

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

- Mobile Source Program - Dept. of Motor Vehicle Fees, Funds (AB 2766 and AB 923): Both funds are considered special revenue funds that track restricted revenue received from the DMV. The DMV collects and provides to the District $6.00 for each vehicle registered within the District's jurisdiction. A portion of the revenue ($4.00 per vehicle) is used to support Clean Air Fund (CAF) projects and supports the staff that works within the mobile source program under AB 2766. The District Board approved an additional $2.00 and this allows the DMV to collect an additional $2.00 per vehicle. The use of the extra $2.00 is restricted and is included with the revenue received under AB 2766. Administrative fees are charged to these restricted funds and are reimbursed to the General Fund.

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

- FARMER Fund: This fund is considered a special revenue fund. The Funding Agricultural Replacement Measures for Emission Reductions (FARMER) fund manages the necessary tracking to support a new incentive program relating to the replacement of qualified agricultural equipment. An administrative fee is allocated within the funding and when expenses are recognized, the General Fund receives such fees.

- MOYER Fund: This fund is considered a special revenue fund. The Carl Moyer (Moyer) fund manages the necessary tracking to support a new incentive program relating to the replacement of qualified off-road, on-road and infrastructure projects. An administrative fee is allocated within the funding and when expenses are recognized, the General Fund receives such fees.

- Community Air Protection Program Fund: This fund is considered a special revenue fund. The Community Air Protection Program (CAPP) fund manages the necessary tracking to support a new incentive program relating to Carl Moyer eligible projects in disadvantaged and low-income communities. 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 15 and 17. 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 16. The reconciliation of the total change in fund balances for all governmental funds to the change in net position can be found on page 18.

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

Budgeted and actual amounts by fund are provided on pages 39 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 19 through 38 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 $6,529,649 as of June 30, 2022 and $5,162,345 as of June 30, 2021.

The following schedule lists a condensed Statement of Net Position as of June 30, 2022 compared with 2021 and 2020.

	Year ended June 30,		
	2022	2021	2020
Assets:			
Current assets	$10,006,384	$8,967,528	$9,084,399
Capital assets, net	1,397,254	85,503	123,682
Total assets	11,403,638	9,053,031	9,208,081
Deferred outflows of resources	1,295,024	1,373,416	1,410,471
Liabilities:			
Current liabilities	452,005	206,482	313,829
Noncurrent liabilities	3,522,565	4,825,962	4,721,208
Total liabilities	3,974,570	5,032,444	5,035,037
Deferred inflows of resources	2,194,443	231,658	318,520
Net Position:			
Net investment in capital assets	58,610	85,503	123,682
Restricted	5,387,441	5,089,485	5,462,990
Unrestricted	1,083,598	(12,643)	(321,677)
Total net position	$6,529,649	$5,162,345	$5,264,995

Total net position increased 26% or $1,367,304 from 2021 to 2022. Total net position decreased 2% or $102,650 from 2020 to 2021. 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 24 and 25, restricted cash and investments, which is covered in detail in Note C on page 25 through 27, the pension and OPEB liabilities which is covered in detail in Notes G and H on pages 29 through 37, and the right to use lease asset and lease liability which is covered in detail in Note E on page 28. 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.

The following lists the Statement of Activities for the years ended June 30, 2022, 2021 and 2020:

	Year ended June 30,		
	2022	2021	2020
Program Revenues:			
Charges for services	$3,227,691	$3,030,317	$2,592,001
Operating grants and contributions	2,941,369	3,592,407	4,615,865
Total program revenues	6,169,060	6,622,724	7,207,866
Program Expenses:			
Public health	4,786,138	6,812,722	6,589,491
Interest on long term debt	76,494	3,392	1,851
Total program expenses	4,862,632	6,816,114	6,591,342
General Revenues			
Investment income	51,171	84,618	141,791
Other	9,705	6,122	1,691
Total general revenues	60,876	90,740	143,482
Change in net position	1,367,304	(102,650)	760,006
Net Position - July 1	5,162,345	5,264,995	4,504,989
Net Position - June 30	$6,529,649	$5,162,345	$5,264,995

Governmental Activities

Below are explanations of the significant revenue variances from fiscal years 2021 to 2022.

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 2021 to 2022 of 7% or $197,374 in comparison to 2020 to 2021 which was an increase of 17% or $438,316. This revenue category can fluctuate based on permit activity. Also included in Charges for Services is Settlement revenues. 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. Settlement revenues increased from $213,939 in 2020 to $639,939 in 2021 (199% increase), and increased to $888,330 in 2022 (39% increase).

- 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 18% or $651,038 from 2021 to 2022 in comparison to 2020 to 2021 which was a decrease of 22% or $1,023,458. The FARMER Fund was new to the District for fiscal 2019; this fund received $1.8 million in funding during 2020, $743 thousand in 2021, but did not receive any funding for 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 fluctuating in recent years from $6,589,491 in 2020, to $6,812,722 in 2021 and to $4,786,138 in 2022. The increases from 2020 to 2021 is in relation to the grant activity inside the FARMER Fund, and the decreases from 2021 to 2022 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: Investment income decreased from $141,791 in 2020 to $84,618 in 2021 (40% decrease), and decreasing again in 2022 to $51,171 (40% decrease). 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 $1,691 in 2020, $6,122 in 2021 and $9,705 in 2022.

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, 2022 were $9,616,667 which is an increase of 10% or $882,224 from 2021.

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.

Fund Balance	Year ended June 30, 2022	2021	2020
General Fund	$4,229,226	$3,644,958	$3,278,718
AB2766	966,815	659,009	658,141
AB923	2,797,828	2,553,986	2,356,062
Solano Property Tax	1,286,244	1,097,076	976,412
FARMER Fund	336,554	779,414	1,472,375
Total program fund balance	$9,616,667	$8,734,443	$8,741,708

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

- General Fund: The fund balance increased by 16% or $584,268 in FY 2022. The District received about $805,000 more in revenues than expected, and incurred approximately $406,000 less in public health expenses than budgeted in FY 2022.

- AB2766: The fund balance increased by 47% or $307,806 in FY 2022. Revenues received were more than budget by about $11,000, and the District had favorable budget variances in expenses of about $146,000 during the year.

- AB923: The fund balance increased by 10% or $243,842 in FY 2022. The District received about $7,000 less in revenues than originally budgeted, but had about $967,000 less in grant activity than originally planned.

- Solano Property Tax: The fund balance increased by 17% or $189,168 in FY 2022. The District received about $135,000 more in revenues than originally budgeted, and expense activity was at budgeted levels for 2022.

- FARMER Fund: The fund balance decreased by 57% or $442,860 in FY 2022. The District did not receive any FARMER funding for 2022, but had grant expenditures of about $366,000.

Analysis of General Fund Budget

Significant variances from the Final General Fund Budget to the Actual amounts as shown on pages 38 for FY 2022 are:

- Revenue received from licenses and permits show a $71,795 increase from final to actual.

- Intergovernmental revenues received show a ($17,463) decrease from final to actual.

- Settlements and penalties increased by $752,330 from final to actual. This revenue received is based on violations of District Rules and Regulations and settlement of violations.

- Expenditures in the Public Health category decreased from the final to the actual spent by $605,068. There were savings in salaries and benefits, and professional services from the original budget.

Capital Assets and Long-Term Debt

Capital Assets:

As of June 30, 2022, and June 30, 2021, the District's investment in capital assets amounted to $58,610 and $85,503 respectively, net of accumulated depreciation. This investment in capital assets includes air monitoring equipment, vehicles, office equipment, and furniture. Also included in capital assets at June 30, 2022 is the right to use lease asset for the District's office space it is currently leasing. With the implementation of GASB Statement No. 87, *Leases,* the District recognized a lease asset with a carrying value net of accumulated amortization at June 30, 2022 of $1,338,644 There were additions to capital assets during the current fiscal year in the air monitoring equipment. Additional information on the District's capital assets can be found in Note D of the Financial Statements on page 27.

Long-Term Liabilities:

As of June 30, 2022, and 2021, the District's long-term liabilities that are not due and payable in the current period total $3,522,565 and $4,825,962, respectively, which includes the District's accrued compensated absences (accrued leave), pension, other post-employment benefits and the District office lease liability. As of June 30, 2022, and 2021, the District's net pension liability totaled $1,600,843 and $3,187,998, respectively. As of June 30, 2022 and 2021, the District's other post-employment benefits (OPEB) liability was $582,735 and $1,519,251 respectively. Also, as mentioned above, with the implementation of GASB Statement No. 87, *Leases*, the District has recognized a lease liability for its office space in the amount of $1,392,479 as of June 30, 2022. Additional information on the District's long-term liabilities can be found in Notes E, G, and H of 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 2022 the District projected a 91 percent cost recovery in the stationary source program. By year's end the District ended 2022 with 94 percent cost recovery in the stationary source program. For fiscal year 2023, the District is projecting a cost recovery of the stationary source program of 80 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 $160,968 toward the CAF Program using AB 2766 money for FY 2023. AB 923 supports the District's Lower Emission School Bus Program, and has $942,825 budgeted for fiscal 2023 compared to $1,300,000 in fiscal 2022.

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 $325,300 for the 2022 CAF program. In FY 2023 the District plans to release $350,000.

The following factors were considered in preparing the fiscal year 2023 approved final budget. The District's overall budget is projected with a 38% increase compared to FY 2021/2022, which includes the General Fund and six restricted funds.

- General Fund is projected to increase by about 9 percent. For revenue, the District is projecting an increase of $101,211. On the expenditure side is a payment to the CERBT OPEB Trust to meet the District's ARC of $277,930 for FY 2023 and funding for other operating expenses.

- Mobile Source DMV AB 2766 Fund is projected for FY 2023 to decrease by $222,372. The expenditures cover operating costs include 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 $357,175. This fund is used exclusively for grant programs that are allowed under AB 923 legislation. In FY 2023 the District Board has allocated $942,825 towards replacing school buses.

- Solano County Property Tax Fund is projected to increase by $26,361 for FY 2023. Available grant funds released through the CAF grant program is expected to increase by $24,701 from FY 2022.

- FARMER Fund is projected to increase by $556,489 for FY 2023. It is anticipated to receive $2,257,000 in funding in FY 2023 and to allocate $2,116,224 in grant incentives for the replacement of agricultural equipment.

- MOYER Fund is a new restricted special revenue fund for FY 2023. This program aims to clean heavy-duty engines beyond what is required by law and regulation through repowering, replacing, or retrofitting engines, vehicles, or equipment and funds infrastructure projects to support California's transformation to zero and near-zero emission technology. For FY 2023 budgeted revenues and expenses for the MOYER fund are expected to be $1,294,210, and $1,156,096 respectively.

- Community Air Protection Fund (CAPP) is also a new restricted special revenue fund for FY 2023. This fund manages the necessary tracking to support incentive programs relating to clean air projects through Assembly Bill 617, which was enacted in 2017. For FY 2023 budgeted revenues and expenses for the CAPP fund are expected to be $1,065,113, and $510,657 respectively.

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 POSITION

June 30, 2022

ASSETS		
Cash and investments		$ 4,403,648
Restricted cash and investments		5,001,378
Accounts receivable		123,648
Prepaid expenses		56,541
Due from other agencies		421,169
Capital assets, net		1,397,254
	TOTAL ASSETS	11,403,638
DEFERRED OUTFLOWS OF RESOURCES		
Pensions		760,695
OPEB		534,329
	TOTAL DEFERRED OUTFLOWS	1,295,024
LIABILITIES		
Accounts payable		48,953
Accrued payroll		181,200
Unearned revenue		25,909
Compensated absences, current portion		49,858
Lease liability, current portion		146,085
Noncurrent liabilities:		
Compensated absences		92,593
Net pension liability		1,600,843
Net OPEB liability		582,735
Lease liability		1,246,394
	TOTAL LIABILITIES	3,974,570
DEFERRED INFLOWS OF RESOURCES		
Pensions		1,594,518
OPEB		599,925
		2,194,443
NET POSITION		
Investment in capital assets		58,610
Restricted for:		
Mobile Source DMV (AB 2766)		966,815
Mobile Source DMV (AB 923)		2,797,828
Solano County projects		1,286,244
FARMER program		336,554
Unrestricted		1,083,598
	TOTAL NET POSITION	$ 6,529,649

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, 2022

PROGRAM EXPENSES		
Governmental activities:		
Public health		$ 4,786,138
Interest on long-term debt		76,494
	TOTAL PROGRAM EXPENSES	4,862,632
PROGRAM REVENUES		
Charges for services		3,227,691
Operating grants and contributions		2,941,369
	TOTAL PROGRAM REVENUES	6,169,060
	NET PROGRAM REVENUE	1,306,428
GENERAL REVENUES		
Investment income		51,171
Other		9,705
	TOTAL GENERAL REVENUES	60,876
	CHANGE IN NET POSITION	1,367,304
Net position at beginning of year		5,162,345
	NET POSITION AT END OF YEAR	$ 6,529,649

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

YOLO–SOLANO AIR QUALITY MANAGEMENT DISTRICT

BALANCE SHEETS – GOVERNMENTAL FUNDS

June 30, 2022

		Major Special Revenue Funds			Non Major Special Revenue Funds		
	General Fund	Mobile Source DMV (AB 2766) Fund	Mobile Source DMV (AB 923) Fund	Solano Property Tax Fund	FARMER Fund	Other Grant Funds	Total Governmental Funds
ASSETS							
Cash and investments	$ 4,403,648						$ 4,403,648
Restricted cash and investments		$ 632,638	$ 2,745,942	$ 1,286,244	$ 336,554		5,001,378
Accounts receivable	123,648						123,648
Prepaid expenses	53,600	2,941					56,541
Due from other governments	169,445	103,771	51,886			$ 96,067	421,169
Due from other funds	98,959	289,313					388,272
TOTAL ASSETS	$ 4,849,300	$ 1,028,663	$ 2,797,828	$ 1,286,244	$ 336,554	$ 96,067	$ 10,394,656
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable	$ 48,953						$ 48,953
Accrued payroll	122,244	$ 58,956					181,200
Unearned revenue	25,909						25,909
Due to other funds	289,313	2,892				$ 96,067	388,272
TOTAL LIABILITIES	486,419	61,848				96,067	644,334
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue	133,655						133,655
TOTAL DEFERRED INFLOWS OF RESOURCES	133,655						133,655
FUND BALANCES							
Nonspendable:							
Prepaid expenditures	53,600	2,941					56,541
Restricted for:							
Mobile Source DMV (AB 2766)		963,874					963,874
Mobile Source DMV (AB 923)			$ 2,797,828				2,797,828
Solano property tax				$ 1,286,244			1,286,244
FARMER program					$ 336,554		336,554
Assigned to:							
Equipment replacement	28,281						28,281
Unassigned	4,147,345						4,147,345
TOTAL FUND BALANCES	4,229,226	966,815	2,797,828	1,286,244	336,554		9,616,667
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	$ 4,849,300	$ 1,028,663	$ 2,797,828	$ 1,286,244	$ 336,554	$ 96,067	$ 10,394,656

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, 2022

Fund balances – total governmental funds		$ 9,616,667
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		133,655
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds:		
Governmental capital assets	$ 2,217,412	
Less: accumulated depreciation	(820,158)	1,397,254
Deferred outflows of resources related to pensions and OPEB		1,295,024
Lease liability, and related right of use asset, is not due and payable in the current period and therefore are not reported in the fund statement.		
Lease liability		(1,392,479)
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	(142,451)	
Net pension liability	(1,600,843)	
Net OPEB liability	(582,735)	(2,326,029)
Deferred inflows of resources related to pensions and OPEB		(2,194,443)
Net position – governmental activities		$ 6,529,649

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

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

For the Year Ended June 30, 2022

	Major Special Non-Major Special Revenue Funds				Non Major Special Revenue Funds		
	General Fund	Mobile Source DMV (AB 2766) Fund	Mobile Source DMV (AB 923) Fund	Solano Property Tax Fund	FARMER Fund	Other Grant Funds	Total Governmental Funds
REVENUES							
Licenses and permits	$ 2,339,361						$ 2,339,361
Intergovernmental	468,029	$ 1,190,301	$ 595,150	$ 560,303		$ 96,067	2,813,783
Settlements and penalties	888,330						888,330
Use of money	28,655	1,468	18,976		$ 2,072		51,171
Other revenues	9,705						9,705
TOTAL REVENUES	3,734,080	1,191,769	614,126	560,303	2,072	96,067	6,102,350
EXPENDITURES							
Current:							
Public health	3,366,109	714,237	330,000	325,300	365,821		5,101,467
Capital outlay	5,279						5,279
Debt service:							
Principal	132,953						132,953
Interest	73,273		3,221				76,494
TOTAL EXPENDITURES	3,577,614	714,237	333,221	325,300	365,821		5,316,193
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES	156,466	477,532	280,905	235,003	(363,749)	96,067	786,157
OTHER FINANCING SOURCES (USES)							
Transfers in	427,802						427,802
Transfers out		(169,726)	(37,063)	(45,835)	(79,111)	(96,067)	(427,802)
TOTAL OTHER FINANCING SOURCES (USES)	427,802	(169,726)	(37,063)	(45,835)	(79,111)	(96,067)	
NET CHANGE IN FUND BALANCES	584,268	307,806	243,842	189,168	(442,860)		882,224
Fund balances at beginning of year	3,644,958	659,009	2,553,986	1,097,076	779,414		8,734,443
FUND BALANCES AT END OF YEAR	$ 4,229,226	$ 966,815	$ 2,797,828	$ 1,286,244	$ 336,554	$ -	$ 9,616,667

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

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, 2022

Net changes in fund balances – total governmental funds	$ 882,224
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.	31,519
Governmental funds report capital outlay as expenditures. In the Statement of Activities, however, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Capital outlay	5,279
Depreciation and amortization expense	(218,960)
Lease payments use current financial resources of governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Principal repayments on leases	132,953
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	51,795
Change in pension and related amounts	142,178
Change in OPEB liability and related amounts	340,316
Change in net position – governmental activities	$ 1,367,304

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

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.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Grant Funds – This special revenue fund is used to account for other grant funds, including amounts reserved under the Carl Moyer Memorial Air Quality Standards Attainment Program under Senate Bill 513 (SB 513) (Beall, 2015). With the purpose of reducing smog-forming and toxic emissions by cleaning up older polluting engines throughout California.

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.

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.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

New Pronouncement: In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections, an Amendment of GASB Statement No. 62*. This Statement prescribes the accounting and financial reporting for each type of accounting change, including changes in accounting principles, changes in accounting estimates and changes to or within the financial reporting entity, and error corrections. This Statement requires changes in accounting principles and error corrections to be reported retroactively by restating prior periods; requires changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period; and requires changes in accounting estimates to be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of new pronouncements in absence of specific transition provisions in the new pronouncement. This Statement also requires the aggregate amount of adjustments to and restatements of beginning net position, fund balance or fund net position, as applicable, to be displayed by reporting unit in the financial statements. Furthermore, this Statement requires information presented in required supplementary information or supplementary information to be restated for error corrections, if practicable, but not for changes in accounting principles. The provisions of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This statement requires that liabilities for compensated absences be recognized for leave that has not been used that is attributable to services already rendered, accumulates and is more likely than not to be used for time off or paid in cash or settled through noncash means and leave that has been used but not paid in cash or settled through noncash means. Leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in the liability for compensated absences. This Statement requires that a liability for certain types of compensated absences, including parental leave, military leave and jury duty leave, not be recognized until the leave commences. Certain salary related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. With respect to financial statements prepared using the current financial resources

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources. Governments are allowed to disclose the net change in the liability if identified as such in the footnotes to the financial statements. The provisions of this Statement are effective for years beginning after December 15, 2023.

NOTE B – CASH AND INVESTMENTS

The District's cash and investments at June 30, 2022 is classified in the accompanying financial statements as follows:

Cash and investments	$ 4,403,648
Restricted investments	5,001,378
Total cash and investments	$ 9,405,026

Cash and cash equivalents as of June 30, 2022 consisted of the following:

Deposits with financial institutions	$ 1,138,576
Investment in Yolo County Pooled Investment Fund	8,257,419
Total cash and investments	$ 9,395,995

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, 2022, the weighted average maturity of the investments contained in the County of Yolo investment pool was approximately 513 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

NOTE B – CASH AND INVESTMENTS (Continued)

collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Custodial credit risk does not apply to a local government's indirect deposits or investment in securities through the use of government investment pools (such as the County of Yolo investment pool).

At June 30, 2022, the carrying amount of the District's deposits was $1,138,576 and the balance in financial institutions was $1,165,609. Of the balance in financial institutions, $250,000 was covered by federal depository insurance and $915,609 at June 30, 2022 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, 2022, the restricted cash balance in the AB 2766 special revenue fund, which totaled $632,638, and the AB 923 special revenue fund, which totaled $2,745,942, is restricted for clean air projects as approved by the Board. Expenditures under AB 2766 for the year ended June 30, 2022 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	$ 555,190
Professional services:	
Professional Service and IT A87 Costs	20,475
Other services and supplies	23,127
Program expenditures:	
The Bike Campaign: Bikes and Bike Sills Education	10,000
The Bike Campaign: The Honor Roll- Davis Cycling without Age	6,250
Explorit: Healthy Planet, Healthy You	17,100
City of Woodland: Woodland regional Park Bike Parking	17,855
Esparto Unified School District: Electric School Bus	9,240
Solano County: Pedrick Road Bicycle Improvement	60,000
Davis Auto Tech Booster Association	(5,000)
Total current expenditures	714,237
Transfers out:	
Overhead allocation*	95,600
Administrative fee*	74,126
Total AB 2766 Expenditures and Transfers	$ 883,963

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

NOTE C – RESTRICTED CASH (Continued)

Expenditures under AB 923 for the year ended June 30, 2022 were made in accordance with the District's Board of Directors' authorizations and were as follows:

	Mobile Service DMV (AB 2766) Fund
Interest Expense	$ 3,221
Program expenditures:	
Clean School Bus Program	
Washington Unified School District	330,000
Total current expenditures	333,221
Transfers out:	
Administrative fee*	37,063
Total AB 923 Expenditures and Transfers	$ 370,284

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

As of June 30, 2022, the cash balance in the Solano Property Tax special revenue fund, which totaled $1,286,244 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, 2022 were made in accordance with the District's Board of Directors' authorizations and were as follows:

	Solano Property Tax Fund
Program expenditures:	
River Oaks Apartment Homes: Apartment EV Charger 10 spaces	$ 39,285
Solano Transportation Authority: Solano Safe Routes to School Outreach	50,000
Sandpiper Village Apartment Homes: Apartment EV Charger 4 spaces	16,015
Solano Transportation Authority: Solano County EV Implementation Plan	30,000
Solano County: Pedrick Road Bicycle Improvement	140,000
City of Rio Vista: Pedestrian Improvements 3rd Street	50,000
Total current expenditures	325,300
Transfers out:	
Administrative fee*	45,835
Total Solano Property Tax Expenditures	$ 371,135

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

NOTE C – RESTRICTED CASH (Continued)

As of June 30, 2022 the cash balance in the FARMER's special revenue fund was $336,554 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:		
Muller AG LLC		$ 365,821
	Total current expenditures	365,821
Transfer out:		
Administrative fee		79,111
	Total FARMER Expenditures	$ 444,932

NOTE D – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022 was as follows:

	Restated Balance at July 1, 2021	Additions	Deletions	Balance at June 30, 2022
Capital assets being depreciated:				
Office equipment	$ 105,306			$ 105,306
Office furniture	118,465			118,465
Air monitoring equipment	210,247	$ 5,279		215,526
Vehicles	252,683			252,683
Office building right-of-use asset	1,525,432			1,525,432
Total capital assets, being depreciated	2,212,133	5,279		2,217,412
Less accumulated depreciation for:				
Office equipment	(105,306)			(105,306)
Office furniture	(118,465)			(118,465)
Air monitoring equipment	(187,254)	(5,353)		(192,607)
Vehicles	(190,173)	(26,819)		(216,992)
Office building		(186,788)		(186,788)
Total accumulated depreciation	(601,198)	(218,960)		(820,158)
Capital assets, net	$ 1,610,935	$ (213,681)	$ -	$ 1,397,254

NOTE E – LONG-TERM LIABILITY

The following is a summary of long-term liabilities activity of the District for the year ended June 30, 2022:

	Balance July 1, 2021	Additions	Repayments	Balance June 30, 2022	Due Within One Year
Compensated absences	$ 194,246		$ (51,795)	$ 142,451	$ 49,858
Net pension liability	3,187,998		(1,587,155)	1,600,843	
Other post-employment benefits	1,519,251		(936,516)	582,735	
Lease liability		$ 1,525,432	(132,953)	1,392,479	146,085
	$ 4,901,495	$ 1,525,432	$ (2,708,419)	$ 3,718,508	$ 195,943

The following is a description of the composition of long-term liabilities at June 30, 2022:

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.

Leases: During the year ended June 30, 2022, the District implemented GASB Statement No. 87, *Leases*. This Statement requires recognition of lease assets and liabilities for leases that previously were classified as operating leases.

In September 2019 the District amended its lease for the office space at 1947 Galileo Court in Davis, CA. The lease ends on August 31, 2029 and contains the option to renew for an additional five years at 3% increases in rent. For the purposes of discounting future payments on the lease, the District used a discount rate of 5%. The total amount of lease assets for the year ended June 30, 2022 was $1,525,432, and related accumulated amortization was $186,788. The intangible right of use asset is being amortized over 6 years, the remaining term of the lease, including option periods. Amortization expense was $186,788 during the year ended June 30, 2022. Minimum lease payments over the remaining term of the lease include:

Fiscal year ending June 30,	Principal Payments	Interest Payments	Total
2023	$ 146,085	$ 66,328	$ 212,413
2024	160,079	58,707	218,786
2025	174,984	50,365	225,349
2026	190,853	41,256	232,109
2027	207,742	31,330	239,072
Thereafter	512,736	29,618	542,354
Total minimum lease commitments	$ 1,392,479	$ 277,604	$ 1,670,083

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, 2022, the following funds have interfund balances.

Due to Other Funds	Due from Other Funds	
Mobile Source (AB 2766) Fund	General Fund	$ 289,313
General Fund	Other Grant Funds	96,067
General Fund	Mobile Source (AB 2766) Fund	2,892
Total Due to/from Other Funds		$ 388,272

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, 2022 were as follows:

Fund Receiving Transfer	Fund Making Transfer	
General Fund	Mobile Source DMV (AB 2766) Fund	$ 169,726
	Mobile Source (AB 923) Fund	37,063
	Solano Property Tax	45,835
	Farmer's Fund	79,111
	Other Grant Funds	96,067
Total Interfund Transfers		$ 427,802

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.

NOTE G – DEFINED BENEFIT PENSION PLANS (Continued)

The Plans' provisions and benefits in effect for the year ended June 30, 2022 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	10.880%	7.590%

In addition to the contribution rates above, the District was also required to make payments of $232,203 toward its unfunded actuarial liability during the year ended June 30, 2022.

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 $413,712 for the year ended June 30, 2022.

Net Pension Liability: As of June 30, 2022, the District reported a net pension liability for its proportionate share of the net pension liability of the Plan of $1,600,843.

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, 2021, using an annual actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021.

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, 2022 and 2021 was as follows:

Proportion - June 30, 2021	0.07558%
Proportion - June 30, 2022	0.08431%
Change - Increase	0.00873%

NOTE G – DEFINED BENEFIT PENSION PLANS (Continued)

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions: For the year ended June 30, 2022, the District recognized pension expense of $271,534. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 413,712	
Changes in assumptions		
Differences between actual and expected experience	179,517	
Net differences between projected and actual earnings on plan investments		$ (1,397,451)
Change in employer's proportion	167,466	
Differences between the employer's contribution and the employer's proportionate share of contributions		(197,067)
Total	$ 760,695	$ (1,594,518)

The $413,712 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the 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, 2022:

Year Ended June 30	
2023	$ (267,280)
2024	(280,761)
2025	(313,311)
2026	(386,183)
Thereafter	-
	$ (1,247,535)

NOTE G – DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions: The total pension liability at the June 30, 2019 measurement date was determined using the following actuarial assumptions:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
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 (2)

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

(2) The morality 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, 2020 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, 2021. 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.

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	59.0%	4.80%	5.98%
Global Fixed Income	25.0%	1.10%	2.62%
Inflation Sensitive	5.0%	0.25%	1.46%
Commodities	3.0%	1.50%	2.87%
Real Estate	8.0%	3.20%	5.00%
Liquidity	0.0%	0.0%	(.92)%
Total	100.0%		

(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	$	3,594,934
Current Discount Rate		7.15%
Net Pension Liability	$	1,600,843
1% Increase		8.15%
Net Pension Liability (Asset)	$	(47,644)

NOTE H – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description: The District provides healthcare benefits to eligible retirees and their dependents through the California Public Employees' Retirement System Healthcare Program (PEMHCA). Benefit provisions are established and may be amended through agreements between the District and its employees.

The District provides a retiree medical contribution for employees who retire directly from the District under CalPERS. The retiree is covered as well as dependents. The District contributes 100% of the monthly medical premiums for the retiree and eligible dependents. The District's current monthly maximum contribution for active employees is: Employee only $550, employee plus one $1,100 and employee and family $1,430. The District's monthly contribution for retirees is capped at the same amounts; however, once the retiree and/or dependent reaches Medicare eligibility, the employer contribution can be reduced based on the coordination of Medicare and PEMHCA.

Funding Policy: The contribution requirements of the District's participants and the District are established by and may be amended by the District pursuant to agreements with its employees. In December 2013, the Board entered into an agreement with the California Employers' Retirement Benefit Trust Program (CERBT) for prefunding of Other Post-Employment Benefits. The Trust is administered by

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

CalPERS as an agent multiple-employer plan. During the year ended June 30, 2022, the District's cash contributions to the trust were $206,052, benefit payments were $147,038 and the estimated implicit subsidy was $73,779.

Employees Covered by Benefit Terms: As of the June 30, 2020 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	18
Active employees	21
Inactive plan members entitled to but not receiving benefits	2
Total	41

Net OPEB Liability: The District's total OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020.

Actuarial Assumptions and Other Inputs: The total OPEB liability in the June 30, 2021 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, 2021
Measurement date	June 30, 2021
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 5.7%. Grade down to 4.0% for years after 2056

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, 2021 valuation consist of the following: Increase in the healthcare trend starting rate from 5.40% to 5.70%.

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 weighing 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:

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

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%	0.25%
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 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, 2021	$ 2,834,630	$ 1,315,379	$ 1,519,251
Changes in the year:			
Service cost	78,536		78,536
Interest	185,456		185,456
Contributions - employer		405,506	(405,506)
Investment income		369,323	(369,323)
Assumption changes	24,757		24,757
Plan experience	(450,945)		(450,945)
Administrative expenses		(509)	509
Benefit payments	(206,461)	(206,461)	-
Net changes	(368,657)	567,859	(936,516)
Balance at June 30, 2022 (measurement date June 30, 2021)	$ 2,465,973	$ 1,883,238	$ 582,735

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	$ 830,287	$ 582,735	$ 371,219

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

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	$ 497,459	$ 582,735	$ 688,219

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the year ended June 30, 2022, the District recognized OPEB expense of $86,553. At June 30, 2022, 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	$ 426,869	
Changes of assumptions	63,545	$ (8,615)
Net differences between projected and actual earnings on plan investments		(200,652)
Differences between expected and actual experience	43,915	(390,658)
Total	$ 534,329	$ (599,925)

The $426,869 reported as deferred outflows of resources related to contributions after the measurement date will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30	
2023	$ (81,706)
2024	(80,792)
2025	(83,631)
2026	(105,033)
2027	(56,977)
Thereafter	(84,326)
	$ (492,465)

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.

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

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 7.48 years at June 30, 2022.

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
General and Auto Liability	$ 1,000,000	40,000,000	$ 1,000
Worker's Compensation	1,000,000	Statutory limit	1,000
Property Damage	25,000	600,000,000	1,000
Fidelity	25,000	2,000,000	1,000

During the year ended June 30, 2022, 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.

NOTE J – RELATED PARTY TRANSACTIONS (Continued)

Expenses for services provided by related parties and payments to related parties under clean air programs during the fiscal year ended June 30, 2022 are summarized as follows:

Related Party	Fiscal Year 2021-2022 Expenses
City of Woodland	
Woodland Regional Park Bike Parking	$ 17,855
City of Rio Vista	
Pedestrian Improvements 3rd Street	50,000
Solano County	
Pedrick Road Bicycle Improvement	200,000
Yolo County	
Legal Services	43,200
District Directors and Hearing Board Members	
Board meeting stipends	5,800
Milage Reimbursements	12,979
Total	$ 329,834

NOTE K – CONTINGENCIES

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

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

REQUIRED SUPPLEMENTARY INFORMATION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL – GENERAL FUND

For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
REVENUES				
Licenses and permits	$ 2,267,566	$ 2,267,566	$ 2,339,361	$ 71,795
Intergovernmental	485,492	485,492	468,029	(17,463)
Settlements and penalties	136,000	136,000	888,330	752,330
Use of money	39,630	39,630	28,655	(10,975)
Other revenues			9,705	9,705
TOTAL REVENUES	2,928,688	2,928,688	3,734,080	805,392
EXPENDITURES				
Current:				
Public health	3,971,177	3,971,177	3,366,109	605,068
Capital outlay			5,279	(5,279)
Debt service:				
Principal			132,953	(132,953)
Interest	12,500	12,500	73,273	(60,773)
TOTAL EXPENDITURES	3,983,677	3,983,677	3,577,614	406,063
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,054,989)	(1,054,989)	156,466	1,211,455
OTHER FINANCING SOURCES				
Transfers in	501,580	501,580	427,802	(73,778)
TOTAL OTHER FINANCING SOURCES	501,580	501,580	427,802	(73,778)
NET CHANGE IN FUND BALANCE	(553,409)	(553,409)	584,268	1,137,677
Fund balance at beginning of year	3,644,958	3,644,958	3,644,958	
FUND BALANCE AT END OF YEAR	$ 3,091,549	$ 3,091,549	$ 4,229,226	$ 1,137,677

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, 2022

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
REVENUES				
Intergovernmental	$ 1,178,000	$ 1,178,000	$ 1,190,301	$ 12,301
Use of money	2,500	2,500	1,468	(1,032)
TOTAL REVENUES	1,180,500	1,180,500	1,191,769	11,269
EXPENDITURES				
Current:				
Public health	859,805	859,805	714,237	145,568
TOTAL EXPENDITURES	859,805	859,805	714,237	145,568
EXCESS OF REVENUES OVER EXPENDITURES	320,695	320,695	477,532	156,837
OTHER FINANCING USES				
Transfers out	(295,580)	(295,580)	(169,726)	125,854
TOTAL OTHER FINANCING USES	(295,580)	(295,580)	(169,726)	125,854
NET CHANGE IN FUND BALANCE	25,115	25,115	307,806	282,691
Fund balance at beginning of year	659,009	659,009	659,009	
FUND BALANCE AT END OF YEAR	$ 684,124	$ 684,124	$ 966,815	$ 282,691

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, 2022

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
REVENUES				
Intergovernmental	$ 589,000	$ 589,000	$ 595,150	$ 6,150
Use of money	32,500	32,500	18,976	(13,524)
TOTAL REVENUES	621,500	621,500	614,126	(7,374)
EXPENDITURES				
Current:				
Public health	1,300,000	1,300,000	330,000	970,000
Debt service:				
Interest			3,221	(3,221)
TOTAL EXPENDITURES	1,300,000	1,300,000	333,221	966,779
EXCESS OF REVENUES OVER EXPENDITURES	(678,500)	(678,500)	280,905	959,405
OTHER FINANCING USES				
Transfers out	(36,813)	(36,813)	(37,063)	(250)
TOTAL OTHER FINANCING USES	(36,813)	(36,813)	(37,063)	(250)
NET CHANGE IN FUND BALANCE	(715,313)	(715,313)	243,842	959,155
Fund balance at beginning of year	2,553,986	2,553,986	2,553,986	
FUND BALANCE AT END OF YEAR	$ 1,838,673	$ 1,838,673	$ 2,797,828	$ 959,155

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, 2022

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
REVENUES				
Intergovernmental	$ 425,000	$ 425,000	$ 560,303	$ 135,303
TOTAL REVENUES	425,000	425,000	560,303	135,303
EXPENDITURES				
Current:				
Public health	325,299	325,299	325,300	(1)
TOTAL EXPENDITURES	325,299	325,299	325,300	(1)
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES	99,701	99,701	235,003	135,302
OTHER FINANCING USES				
Transfers out	(42,490)	(42,490)	(45,835)	(3,345)
TOTAL OTHER FINANCING USES	(42,490)	(42,490)	(45,835)	(3,345)
NET CHANGE IN FUND BALANCE	57,211	57,211	189,168	131,957
Fund balance at beginning of year	1,097,076	1,097,076	1,097,076	
FUND BALANCE AT END OF YEAR	$ 1,154,287	$ 1,154,287	$ 1,286,244	$ 131,957

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, 2022

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

	June 30, 2022	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	0.08431%	0.07558%	0.07194%	0.06854%	0.06690%	0.02560%	0.02360%	0.02660%
Proportionate share of the net pension liability	$ 1,600,843	$ 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	$ 2,126,650	$ 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	75.28%	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	89.40%	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, 2022	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)	$ 413,712	$ 396,414	$ 348,459	$ 300,961	$ 258,810	$ 226,957	$ 208,597	$ 285,922
Contributions in relation to the actuarially determined contributions	(413,712)	(396,414)	(348,459)	(300,961)	(258,810)	(226,957)	(208,597)	(285,922)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll - fiscal year	$ 2,020,265	$ 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	20.48%	18.64%	17.15%	15.63%	13.02%	12.56%	11.72%	15.88%

Notes to Schedule:

Valuation date:	June 30, 2019	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:								
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	Market Value	15-year smoothed market
Inflation	2.500%	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%	2.750%	2.875%	3.00%	3.00%	3.00%	3.00%	3.00%
Investment rate of return	7.00%	7.00%	7.25%	7.375% [1]	7.50% [1]	7.50% [1]	7.50% [1]	7.50%
Morality	[3]	[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.

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

	2022	2021	2020	2019	2018
Total OPEB liability:					
Service cost	$ 78,536	$ 76,249	$ 100,155	$ 90,099	$ 87,263
Interest	185,456	181,593	177,628	172,852	163,911
Differences between expected and actual experience	(450,945)		78,952		
Changes of assumptions	24,757		(15,488)	102,666	
Benefit payments	(206,461)	(196,735)	(159,482)	(135,855)	(125,500)
Net change in total OPEB liability	(368,657)	61,107	181,765	229,762	125,674
Total OPEB liability - beginning	2,834,630	2,773,523	2,591,758	2,361,996	2,236,322
Total OPEB liability - ending (a)	$ 2,465,973	$ 2,834,630	$ 2,773,523	$ 2,591,758	$ 2,361,996
Plan fiduciary net position:					
Contributions - employer	$ 405,506	$ 436,353	$ 387,482	$ 342,855	$ 326,500
Net investment income	369,323	39,626	61,049	47,849	40,033
Other trust expense				(920)	
Administrative expenses	(509)	(508)	(179)	(343)	(223)
Benefit payments	(206,461)	(196,735)	(159,482)	(135,855)	(125,500)
Net change in plan fiduciary net position	567,859	278,736	288,870	253,586	240,810
Plan fiduciary net position - beginning	1,315,379	1,036,643	747,773	494,187	253,377
Plan fiduciary net position - ending (b)	$ 1,883,238	$ 1,315,379	$ 1,036,643	$ 747,773	$ 494,187
Net OPEB liability - ending (a)-(b)	$ 582,735	$ 1,519,251	$ 1,736,880	$ 1,843,985	$ 1,867,809
Plan fiduciary net position as a percentage of the total OPEB liability	76.37%	46.40%	37.38%	28.85%	20.92%
Covered-employee payroll - measurement period	$ 2,171,208	$ 2,172,124	$ 2,071,003	$ 1,914,724	$ 1,780,314
Total net OPEB liability as percentage of covered-employee payroll	26.84%	69.94%	83.87%	96.31%	104.91%
Notes to schedule:					
Valuation date	June 30, 2021	June 30, 2019	June 30, 2019	June 30, 2017	June 30, 2017
Measurement period	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Discount Rate	6.60%	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.

SCHEDULE OF CONTRIBUTIONS TO THE OPEB PLAN (UNAUDITED)

	2022	2021	2020	2019	2018
Actuarially determined contribution - employer fiscal year	$ 200,611	$ 195,533	$ 207,100	$ 228,705	$ 207,000
Contributions in relation to the actuarially determined contributions	(426,869)	(405,506)	(436,353)	(387,482)	(342,855)
Contribution deficiency (excess)	$ (226,258)	$ (209,973)	$ (229,253)	$ (158,777)	$ (135,855)
Covered-employee payroll - employer fiscal year	$ 2,171,208	$ 2,314,851	$ 2,163,100	$ 2,071,003	$ 1,914,724
Contributions as a percentage of covered-employee payroll	19.66%	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, 2019	June 30, 2017	June 30, 2015
Discount rate used to determine ADC	6.60%	6.60%	6.60%	7.25%	7.25%
Actuarial cost method			Entry age normal		
Amortization method			Level % of pay		
Amortization period	18 years closed	19 years closed	20 years closed	21 years closed	22 years closed
Asset valuation method	Market value	Market value	Market value	Market value	Actuarial value
Inflation	2.75%	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%	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%	3.25%	3.25%
Retirement age			50 to 75		
Mortality	CalPERS 2017	CalPERS 2017	CalPERS 2017	CalPERS 2014	
			Experience Study		
Mortality improvement	MW Scale 2018 generationally	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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CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Yolo–Solano Air Quality Management District (the District) as of and for the year ended June 30, 2022, 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 1, 2023.

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 the audit procedures that are appropriate in the circumstances 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District'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 from 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. Our audit was further made to determine that Transportation Development Act Funds allocated and received by the District were expended in conformance with the applicable statutes, rules and regulations of the Transportation Development Act, Section 6661 and 6662 of the California Code of Regulations and other State regulations. The results of performing these tasks disclosed no instances of noncompliance with the applicable statutes, rules and regulations of the Transportation Development Act. 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 result of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Richardson & Company, LLP

May 1, 2023

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, 2022 and in conjunction with the 2021 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, 2022, the total assets and deferred outflows of the District exceeded its total liabilities and deferred inflows by $6,529,649 (net position). Of this amount, $3,764,643 is restricted due to legislation under AB 2766 and AB 923, $1,286,244 is restricted under Solano County property tax based on Board approval for public awareness programs, equipment and/or projects, and $336,554 is restricted for FARMER Fund which is used to grant incentives for the replacement of agricultural equipment.

- As of the close of FY 2022, the District's combined fund balances reported an ending balance of $9,616,667, an increase of $882,224 in comparison with FY 2021. The restricted portion of the total fund balance is 56% of the combined balance.

- Net pension liability: The District has recognized a liability in the amount of $1,600,843 for a net pension obligation due to Governmental Accounting Standards Board Statement (GASB) 68. The liability decreased $1,587,155 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 $426,869 in FY 2022. Due to the implementation of GASB 75, the OPEB liability is $582,735 as of June 30, 2022. The liability decreased $936,516 from the prior year. See Note H of the basic financial statements.

- During fiscal 2022, the District implemented GASB Statement No. 87, *Leases*. This statement requires the recognition of a lease liability and an intangible right to use lease asset for the office space currently being used by the District. As of June 30, 2022 the carrying value of the lease asset and lease liability is $1,338,644 and $1,392,479 respectively. See Note E of the basic financial statements.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to District's basic financial statements. The District's basic financial statements have three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the basic financial statements. This report also contains required supplementary information in addition to the basic financial statements.

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

Government-Wide Financial Statements

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

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

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

- Mobile Source Program - Dept. of Motor Vehicle Fees, Funds (AB 2766 and AB 923): Both funds are considered special revenue funds that track restricted revenue received from the DMV. The DMV collects and provides to the District $6.00 for each vehicle registered within the District's jurisdiction. A portion of the revenue ($4.00 per vehicle) is used to support Clean Air Fund (CAF) projects and supports the staff that works within the mobile source program under AB 2766. The District Board approved an additional $2.00 and this allows the DMV to collect an additional $2.00 per vehicle. The use of the extra $2.00 is restricted and is included with the revenue received under AB 2766. Administrative fees are charged to these restricted funds and are reimbursed to the General Fund.

- Solano Property Tax: This fund is considered a special revenue fund. Restricted revenue received from Solano County is granted back to the Solano County community through the District's CAF program and a small percentage is used toward public health awareness programs, special projects and equipment. Also included in this fund are pass-throughs from successor agencies to former

Redevelopment Agencies (RDA's) collected tax. An administrative fee is charged to this restricted fund and is reimbursed to the General Fund.

- FARMER Fund: This fund is considered a special revenue fund. The Funding Agricultural Replacement Measures for Emission Reductions (FARMER) fund manages the necessary tracking to support a new incentive program relating to the replacement of qualified agricultural equipment. An administrative fee is allocated within the funding and when expenses are recognized, the General Fund receives such fees.

- MOYER Fund: This fund is considered a special revenue fund. The Carl Moyer (Moyer) fund manages the necessary tracking to support a new incentive program relating to the replacement of qualified off-road, on-road and infrastructure projects. An administrative fee is allocated within the funding and when expenses are recognized, the General Fund receives such fees.

- Community Air Protection Program Fund: This fund is considered a special revenue fund. The Community Air Protection Program (CAPP) fund manages the necessary tracking to support a new incentive program relating to Carl Moyer eligible projects in disadvantaged and low-income communities. 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 position 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 41.

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 $6,529,649 as of June 30, 2022 and $5,162,345 as of June 30, 2021.

The following schedule lists a condensed Statement of Net Position as of June 30, 2022 compared with 2021 and 2020.

	Year ended June 30,		
	2022	2021	2020
Assets:			
Current assets	$10,006,384	$8,967,528	$9,084,399
Capital assets, net	1,397,254	85,503	123,682
Total assets	11,403,638	9,053,031	9,208,081
Deferred outflows of resources	1,295,024	1,373,416	1,410,471
Liabilities:			
Current liabilities	452,005	206,482	313,829
Noncurrent liabilities	3,522,565	4,825,962	4,721,208
Total liabilities	3,974,570	5,032,444	5,035,037
Deferred inflows of resources	2,194,443	231,658	318,520
Net Position:			
Net investment in capital assets	58,610	85,503	123,682
Restricted	5,387,441	5,089,485	5,462,990
Unrestricted	1,083,598	(12,643)	(321,677)
Total net position	$6,529,649	$5,162,345	$5,264,995

Total net position increased 26% or $1,367,304 from 2021 to 2022. Total net position decreased 2% or $102,650 from 2020 to 2021. 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 page 24 through 26, the pension and OPEB liabilities which is covered in detail in Notes G and H on pages 28 through 36, and the right to use lease asset and lease liability which is covered in detail in Note E on page 27. 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.

The following lists the Statement of Activities for the years ended June 30, 2022, 2021 and 2020:

	Year ended June 30,		
	2022	2021	2020
Program Revenues:			
Charges for services	$3,227,691	$3,030,317	$2,592,001
Operating grants and contributions	2,941,369	3,592,407	4,615,865
Total program revenues	6,169,060	6,622,724	7,207,866
Program Expenses:			
Public health	4,786,138	6,812,722	6,589,491
Interest on long term debt	76,494	3,392	1,851
Total program expenses	4,862,632	6,816,114	6,591,342
General Revenues			
Investment income	51,171	84,618	141,791
Other	9,705	6,122	1,691
Total general revenues	60,876	90,740	143,482
Change in net position	1,367,304	(102,650)	760,006
Net Position - July 1	5,162,345	5,264,995	4,504,989
Net Position - June 30	$6,529,649	$5,162,345	$5,264,995

Governmental Activities

Below are explanations of the significant revenue variances from fiscal years 2021 to 2022.

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 2021 to 2022 of 7% or $197,374 in comparison to 2020 to 2021 which was an increase of 17% or $438,316. This revenue category can fluctuate based on permit activity. Also included in Charges for Services is Settlement revenues. 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. Settlement revenues increased from $213,939 in 2020 to $639,939 in 2021 (199% increase), and increased to $888,330 in 2022 (39% increase).

- 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 18% or $651,038 from 2021 to 2022 in comparison to 2020 to 2021 which was a decrease of 22% or $1,023,458. The FARMER Fund was new to the District for fiscal 2019; this fund received $1.8 million in funding during 2020, $743 thousand in 2021, but did not receive any funding for 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 fluctuating in recent years from $6,589,491 in 2020, to $6,812,722 in 2021 and to $4,786,138 in 2022. The increases from 2020 to 2021 is in relation to the grant activity inside the FARMER Fund, and the decreases from 2021 to 2022 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: Investment income decreased from $141,791 in 2020 to $84,618 in 2021 (40% decrease), and decreasing again in 2022 to $51,171 (40% decrease). 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 $1,691 in 2020, $6,122 in 2021 and $9,705 in 2022.

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, 2022 were $9,616,667 which is an increase of 10% or $882,224 from 2021.

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.

	Year ended June 30,		
Fund Balance	2022	2021	2020

General Fund	$4,229,226	$3,644,958	$3,278,718
AB2766	966,815	659,009	658,141
AB923	2,797,828	2,553,986	2,356,062
Solano Property Tax	1,286,244	1,097,076	976,412
FARMER Fund	336,554	779,414	1,472,375
Total program fund balance	$9,616,667	$8,734,443	$8,741,708

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

- General Fund: The fund balance increased by 16% or $584,268 in FY 2022. The District received about $805,000 more in revenues than expected, and incurred approximately $406,000 less in public health expenses than budgeted in FY 2022.
- AB2766: The fund balance increased by 47% or $307,806 in FY 2022. Revenues received were more than budget by about $11,000, and the District had favorable budget variances in expenses of about $146,000 during the year.
- AB923: The fund balance increased by 10% or $243,842 in FY 2022. The District received about $7,000 less in revenues than originally budgeted, but had about $967,000 less in grant activity than originally planned.
- Solano Property Tax: The fund balance increased by 17% or $189,168 in FY 2022. The District received about $135,000 more in revenues than originally budgeted, and expense activity was at budgeted levels for 2022.
- FARMER Fund: The fund balance decreased by 57% or $442,860 in FY 2022. The District did not receive any FARMER funding for 2022, but had grant expenditures of about $366,000.

Analysis of General Fund Budget

Significant variances from the Final General Fund Budget to the Actual amounts as shown on pages 38 for FY 2022 are:

- Revenue received from licenses and permits show a $71,795 increase from final to actual.
- Intergovernmental revenues received show a ($17,463) decrease from final to actual.
- Settlements and penalties increased by $752,330 from final to actual. This revenue received is based on violations of District Rules and Regulations and settlement of violations.
- Expenditures in the Public Health category decreased from the final to the actual spent by $605,068. There were savings in salaries and benefits, and professional services from the original budget.

Capital Assets and Long-Term Debt

Capital Assets:

As of June 30, 2022, and June 30, 2021, the District's investment in capital assets amounted to $58,610 and $85,503 respectively, net of accumulated depreciation. This investment in capital assets includes air monitoring equipment, vehicles, office equipment, and furniture. Also included in capital assets at June 30, 2022 is the right to use lease asset for the District's office space it is currently leasing. With the implementation of GASB Statement No. 87, *Leases*, the District recognized a lease asset with a carrying value net of accumulated amortization at June 30, 2022 of $1,338,644 There were additions to capital assets during the current fiscal year in the air monitoring equipment. Additional information on the District's capital assets can be found in Note D of the Financial Statements on page 26.

Long-Term Liabilities:

As of June 30, 2022, and 2021, the District's long-term liabilities that are not due and payable in the current period total $3,522,565 and $4,825,962, respectively, which includes the District's accrued compensated absences (accrued leave), pension, other post-employment benefits and the District office lease liability. As of June 30, 2022, and 2021, the District's net pension liability totaled $1,600,843 and $3,187,998, respectively. As of June 30, 2022 and 2021, the District's other post-employment benefits (OPEB) liability was $582,735 and $1,519,251 respectively. Also, as mentioned above, with the implementation of GASB Statement No. 87, *Leases*, the District has recognized a lease liability for its office space in the amount of $1,392,479 as of June 30, 2022. Additional information on the District's long-term liabilities can be found in Notes E, G, and H of 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 2022 the District projected a 91 percent cost recovery in the stationary source program. By year's end the District ended 2022 with 94 percent cost recovery in the stationary source program. For fiscal year 2023, the District is projecting a cost recovery of the stationary source program of 80 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 $160,968 toward the CAF Program using AB 2766 money for FY 2023. AB 923 supports the District's Lower Emission School Bus Program, and has $942,825 budgeted for fiscal 2023 compared to $1,300,000 in fiscal 2022.

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 $325,300 for the 2022 CAF program. In FY 2023 the District plans to release $350,000.

The following factors were considered in preparing the fiscal year 2023 approved final budget. The District's overall budget is projected with a 38% increase compared to FY 2021/2022, which includes the General Fund and six restricted funds.

- General Fund is projected to increase by about 9 percent. For revenue, the District is projecting an increase of $101,211. On the expenditure side is a payment to the CERBT OPEB Trust to meet the District's ARC of $277,930 for FY 2023 and funding for other operating expenses.

- Mobile Source DMV AB 2766 Fund is projected for FY 2023 to decrease by $222,372. The expenditures cover operating costs include 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 $357,175. This fund is used exclusively for grant programs that are allowed under AB 923 legislation. In FY 2023 the District Board has allocated $942,825 towards replacing school buses.

- Solano County Property Tax Fund is projected to increase by $26,361 for FY 2023. Available grant funds released through the CAF grant program is expected to increase by $24,701 from FY 2022.

- FARMER Fund is projected to increase by $556,489 for FY 2023. It is anticipated to receive $2,257,000 in funding in FY 2023 and to allocate $2,116,224 in grant incentives for the replacement of agricultural equipment.

- MOYER Fund is a new restricted special revenue fund for FY 2023. This program aims to clean heavy-duty engines beyond what is required by law and regulation through repowering, replacing, or retrofitting engines, vehicles, or equipment and funds infrastructure projects to support California's transformation to zero and near-zero emission technology. For FY 2023 budgeted revenues and expenses for the MOYER fund are expected to be $1,294,210, and $1,156,096 respectively.

- Community Air Protection Fund (CAPP) is also a new restricted special revenue fund for FY 2023. This fund manages the necessary tracking to support incentive programs relating to clean air projects through Assembly Bill 617, which was enacted in 2017. For FY 2023 budgeted revenues and expenses for the CAPP fund are expected to be $1,065,113, and $510,657 respectively.

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.