

**YOLO-SOLANO AIR QUALITY
MANAGEMENT DISTRICT**

Audited Financial Statements
and Other Reports

June 30, 2024

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YOLO–SOLANO AIR QUALITY MANAGEMENT DISTRICT

BASIC FINANCIAL STATEMENTS AND OTHER REPORTS

June 30, 2024

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YOLO–SOLANO AIR QUALITY MANAGEMENT DISTRICT

BASIC FINANCIAL STATEMENTS

June 30, 2024

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BASIC FINANCIAL STATEMENTS

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550 Howe Avenue, Suite 210
Sacramento, California 95825

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the 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, 2024, 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, 2024, 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 July 16, 2025, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Richardson & Company, LLP

July 16, 2025

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

The following discussion and analysis of the District's financial performance provides an overview of the District's activities for the fiscal year ending June 30, 2024. This narrative is presented in conjunction with the audited financial statements and the accompanying notes that follow this section.

Financial Highlights

- **Overall Financial Position (Government-Wide):** As of June 30, 2024, the District's total assets amounted to \$20,032,408, while total liabilities were \$7,009,251. This results in a net position of \$15,354,741. A substantial portion of the net position is restricted for specific purposes, including employee benefits, Mobile Source programs under AB 2766 and AB 923, Solano County initiatives, FARMER funding, and Other Grants.
- **Governmental Fund Balances:** The combined ending governmental fund balances totaled \$18,448,068. These funds support the District's day-to-day operations as well as various restricted programs detailed in the financial statements.
- **Pension and Other Post-Employment Benefits (OPEB):** The District has recognized a net pension liability of \$4,228,367. In addition, the net OPEB liability is \$1,076,642. Both figures reflect ongoing adjustments for actuarial assumptions and funding contributions as detailed in Notes G and H.
- **Capital Assets and Lease Obligations:** The capital assets, net of accumulated depreciation, total \$1,048,443. In addition, pursuant to GASB Statement No. 87, the District has recorded a right-of-use lease asset for its office space with an associated lease liability of \$1,086,316 (comprising a current portion of \$174,984 and a noncurrent portion of \$911,332).

Overview of the Basic Financial Statements

This MD&A is intended to serve as an introduction to the District's basic financial statements. These statements are comprised of three components:

1. **Government-Wide Financial Statements:** These include the Statement of Net Position and the Statement of Activities, which provide a broad overview of the District's overall financial position and results on a full accrual basis.
2. **Fund Financial Statements:** Prepared on the modified accrual basis, the fund financial statements focus on individual funds (such as the General Fund and various special revenue funds) and emphasize near-term inflows, outflows, and spending resource balances.
3. **Notes to the Basic Financial Statements and Required Supplementary Information:** These notes provide essential disclosures on accounting policies, detailed analyses of key balances (such as pension, OPEB, and lease obligations), and reconciliations between the different financial reporting bases.

Government-Wide Financial Statements

The government-wide financial statements provide insight into the District's overall financial condition:

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

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 (CARB). 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

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

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.
- **Other Grant Funds:** The Other Grants Funds consists of the following funds:

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.

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

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 41 of this report.

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

Budgeted and actual amounts by fund are provided on pages 42 through 47.

Government-Wide Financial Analysis

Net position of the District's governmental activities is a key indicator of its overall financial health. As reported in the audited financial statements and discussed in detail in the accompanying notes (see Note B on pages 24–25 for cash and investments, Note C on pages 25–29 for restricted cash, Note D and Note E on page 30 for lease-related assets and liabilities, and Notes G and H on pages 32–39 for pension and OPEB matters), the following summarizes our condensed Statement of Net Position as of June 30 for the past three fiscal years:

	Year ended June 30,		
	2024	2023	2022
Assets:			
Current assets	\$18,983,965	\$18,827,834	\$10,006,384
Capital assets, net	1,048,443	1,266,206	1,397,254
Total assets	20,032,408	20,094,040	11,403,638
Deferred outflows of resources	2,835,838	2,547,059	1,295,024
Liabilities:			
Current liabilities	667,539	498,923	452,005
Noncurrent liabilities	6,341,712	5,869,699	3,522,565
Total liabilities	7,009,251	6,368,622	3,974,570
Deferred inflows of resources	504,254	648,578	2,194,443
Net Position:			
Net investment in capital assets		19,811	58,610
Restricted	14,367,917	14,491,622	5,387,441
Unrestricted	986,824	1,112,466	1,083,598
Total net position	\$15,354,741	\$15,623,899	\$6,529,649

Analysis and Key Variances

Assets: From FY 2023 to 2024, current assets increased modestly by \$156,131 (approximately 0.83%), while capital assets, net, declined by \$217,763 (a reduction of about 17.2%). Overall, total assets decreased slightly by \$61,632 (approximately 0.31%).

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

Deferred Outflows and Liabilities: Deferred outflows grew by \$288,779 (an increase of roughly 11.3%) from FY 2023 to 2024. Meanwhile, current liabilities increased by \$168,616 (33.8%) and noncurrent liabilities rose by \$472,013 (about 8.0%), resulting in a total liabilities increase of \$640,629 (10.1%). Deferred inflows, however, declined by \$144,324 (approximately 22.3%).

Net Position: The FY 2024 total net position is \$15,354,741, which is about 1.7% lower than FY 2023's \$15,623,899. This difference is driven primarily by the unrestricted net position, which dropped from \$1,112,466 to \$986,824, and by the complete elimination of the net investment in capital assets (which fell from \$19,811 in FY 2023 to \$0 in FY 2024).

Governmental Activities

The District's Statement of Activities (referenced in the audit report) details the changes in net position for our governmental activities. Key highlights include:

	Year ended June 30,		
	2024	2023	2022
Program Revenues:			
Charges for services	\$3,241,433	\$2,697,556	\$3,227,691
Operating grants and contributions	5,822,053	7,321,224	2,941,369
Total program revenues	9,063,486	10,018,780	6,169,060
Program Expenses:			
Public health	9,682,893	5,528,592	4,786,138
Interest on long term debt	121,454	66,328	76,494
Total program expenses	9,804,347	5,594,920	4,862,632
General Revenues			
Investment income	498,391	251,718	51,171
Other	63,379	42,522	9,705
Total general revenues	567,770	294,240	60,876
Change in net position	(173,091)	4,718,100	1,367,304
Net Position - July 1	15,527,832	6,529,649	5,162,345
Net Position - June 30	\$15,354,741	\$10,905,799	\$6,529,649

- **Program Revenues:** Notably, charges for services increased by \$543,877 (approximately 20.2%) from FY 2023 to FY 2024, while operating grants and contributions decreased by \$1,499,171 (about 20.5%).

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

- **Program Expenses:** Public health expenditures rose significantly by \$4,154,301 (an increase of about 75.2%) and interest on long-term debt increased by \$55,126 (approximately 83.1%), leading to total program expenses rising by roughly \$4,209,427 (75.3%).
- **General Revenues:** Investment income nearly doubled (an increase of about 98%) from FY 2023 to FY 2024, and other income also increased by \$20,857 (around 49.1%), resulting in total general revenues rising by approximately \$273,530 (93%).
- **Overall Change in Net Position:** Whereas FY 2023 experienced an increase in net position of \$4,718,100, FY 2024 shows a decrease of \$173,091. This represents a net swing of roughly \$4,891,191. Despite this change, the District's net position remains robust; however, the variance is primarily attributable to shifts in the operating environment and programmatic expenditure—details of which are further discussed in Notes G and H regarding pension and OPEB, as well as in Note E with respect to lease obligations.

Financial Analysis of the Governmental Funds

The governmental fund financial statements focus on the near-term availability of spending resources and provide detailed insight into the operational results of individual funds. As of June 30, 2024, the total governmental fund balance was \$18,448,068. The fund balances by classification for FY 2024 are as follows:

Fund Balance	Year ended June 30,		
	2024	2023	2022
General Fund	\$4,945,326	\$4,719,656	\$4,229,226
AB2766	1,556,510	1,274,929	966,815
AB923	3,812,618	3,424,944	2,797,828
Solano Property Tax	1,648,253	1,471,697	1,286,244
FARMER Fund	1,731,747	3,286,556	336,554
Other Grants	4,753,614	4,255,188	0
Total program fund balance	<u>\$18,448,068</u>	<u>\$18,432,970</u>	<u>\$9,616,667</u>

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

- **General Fund:** Ending with a balance of \$4,945,326, the General Fund reflects the core operating resources of the District. This balance underscores improved revenue performance and expense management relative to previous fiscal periods
- **Mobile Source DMV (AB 2766) Fund:** With a year-end balance of \$1,556,510, this fund continues to capture restricted revenue from the DMV. Its balance is supported by steady intergovernmental revenues and effective budget management.

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

- **Mobile Source DMV (AB 923) Fund:** The balance of \$3,812,618 achieved in FY 2024 indicates strong program results and efficient use of restricted grant dollars allocated for cleaner vehicle initiatives and related projects.
- **Solano Property Tax Fund:** Reporting a balance of \$1,648,253, this fund benefits from stable property tax proceeds that are earmarked for projects to reduce motor vehicle-induced air pollution in Solano County.
- **FARMER Fund:** Ending FY 2024 with \$1,731,747, the FARMER Fund reflects the District's management of grant incentives for agricultural equipment replacement. This balance signifies effective control over both funding and expenditures in this program
- **Other Grant Funds:** With a balance of \$4,753,614, these funds provide a substantial reserve to support emerging and ongoing grant programs, further bolstering the District's capacity to address new air quality initiatives.

Collectively, these balances, organized across various restricted and unrestricted categories, demonstrate the District's robust short-term liquidity. The governmental funds framework ensures that resources are available to meet near-term obligations while also providing a foundation to support strategic initiatives. Discrepancies between the modified accrual basis reported in the fund financial statements and the full accrual basis of government-wide financial reporting are explained through the accompanying reconciliations. This integrated analysis, along with the detailed disclosures in the notes, offers stakeholders a comprehensive view of the District's fiscal condition and operational sustainability.

Analysis of General Fund Budget

Significant variances between the final General Fund budget and the actual results for FY 2024 are as follows:

Revenues:

- **Licenses and Permits:** The final budget anticipated \$2,956,362, but actual revenue was \$2,800,576, \$155,786 below budget.
- **Intergovernmental Revenues:** These were \$652,623 in the budget versus \$484,794 in actual collections, a shortfall of \$167,829.
- **Settlements and Penalties:** Revenues in this category increased substantially, with actual collections of \$440,857 versus a budgeted \$144,000, an excess of \$296,857.
- **Use of Money:** The budget forecast was \$39,872, while actual revenue came in at \$229,775, exceeding the budget by \$189,903.
- **Other Revenues** were met exactly as budgeted at \$69,379. Overall, total revenue was \$4,025,381 versus a final budget of \$3,793,507, resulting in a favorable variance of \$231,874.

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

Expenditures:

- **Public Health:** The General Fund budget for public health was \$4,960,296, but actual spending was \$4,060,725, yielding a savings of \$899,571.
- **Debt Service:** Although the individual debt service entries (principal and interest) are reported separately, their combined effect contributed to reducing total expenditures. Overall, the total expenditures on current items plus debt service came in at \$4,279,511, which is \$680,785 lower than the final budget.

Impact on Fund Balance: As a result of the higher revenues and lower expenditures, the overall deficiency (or excess) of revenues over expenditures improved significantly. The deficit improved by \$912,659, transforming the expected negative change into a net increase in the General Fund balance. In particular, the General Fund ended with a balance that was \$838,881 higher than what was originally budgeted.

These variances can be primarily attributed to improved cost management in the public health program, especially in areas such as salaries, benefits, and professional services, as well as stronger enforcement results leading to increased settlements and “use of money” revenue. The resulting favorable revenue and expenditure variances contribute to a more robust ending balance for the General Fund, underpinning the District’s overall fiscal strength.

Capital Assets and Long-Term Debt

- **Capital Assets:** The District’s capital asset base of \$1,048,443 supports critical functions, including air monitoring, vehicle operations, and office infrastructure. Continued investments in these assets ensure that operational needs and regulatory mandates are met.
- **Lease Commitments:** In compliance with GASB Statement No. 87, the District has recognized a right-of-use lease asset and the related lease liability of \$1,086,316. The allocation between current (\$174,984) and noncurrent (\$911,332) portions reflects the timing of future lease payments.
- **Long-Term Liabilities:** Beyond the lease obligations, the District’s long-term liabilities include accrued compensated absences, pension obligations, and OPEB, which together are managed to ensure long-term financial sustainability.

Pension and Other Post-Employment Benefits (OPEB)

- **Pension Obligations:** The net pension liability of \$4,228,367 arises from the District’s allocated share under its CalPERS plan. Ongoing monitoring of actuarial assumptions and funding contributions is essential for maintaining the plan’s long-term health.
- **OPEB:** The net OPEB liability of \$1,076,642 reflects the commitments to healthcare benefits for eligible retirees and their dependents. Management continues to evaluate benefit trends and assess future funding needs under changing economic conditions.

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

Economic Factors and Outlook

Looking ahead to the next fiscal year, the District is committed to:

- **Strengthening Internal Controls:** Ongoing process improvements will address issues raised by the timing and nature of audit adjustments, ensuring more accurate and timely financial reporting.
- **Strategic Capital Investments:** Planned investments in technology and infrastructure, especially in air monitoring and compliance systems, are expected to enhance operational efficiency and support regulatory compliance.
- **Budgeting and Revenue Forecasting:** The budgeting process will incorporate lessons learned from FY 2024, particularly regarding variances between budgeted and actual results. This includes careful forecasting of revenues for both operating and restricted funds.
- **Monitoring Economic Trends:** Assessment of macroeconomic factors, including inflation and market conditions, will continue to inform our projections and staffing decisions, ensuring that the District remains responsive to changes in the operating environment.

Requests for Information

This MD&A is designed to provide a summarized overview of the District's financial condition and operating results for FY 2024. For any questions regarding this report or requests for additional financial information, please contact the Administrative Services Manager, 1947 Galileo Court, Suite 103, Davis, California 95618.

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

STATEMENT OF NET POSITION

June 30, 2024

ASSETS

Cash and investments	\$ 3,976,011
Restricted cash and investments	12,258,813
Accounts receivable	285,867
Prepaid items	1,191
Due from other agencies	2,462,083
Capital assets, net	1,048,443
TOTAL ASSETS	<u>20,032,408</u>

DEFERRED OUTFLOWS OF RESOURCES

Pensions	1,774,534
OPEB	1,061,304
TOTAL DEFERRED OUTFLOWS	<u>2,835,838</u>

LIABILITIES

Accounts payable	32,168
Accrued payroll	112,945
Unearned revenue	279,934
Compensated absences, current portion	67,508
Lease liability, current portion	174,984
Noncurrent liabilities:	
Compensated absences	125,371
Net pension liability	4,228,367
Net OPEB liability	1,076,642
Lease liability	911,332
TOTAL LIABILITIES	<u>7,009,251</u>

DEFERRED INFLOWS OF RESOURCES

Pensions	230,137
OPEB	274,117
TOTAL DEFERRED INFLOWS	<u>504,254</u>

NET POSITION

Restricted for:	
Employee benefits	865,175
Mobile Source DMV (AB 2766)	1,556,510
Mobile Source DMV (AB 923)	3,812,618
Solano County projects	1,648,253
FARMER program	1,731,747
Other grants	4,753,614
Unrestricted	986,824
TOTAL NET POSITION	<u>\$ 15,354,741</u>

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

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2024

PROGRAM EXPENSES

Governmental activities:

Public health	\$ 9,682,893
Interest on long-term debt	121,454

TOTAL PROGRAM EXPENSES	<u>9,804,347</u>
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PROGRAM REVENUES

Charges for services	3,241,433
Operating grants and contributions	5,822,053

TOTAL PROGRAM REVENUES	<u>9,063,486</u>
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NET PROGRAM REVENUE	(740,861)
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GENERAL REVENUES

Investment income	498,391
Other	69,379

TOTAL GENERAL REVENUES	<u>567,770</u>
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CHANGE IN NET POSITION	(173,091)
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Net position at beginning of year, as
previously reported

15,623,899

Restatement

(96,067)

Net position at beginning of year, as restated

15,527,832

NET POSITION AT END OF YEAR	<u><u>\$ 15,354,741</u></u>
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The accompanying notes are an integral part of these financial statements.

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

BALANCE SHEETS – GOVERNMENTAL FUNDS

June 30, 2024

		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	\$ 3,976,011						\$ 3,976,011
Restricted cash and investments	865,175	\$ 1,285,054	\$ 3,749,477	\$ 1,710,126	\$ 1,731,747	\$ 2,917,234	12,258,813
Accounts receivable	285,867						285,867
Prepaid items	992	199					1,191
Due from other governments	316,224	206,319	103,160			1,836,380	2,462,083
Due from other funds	307,719	289,313					597,032
TOTAL ASSETS	\$ 5,751,988	\$ 1,780,885	\$ 3,852,637	\$ 1,710,126	\$ 1,731,747	\$ 4,753,614	\$ 19,580,997
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable	\$ 30,094	\$ 2,074					\$ 32,168
Accrued payroll	96,471	16,474					112,945
Unearned revenue	279,934						279,934
Due to other funds	289,313	205,827	\$ 40,019	\$ 61,873			597,032
TOTAL LIABILITIES	695,812	224,375	40,019	61,873			1,022,079
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue	110,850						110,850
TOTAL DEFERRED INFLOWS OF RESOURCES	110,850						110,850
FUND BALANCES							
Nonspendable:							
Prepaid items	992	199					1,191
Restricted for:							
Employee benefits	865,175						865,175
Mobile Source DMV (AB 2766)		1,556,311					1,556,311
Mobile Source DMV (AB 923)			3,812,618				3,812,618
Solano property tax				1,648,253			1,648,253
FARMER program					\$ 1,731,747		1,731,747
Other grants						\$ 4,753,614	4,753,614
Assigned to:							
Equipment replacement	28,281						28,281
Unassigned	4,050,878						4,050,878
TOTAL FUND BALANCES	4,945,326	1,556,510	3,812,618	1,648,253	1,731,747	4,753,614	18,448,068
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 5,751,988	\$ 1,780,885	\$ 3,852,637	\$ 1,710,126	\$ 1,731,747	\$ 4,753,614	\$ 19,580,997

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

YOLO–SOLANO AIR QUALITY MANAGEMENT DISTRICT

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

June 30, 2024

Fund balances – total governmental funds	\$ 18,448,068
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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	110,850
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Capital assets used in governmental activities are not current
financial resources and therefore are not reported in the funds:

Governmental capital assets	\$ 2,193,096	
Less: accumulated depreciation	<u>(1,144,653)</u>	1,048,443

Deferred outflows of resources related to pensions and OPEB	2,835,838
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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	(1,086,316)
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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	(192,879)	
Net pension liability	(4,228,367)	
Net OPEB liability	<u>(1,076,642)</u>	(5,497,888)

Deferred inflows of resources related to pensions and OPEB	<u>(504,254)</u>
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Net position – governmental activities	<u><u>\$ 15,354,741</u></u>
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The accompanying notes are an integral part of these financial statements.

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

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

For the Year Ended June 30, 2024

	Major Special Revenue Funds						Total Governmental Funds
	General Fund	Mobile Source DMV (AB 2766) Fund	Mobile Source DMV (AB 923) Fund	Solano Property Tax Fund	FARMER Fund	Other Grant Funds	
REVENUES							
Licenses and permits	\$ 2,800,576						\$ 2,800,576
Intergovernmental	484,794	\$ 1,212,927	\$ 606,464	\$ 618,729	\$ 796,100	\$ 2,099,646	5,818,660
Settlements and penalties	440,857						440,857
Use of money	229,775	29,926	120,828		43,539	74,323	498,391
Other revenues	69,379						69,379
TOTAL REVENUES	4,025,381	1,242,853	727,292	618,729	839,639	2,173,969	9,627,863
EXPENDITURES							
Current:							
Public health	4,060,725	795,034	295,559	380,300	2,277,795	1,484,459	9,293,872
Debt service:							
Principal	160,079						160,079
Interest	58,707		4,040				62,747
TOTAL EXPENDITURES	4,279,511	795,034	299,599	380,300	2,277,795	1,484,459	9,516,698
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES	(254,130)	447,819	427,693	238,429	(1,438,156)	689,510	111,165
OTHER FINANCING SOURCES (USES)							
Transfers in	479,800						479,800
Transfers out		(166,238)	(40,019)	(61,873)	(116,653)	(95,017)	(479,800)
TOTAL OTHER FINANCING SOURCES (USES)	479,800	(166,238)	(40,019)	(61,873)	(116,653)	(95,017)	
NET CHANGE IN FUND BALANCES	225,670	281,581	387,674	176,556	(1,554,809)	594,493	111,165
Fund balances at beginning of year, as previously reported	4,719,656	1,274,929	3,424,944	1,471,697	3,286,556	4,255,188	18,432,970
Restatement						(96,067)	(96,067)
Fund balances at beginning of year, as restated	4,719,656	1,274,929	3,424,944	1,471,697	3,286,556	4,159,121	18,336,903
FUND BALANCES AT END OF YEAR	\$ 4,945,326	\$ 1,556,510	\$ 3,812,618	\$ 1,648,253	\$ 1,731,747	\$ 4,753,614	\$ 18,448,068

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

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

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

For the Year Ended June 30, 2024

Net changes in fund balances – total governmental funds	\$ 111,165
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.	3,393
Governmental funds report capital outlay as expenditures. In the Statement of Activities, however, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Depreciation and amortization expense	(217,762)
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	160,079
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	(45,917)
Change in pension and related amounts	(330,784)
Change in OPEB liability and related amounts	<u>146,735</u>
Change in net position – governmental activities	<u>\$ (173,091)</u>

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

YOLO–SOLANO AIR QUALITY MANAGEMENT DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2024

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.

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.

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

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

June 30, 2024

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Other Grant Funds – This special revenue fund is used to account for other grant funds, including amounts restricted under the Carl Moyer Memorial Air Quality Standards Attainment Program under Senate Bill 513 (SB 513) (Beall, 2015). and Community Air Protection Program (CAPP) Incentives

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

June 30, 2024

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

under Assembly Bill 617 (AB 617) (Garcia, 2017), 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.

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.

Lease Liability: Lease liabilities represent the District's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments are discounted based on a borrowing rate determined by the District.

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 and receivables not collected within the availability period.

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

June 30, 2024

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.

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

June 30, 2024

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, FARMER and other grant 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. 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. 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.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes a government that reports a liability for revenue debt, vulnerable to the risk of a substantial impact and to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact to have occurred, or begun to occur, or are more likely than not to occur within 12 months of the date the financial statements are issued. The provisions of this Statement are effective for the years beginning after June 15, 2024.

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This Statement will result in changes to the financial reporting model including the Management’s Discussion and Analysis, display of inflows and outflows of unusual and infrequent items, and changing the definition of proprietary fund nonoperating revenues and expenses. The provisions of this Statement are effective for years beginning after June 15, 2025.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*, that requires certain types of assets to be disclosed separately in the note disclosures and establishes requirements for capital assets held for sale. The provisions of this Statement are effective for fiscal years beginning after June 15, 2025.

The District is currently analyzing the impact of the required implementation of these new statements.

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

June 30, 2024

NOTE B – CASH AND INVESTMENTS

The District’s cash and investments at June 30, 2024 is classified in the accompanying financial statements as follows:

Cash and investments	\$ 3,976,011
Restricted investments	<u>12,258,813</u>
Total cash and investments	<u>\$ 16,234,824</u>

Cash and cash equivalents as of June 30, 2024 consisted of the following:

Deposits with financial institutions	\$ 979,993
Public Agency Retirement Services (PARS) Trust	865,175
Investment in Yolo County Pooled Investment Fund	<u>14,389,656</u>
Total cash and investments	<u>\$ 16,234,824</u>

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

Investment in the PARS Trust: The District invested in PARS Section 115 Trust Fund as a pension and OPEB plan rate stabilization strategy. The District elected a discretionary investment approach, which allows the District to maintain oversight of the investment management, discretionary investment approach, control over target yield and the portfolio’s risk tolerance. The District has elected to invest in the Moderate Index PLUS investment option for the pension account, which is invested in index-based mutual funds and exchange-traded funds. PARS uses Highmark Capital Management to help manage investment options. The assets are withdrawn from the PARS trust on an amortized costs basis.

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, 2024, the weighted average maturity of the investments contained in the County of Yolo investment pool was approximately 460 days and the PARS Trust was 8 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 and amounts held in PARS Trust do not have ratings 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

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

June 30, 2024

NOTE B – CASH AND INVESTMENTS (Continued)

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

At June 30, 2024, the carrying amount of the District's deposits was \$979,993 and the balance in financial institutions was \$1,009,764. Of the balance in financial institutions, \$250,000 was covered by federal depository insurance and \$759,764 at June 30, 2024 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.

Fair Value Measurement: The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's investments in the County of Yolo investment pool are not subject to the fair value hierarchy. The District's investment in PARS is valued at the net asset value of the underlying mutual funds of the PARS pool in which the District invests as provided by PARS, which is not categorized under the fair value hierarchy.

NOTE C – RESTRICTED CASH

Restricted assets in the general fund represents contributions to a Section 115 Trust fund with the Public Agency Retirement Services (PARS) and related interest that is restricted to contributions to the District's CalPERS pension plan or OPEB plan as described in Note B.

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, 2024, the restricted cash balance in the AB 2766 special revenue fund, which totaled \$1,408,130, and the AB 923 special revenue fund, which totaled \$3,709,458, is restricted for clean air projects as approved by the Board. Expenditures under AB 2766 for the year ended June 30, 2024 were made in accordance with the District's Board of Directors' authorizations and were as follows:

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

June 30, 2024

NOTE C – RESTRICTED CASH (Continued)

	Mobile Service DMV (AB 2766) Fund
Salaries and benefits	\$ 556,484
Professional services:	
Professional service and information technology A-87 Costs	20,405
Other services and supplies	50,403
Program expenditures:	
Solano Transportation Authority	50,000
City of Winters	6,619
Yolo Commute	10,000
The Bike Campaign	29,500
Winters Police Department	19,583
City of Woodland	9,900
Breathe California Sacramento Region	8,688
City of Davis - Public Works Engineering and Transportation	9,246
Biker City Theater Company	24,188
Total current expenditures	<u>795,016</u>
Transfers out:	
Overhead allocation*	95,269
Administrative fee*	<u>70,969</u>
Total AB 2766 Expenditures and Transfers	<u><u>\$ 961,254</u></u>

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

Expenditures under AB 923 for the year ended June 30, 2024 were made in accordance with the District's Board of Directors' authorizations and were as follows:

	Mobile Service DMV (AB 923) Fund
Program expenditures:	
Clean School Bus Program	
Vacaville Unified School District	\$ 165,000
Mutual Housing CA	130,559
Interest expense	4,040
Total current expenditures	<u>299,599</u>
Transfers out:	
Administrative fee*	<u>40,019</u>
Total AB 923 Expenditures and Transfers	<u><u>\$ 339,618</u></u>

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

YOLO–SOLANO AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2024

NOTE C – RESTRICTED CASH (Continued)

As of June 30, 2024, the cash balance in the Solano Property Tax special revenue fund, which totaled \$1,648,253 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, 2024 were made in accordance with the District’s Board of Directors’ authorizations and were as follows:

	Solano Property Tax Fund
Program expenditures:	
City of Vacaville	\$ 104,536
Bike City Theatre	135
Yocha Dehe Wintun Nation	30,300
Solano County	145,329
City of Rio Vista	100,000
Total current expenditures	<u>380,300</u>
Transfers out:	
Administrative fee*	<u>61,873</u>
Total Solano Property Tax Expenditures	<u><u>\$ 442,173</u></u>

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

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

June 30, 2024

NOTE C – RESTRICTED CASH (Continued)

As of June 30, 2024 the cash balance in the FARMER’s special revenue fund was \$1,731,747 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:	
Robben Ranch	\$ 150,000
Wehan Farm Inc	150,000
Bullseye Farms LLC	145,774
Muller Ag LLC	150,000
Three Ranches LLC	150,000
Schreiner Brothers	150,000
Gnos Bros	150,000
Klein Farms Inc	150,000
Slough View Farms	30,537
North Valey Hay LLC	70,868
Los Rios Farms Inc	150,000
Kidwell Farms	200,000
Faye Properties Inc	110,538
Ferrera Ranches LTD	50,088
Ray Farms	185,122
Putah Creek Farming	74,171
Sagara Farms Inc	198,408
Carmen Raycraft	12,290
Total current expenditures	<u>2,277,795</u>
Transfers out:	
Administrative fee*	<u>116,653</u>
Total FARMER Expenditures	<u><u>\$ 2,394,448</u></u>

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

June 30, 2024

NOTE C – RESTRICTED CASH (Continued)

As of June 30, 2024 the cash balance in the MOYER’s special revenue fund was \$1,881,167, which is restricted to clean heavy-duty engines vehicles or equipment to support transformation to zero and near-zero emission technology. Expenditures for the year were made in accordance with the District’s Board of Directors’ authorizations and were as follows:

	MOYER Fund
Program expenditures:	
Esparto	\$ 71,779
North Valley Hay LLC	80,514
Vierra Farms	134,431
Meek Ranches	150,000
Sakata Seed America Inc	68,829
Sutter Valley Hospitals	57,106
Hay Connection	40,660
Atkinson Farms Inc	172,705
Law and Green Program	343,980
	<u>1,120,005</u>
Total current expenditures	<u>1,120,005</u>
Transfer out:	
Administrative fee	67,189
	<u>67,189</u>
Total MOYER Expenditures	<u>\$ 1,187,194</u>

As of June 30, 2024 the cash balance in the CAPP’s special revenue fund was \$1,036,067, which is restricted for incentives relating to clean air projects through Assembly Bill 617. Expenditures for the year were made in accordance with the District’s Board of Directors’ authorizations and were as follows:

	CAPP Fund
Program expenditures:	
Joe Yeung Farms	\$ 179,449
Hay & Straw LLC	44,607
Sagara Arms	92,927
Chaamisal Creek Ranch LLC	47,471
	<u>364,454</u>
Total current expenditures	<u>364,454</u>
Transfer out:	
Administrative fee	27,828
	<u>27,828</u>
Total CAPP Expenditures	<u>\$ 392,282</u>

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

June 30, 2024

NOTE D – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024 was as follows:

	Balance at July 1, 2023	Additions	Deletions	Balance at June 30, 2024
Capital assets being depreciated:				
Office equipment	\$ 80,909			\$ 80,909
Office furniture	118,465			118,465
Air monitoring equipment	241,020		\$ (3,434)	237,586
Vehicles	230,702			230,702
Office building right-of-use asset	1,525,432			1,525,432
Total capital assets, being depreciated	2,196,529		(3,434)	2,193,095
Less accumulated depreciation for:				
Office equipment	(48,970)	\$ (7,098)		(56,067)
Office furniture	(118,465)			(118,465)
Air monitoring equipment	(178,194)	(12,371)	3,432	(187,133)
Vehicles	(211,118)	(11,505)		(222,624)
Office building right of use asset	(373,575)	(186,788)		(560,363)
Total accumulated depreciation	(930,322)	(217,762)	3,432	(1,144,652)
Capital assets, net	<u>\$ 1,266,206</u>	<u>\$ (217,762)</u>	<u>\$ (2)</u>	<u>\$ 1,048,443</u>

NOTE E – LONG-TERM LIABILITY

The following is a summary of long-term liabilities activity of the District for the year ended June 30, 2024:

	Balance July 1, 2023	Additions	Repayments	Balance June 30, 2024	Due Within One Year
Lease liability	\$ 1,246,395		\$ (160,079)	\$ 1,086,316	\$ 174,984
Compensated absences	146,963	\$ 45,916		192,879	67,508
Pension	3,899,895	328,472		4,228,367	
OPEB	787,962	288,680		1,076,642	
	<u>\$ 6,081,215</u>	<u>\$ 663,068</u>	<u>\$ (160,079)</u>	<u>\$ 6,584,204</u>	<u>\$ 242,492</u>

The following is a description of the composition of long-term liabilities at June 30, 2024:

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.

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

June 30, 2024

NOTE E – LONG-TERM LIABILITY (Continued)

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, 2024 was \$1,525,432, and related accumulated amortization was \$560,363. 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, 2024. Minimum lease payments over the remaining term of the lease include:

<u>Fiscal year ending June 30,</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2025	\$ 174,984	\$ 50,365	\$ 225,349
2026	190,853	41,256	232,109
2027	207,742	31,330	239,072
2028	225,708	20,536	246,244
Thereafter	287,029	9,082	296,111
Total minimum lease commitments	<u>\$ 1,086,316</u>	<u>\$ 152,569</u>	<u>\$ 1,238,885</u>

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, 2024, the following funds have interfund balances.

<u>Due to Other Funds</u>	<u>Due from Other Funds</u>	
General Fund	Mobile Source (AB 2766) Fund	\$ 205,827
General Fund	Mobile Source (AB 923) Fund	40,019
General Fund	Solano Property Tax	61,873
Mobile Source DMV (AB 2766)	General Fund	289,313
Total Due to/from Other Funds		<u>\$ 597,032</u>

Interfund Transfers

Interfund transfers are used to allocate overhead expenses and administrative fees from the General Fund to the other funds. Interfund transfers for the years ended June 30, 2024 were as follows:

<u>Fund Receiving Transfer</u>	<u>Fund Making Transfer</u>	
General Fund	Mobile Source DMV (AB 2766) Fund	\$ 166,238
	Mobile Source (AB 923) Fund	40,019
	Solano Property Tax	61,873
	Farmer's Fund	116,653
	Other Grant Funds	95,017
Total Interfund Transfers		<u>\$ 479,800</u>

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

June 30, 2024

NOTE G – DEFINED BENEFIT PENSION PLANS

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

Provided: CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 (52 for PEPRA Miscellaneous Plan) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after ten years of service. The death benefit is the Basic Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plans’ provisions and benefits in effect for the year ended June 30, 2024 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	7.00%	7.75%
Required employer contribution rates	12.47%	7.68%

In addition to the contribution rates above, the District was also required to make payments of \$254,976 toward its unfunded actuarial liability during the year ended June 30, 2024.

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 \$471,101 for the year ended June 30, 2024.

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

June 30, 2024

NOTE G – DEFINED BENEFIT PENSION PLANS (Continued)

Net Pension Liability: As of June 30, 2024, the District reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$4,228,367.

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, 2023, using an annual actuarial valuation as of June 30, 2022 rolled forward to June 30, 2023.

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, 2024 and 2023 was as follows:

Proportion - June 30, 2023	0.08334%
Proportion - June 30, 2024	0.08456%
Change - Increase	0.00122%

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions: For the year ended June 30, 2024, the District recognized pension expense of \$801,883. At June 30, 2024, 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	\$ 471,101	
Changes in assumptions	255,285	
Differences between actual and expected experience	216,008	\$ (33,508)
Net differences between projected and actual earnings on plan investments	684,611	
Change in employer's proportion	147,529	
Differences between the employer's contribution and the employer's proportionate share of contributions		(196,629)
Total	\$ 1,774,534	\$ (230,137)

The \$471,101 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, 2024:

Year Ended June 30	
2025	\$ (328,017)
2026	(217,912)
2027	(507,722)
2028	(19,645)
	\$ (1,073,296)

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

June 30, 2024

NOTE G – DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions: The total pension liability in the actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90% (1)
Inflation	2.30%
Mortality	Derived using CalPERS Membership Data for all Funds (2)

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

(2) The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 80% of scale MP 2020. For more details on this table, please refer to the December 2021 experience study report that can be found on the CalPERS website.

Discount Rate: The discount rate used to measure the total pension liability was 6.9% at the June 30, 2023 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, 2023. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

YOLO–SOLANO AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)
June 30, 2024

NOTE G – DEFINED BENEFIT PENSION PLANS (Continued)

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a,b)
Global Equity - cap weighted	30.0%	4.54%
Global Equity - non-cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	-5.0%	-59.0%
Total	100.0%	

(a) An expected inflation of 2.3% used for this period.

(b) Figures are based on the 2021-2022 Asset Liability Management study.

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	5.90%
Net Pension Liability	\$ 6,525,030
Current Discount Rate	6.90%
Net Pension Liability	\$ 4,228,367
1% Increase	7.90%
Net Pension Liability	\$ 2,338,016

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

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

June 30, 2024

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

employee and family \$1,430. The District's monthly contribution for retirees is capped at the same amounts; however, once the retiree and/or dependent reaches Medicare eligibility, the employer contribution can be reduced based on the coordination of Medicare and PEMHCA.

Funding Policy: The contribution requirements of the District's participants and the District are established by and may be amended by the District pursuant to agreements with its employees. In December 2013, the Board entered into an agreement with the California Employers' Retirement Benefit Trust Program (CERBT) for prefunding of Other Post-Employment Benefits. The Trust is administered by CalPERS as an agent multiple-employer plan. During the year ended June 30, 2024, the District's cash contributions to the trust were \$128,121, benefit payments were \$148,508 and the estimated implicit subsidy was \$89,884.

Employees Covered by Benefit Terms: As of the June 30, 2023 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	20
Active employees	21
Inactive plan members entitled to but not receiving benefits	<u>2</u>
Total	<u><u>43</u></u>

Net OPEB Liability: The District's total OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023.

Actuarial Assumptions and Other Inputs: The total OPEB liability in the June 30, 2023 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, 2023
Measurement date	June 30, 2023
Actuarial cost method	Entry-age normal cost method
Actuarial assumptions:	
Discount rate	6.05%
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 2022 applied generationally from 2017
Healthcare trend rate	Start at 6.5%. Grade down to 3.9% for years after 2075

Demographic actuarial assumptions used in this valuation are based on the 2021 experience study of the California Public Employees Retirement System using data from 1997 to 2019, 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, 2023 measurement date consists of the following: Decrease in the discount rate from 6.60% to 6.05%.

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

June 30, 2024

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

The assumed gross return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by 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:

Asset Class	Percentage of Portfolio	Assumed Gross Return
Global Equity	49.0%	6.80%
Fixed Income	23.0%	4.50%
Real Estate Investment Trusts	20.0%	6.20%
Treasury Inflation Protected Securities	5.0%	3.60%
Commodities	3.0%	3.50%
	<u>100.0%</u>	

Discount Rate: The discount rate used to measure the total OPEB liability was 6.05%. 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, 2023	\$ 2,603,885	\$ 1,815,923	\$ 787,962
Changes in the year:			
Service cost	86,323		86,323
Interest	157,722		157,722
Contributions - employer		333,923	(333,923)
Investment income		114,559	(114,559)
Assumption changes	502,163	9,584	492,579
Administrative expenses		(538)	538
Benefit payments	(209,195)	(209,195)	-
Net changes	<u>537,013</u>	<u>248,333</u>	<u>288,680</u>
Balance at June 30, 2024 (measurement date June 30, 2023)	<u>\$ 3,140,898</u>	<u>\$ 2,064,256</u>	<u>\$ 1,076,642</u>

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

June 30, 2024

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

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate: The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease 5.05%	Current Discount Rate 6.05%	1% Increase 7.05%
Net OPEB liability	\$ 1,381,076	\$ 1,076,642	\$ 816,455

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 5.05%	Current Healthcare Cost Trend Rates 6.05%	1% Increase 7.05%
Net OPEB liability	\$ 961,475	\$ 1,076,642	\$ 1,213,819

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the year ended June 30, 2024, the District recognized OPEB expense of \$219,777. At June 30, 2024, 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	\$ 366,513	
Changes of assumptions	166,652	\$ (4,033)
Net differences between projected and actual earnings on plan investments	131,660	
Differences between expected and actual experience	396,479	(270,084)
Total	<u>\$ 1,061,304</u>	<u>\$ (274,117)</u>

The \$366,513 reported as deferred outflows of resources related to contributions after the measurement date will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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

June 30, 2024

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

Year Ended June 30	
2025	\$ 86,914
2026	65,512
2027	113,570
2028	32,778
2029	64,322
Thereafter	57,578
	\$ 420,674

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

The recognition period differs depending on the source of the gain or loss. The net difference between projected and actual earnings on OPEB plan investments is recognized over 5 years. All other amounts are recognized over the expected average remaining service lifetime (EARS), which was 6.66 years at June 30, 2024.

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, 2024, 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.

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

June 30, 2024

NOTE J – RELATED PARTY TRANSACTIONS

Under the District’s clean air funds programs the District contracts with certain other local agencies that are considered to be related parties due to District Board members holding positions of potentially significant influence with the contracted parties. The County of Yolo (County) provides certain legal, accounting, and other professional services to the District. Although the District was created in part by the County, it is not a part of the County’s financial reporting entity. Legal, payroll and accounting services are billed separately and at amounts that will approximately recover the County’s full cost of providing such services. The District’s Board of Directors receive a \$100 fee per meeting and other administrative reimbursements. In addition, the District’s Hearing Board receives stipends that equal \$60 per hearing board meeting.

Expenses for services provided by related parties and payments to related parties under clean air programs during the fiscal year ended June 30, 2024 are summarized as follows:

Related Party	Fiscal Year 2023-2024 Expenses
City of Vacaville	
Solar electric vehicle charging system	\$ 104,536
City of Rio Vista	
Sidewalk Extension River Road to Front Street	100,000
County of Solano	
McCormack Road Phase 2	145,329
City of Winters	
City bike racks and signs	6,619
Zero-emission patrol motorcycle	19,583
City of Woodland	
The Woodland Bike Loop	9,900
City of Davis	
Increasing bicycle parking usage at the Davis Train Station	9,246
Yolo County	
Legal Services	89,539
District Directors and Hearing Board Members	
Board meeting stipends	9,029
Mileage Reimbursements	13,896
	<hr/>
Total	<u><u>\$ 507,677</u></u>

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.

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

June 30, 2024

NOTE K – CONTINGENCIES (Continued)

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.

NOTE L – RESTATEMENT

During the year ended June 30, 2024, the District determined the receivable related to the Moyer grant was overstated by \$96,067. This error was corrected during the year ended June 30, 2024, resulting in a decrease in the Other Grants fund balance and unrestricted net position as of July 1, 2023 of \$97,067.

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REQUIRED SUPPLEMENTARY INFORMATION

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YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

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

For the Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
REVENUES				
Licenses and permits	\$ 2,956,362	\$ 2,956,362	\$ 2,800,576	\$ (155,786)
Intergovernmental	652,623	652,623	484,794	(167,829)
Settlements and penalties	144,000	144,000	440,857	296,857
Use of money	39,872	39,872	229,775	189,903
Other revenues			69,379	69,379
TOTAL REVENUES	<u>3,793,507</u>	<u>3,793,507</u>	<u>4,025,381</u>	<u>231,874</u>
EXPENDITURES				
Current:				
Public health	4,960,296	4,960,296	4,060,725	899,571
Debt service:				
Principal			160,079	(160,079)
Interest			58,707	(58,707)
TOTAL EXPENDITURES	<u>4,960,296</u>	<u>4,960,296</u>	<u>4,279,511</u>	<u>680,785</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,166,789)	(1,166,789)	(254,130)	912,659
OTHER FINANCING SOURCES				
Transfers in	553,578	553,578	479,800	(73,778)
TOTAL OTHER FINANCING SOURCES	<u>553,578</u>	<u>553,578</u>	<u>479,800</u>	<u>(73,778)</u>
NET CHANGE IN FUND BALANCE	(613,211)	(613,211)	225,670	838,881
Fund balance at beginning of year	<u>4,719,656</u>	<u>4,719,656</u>	<u>4,719,656</u>	
FUND BALANCE AT END OF YEAR	<u>\$ 4,106,445</u>	<u>\$ 4,106,445</u>	<u>\$ 4,945,326</u>	<u>\$ 838,881</u>

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

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

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

For the Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
REVENUES				
Intergovernmental	\$ 1,205,163	\$ 1,205,163	\$ 1,212,927	\$ 7,764
Use of money	3,500	3,500	29,926	26,426
TOTAL REVENUES	1,208,663	1,208,663	1,242,853	34,190
EXPENDITURES				
Current:				
Public health	974,704	974,704	795,034	179,670
TOTAL EXPENDITURES	974,704	974,704	795,034	179,670
EXCESS OF REVENUES OVER EXPENDITURES	233,959	233,959	447,819	213,860
OTHER FINANCING USES				
Transfers out	(146,336)	(146,336)	(166,238)	(19,902)
TOTAL OTHER FINANCING USES	(146,336)	(146,336)	(166,238)	(19,902)
NET CHANGE IN FUND BALANCE	87,623	87,623	281,581	193,958
Fund balance at beginning of year	1,274,929	1,274,929	1,274,929	
FUND BALANCE AT END OF YEAR	\$ 1,362,552	\$ 1,362,552	\$ 1,556,510	\$ 193,958

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, 2024

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 602,581	\$ 602,581	\$ 606,464	\$ 3,883
Use of money	24,758	24,758	120,828	96,070
TOTAL REVENUES	627,339	627,339	727,292	99,953
EXPENDITURES				
Current:				
Public health	928,825	928,825	295,559	633,266
TOTAL EXPENDITURES	928,825	928,825	299,599	629,226
EXCESS OF REVENUES OVER EXPENDITURES	(301,486)	(301,486)	427,693	729,179
OTHER FINANCING USES				
Transfers out	(39,168)	(39,168)	(40,019)	(851)
TOTAL OTHER FINANCING USES	(39,168)	(39,168)	(40,019)	(851)
NET CHANGE IN FUND BALANCE	(340,654)	(340,654)	387,674	728,328
Fund balance at beginning of year	3,424,944	3,424,944	3,424,944	
FUND BALANCE AT END OF YEAR	\$ 3,084,290	\$ 3,084,290	\$ 3,812,618	\$ 728,328

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, 2024

		Budgeted Amounts		Actual	Variance With
		Original	Final	Amounts	Final Budget
REVENUES					
Intergovernmental		\$ 512,265	\$ 512,265	\$ 618,729	\$ 106,464
	TOTAL REVENUES	512,265	512,265	618,729	106,464
EXPENDITURES					
Current:					
Public health		550,000	550,000	380,300	169,700
	TOTAL EXPENDITURES	550,000	550,000	380,300	169,700
(DEFICIENCY) EXCESS OF					
REVENUES OVER EXPENDITURES		(37,735)	(37,735)	238,429	276,164
OTHER FINANCING USES					
Transfers out		(51,227)	(51,227)	(61,873)	(10,646)
	TOTAL OTHER FINANCING USES	(51,227)	(51,227)	(61,873)	(10,646)
NET CHANGE IN FUND BALANCE		(88,962)	(88,962)	176,556	265,518
Fund balance at beginning of year		1,471,697	1,471,697	1,471,697	
FUND BALANCE AT END OF YEAR		\$ 1,382,735	\$ 1,382,735	\$ 1,648,253	\$ 265,518

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

YOLO–SOLANO AIR QUALITY MANAGEMENT DISTRICT

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – FARMER SPECIAL REVENUE FUND

For the Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
REVENUES				
Intergovernmental	\$ 1,592,200	\$ 1,592,200	\$ 796,100	\$ (796,100)
Use of money	8,256	8,256	43,539	35,283
TOTAL REVENUES	1,600,456	1,600,456	839,639	(760,817)
EXPENDITURES				
Current:				
Public health	1,916,758	1,916,758	2,277,795	(361,037)
TOTAL EXPENDITURES	1,916,758	1,916,758	2,277,795	(361,037)
OTHER FINANCING USES				
Transfers out	(157,125)	(157,125)	(116,653)	40,472
TOTAL FINANCING OTHER USES	(157,125)	(157,125)	(116,653)	40,472
NET CHANGE IN FUND BALANCE	(473,427)	(473,427)	(1,554,809)	(1,081,382)
Fund balance at beginning of year	3,286,556	3,286,556	3,286,556	
FUND BALANCE AT END OF YEAR	\$ 2,813,129	\$ 2,813,129	\$ 1,731,747	\$ (1,081,382)

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 – OTHER GRANTS SPECIAL REVENUE FUND

For the Year Ended June 30, 2024

		Budgeted Amounts		Actual	Variance With
		Original	Final	Amounts	Final Budget
REVENUES					
Intergovernmental		\$ 2,084,245	\$ 2,084,245	\$ 2,099,646	\$ 15,401
Use of money		8,256	8,256	74,323	66,067
TOTAL REVENUES		2,092,501	2,092,501	2,173,969	81,468
EXPENDITURES					
Current:					
Public health		1,509,177	1,509,177	1,484,459	24,718
TOTAL EXPENDITURES		1,509,177	1,509,177	1,484,459	24,718
OTHER FINANCING USES					
Transfers out		(159,723)	(159,723)	(95,017)	64,706
TOTAL FINANCING OTHER USES		(159,723)	(159,723)	(95,017)	64,706
NET CHANGE IN FUND BALANCE		423,601	423,601	594,493	170,892
Fund balance at beginning of year, as previously reported		4,255,188	4,255,188	4,255,188	
Restatement		(96,067)	(96,067)	(96,067)	
Fund balance at beginning of year		4,159,121	4,159,121	4,159,121	
FUND BALANCE AT END OF YEAR		\$ 4,582,722	\$ 4,582,722	\$ 4,753,614	\$ 170,892

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, 2024

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

	June 30, 2024	June 30, 2023	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	0.08456%	0.08334%	0.08431%	0.07558%	0.07194%	0.06854%	0.06690%	0.02560%	0.02360%	0.02660%
Proportionate share of the net pension liability	\$ 4,228,367	\$ 3,899,895	\$ 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	\$ 1,894,765	\$ 2,020,265	\$ 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	223.16%	193.04%	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	75.10%	76.04%	89.40%	77.66%	78.65%	79.12%	77.19%	74.06%	78.40%	79.82%

Notes to Schedule:

Reporting valuation	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Reporting measurement date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Discount rate	6.90%	6.90%	7.15%	7.15%	7.15%	7.65%	7.65%	7.50%	7.50%	7.50%

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.

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

	June 30, 2023	June 30, 2023	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)	\$ 471,101	\$ 440,287	\$ 413,712	\$ 396,414	\$ 348,459	\$ 300,961	\$ 258,810	\$ 226,957	\$ 208,597	\$ 285,922
Contributions in relation to the actuarially determined contributions	(471,101)	(440,287)	(413,712)	(396,414)	(348,459)	(300,961)	(258,810)	(226,957)	(208,597)	(285,922)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll - fiscal year	\$ 2,380,070	\$ 1,894,765	\$ 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	19.79%	23.24%	20.48%	18.64%	17.15%	15.63%	13.02%	12.56%	11.72%	15.88%

Notes to Schedule:

Valuation date:	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2017	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012
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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	Market Value	Market Value	15-year smoothed market
Inflation	2.30%	2.50%	2.50%	2.50%	2.625%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases							Varies by entry age and service			
Payroll growth	2.80%	2.75%	2.75%	2.75%	2.875%	3.00%	3.00%	3.00%	3.00%	3.00%
Investment rate of return	6.80%	7.00%	7.00%	7.00%	7.25%	7.375% ⁽¹⁾	7.50% ⁽¹⁾	7.50% ⁽¹⁾	7.50% ⁽¹⁾	7.50%
Mortality	(3)	(3)	(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.

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

For the measurement periods ended June 30

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

	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability:							
Service cost	\$ 86,323	\$ 76,499	\$ 78,536	\$ 76,249	\$ 100,155	\$ 90,099	\$ 87,263
Interest	157,722	160,516	185,456	181,593	177,628	172,852	163,911
Differences between expected and actual experience	442,339		(450,945)		78,952		
Changes of assumptions	59,824	121,714	24,757		(15,488)	102,666	
Benefit payments	(209,195)	(220,817)	(206,461)	(196,735)	(159,482)	(135,855)	(125,500)
Net change in total OPEB liability	537,013	137,912	(368,657)	61,107	181,765	229,762	125,674
Total OPEB liability - beginning	2,603,885	2,465,973	2,834,630	2,773,523	2,591,758	2,361,996	2,236,322
Total OPEB liability - ending (a)	<u>\$ 3,140,898</u>	<u>\$ 2,603,885</u>	<u>\$ 2,465,973</u>	<u>\$ 2,834,630</u>	<u>\$ 2,773,523</u>	<u>\$ 2,591,758</u>	<u>\$ 2,361,996</u>
Plan fiduciary net position:							
Contributions - employer	\$ 333,923	\$ 426,869	\$ 405,506	\$ 436,353	\$ 387,482	\$ 342,855	\$ 326,500
Net investment income	124,143	(272,880)	369,323	39,626	61,049	47,849	40,033
Other trust expense						(920)	
Administrative expenses	(538)	(487)	(509)	(508)	(179)	(343)	(223)
Benefit payments	(209,195)	(220,817)	(206,461)	(196,735)	(159,482)	(135,855)	(125,500)
Net change in plan fiduciary net position	248,333	(67,315)	567,859	278,736	288,870	253,586	240,810
Plan fiduciary net position - beginning	1,815,923	1,883,238	1,315,379	1,036,643	747,773	494,187	253,377
Plan fiduciary net position - ending (b)	<u>\$ 2,064,256</u>	<u>\$ 1,815,923</u>	<u>\$ 1,883,238</u>	<u>\$ 1,315,379</u>	<u>\$ 1,036,643</u>	<u>\$ 747,773</u>	<u>\$ 494,187</u>
Net OPEB liability - ending (a)-(b)	<u>\$ 1,076,642</u>	<u>\$ 787,962</u>	<u>\$ 582,735</u>	<u>\$ 1,519,251</u>	<u>\$ 1,736,880</u>	<u>\$ 1,843,985</u>	<u>\$ 1,867,809</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>65.72%</u>	<u>69.74%</u>	<u>76.37%</u>	<u>46.40%</u>	<u>37.38%</u>	<u>28.85%</u>	<u>20.92%</u>
Covered-employee payroll - measurement period	<u>\$ 2,380,070</u>	<u>\$ 2,171,208</u>	<u>\$ 2,314,851</u>	<u>\$ 2,172,124</u>	<u>\$ 2,071,003</u>	<u>\$ 1,914,724</u>	<u>\$ 1,780,314</u>
Total net OPEB liability as percentage of covered-employee payroll	<u>45.24%</u>	<u>36.29%</u>	<u>25.17%</u>	<u>69.94%</u>	<u>83.87%</u>	<u>96.31%</u>	<u>104.91%</u>
Notes to schedule:							
Valuation date	June 30, 2023	June 30, 2021	June 30, 2021	June 30, 2019	June 30, 2019	June 30, 2017	June 30, 2017
Measurement date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Discount Rate	6.05%	6.10%	6.60%	6.60%	6.60%	6.80%	7.25%
Inflation	2.50%	2.50%	2.50%	2.75%	2.75%	2.75%	2.75%
Salary increase	3.00%	3.00%	3.00%	3.00%	3.00%	3.25%	3.25%
Health insurance increase	6.5% to 3.90%	5.7% to 4%		5.4% to 4%		7.50% to 5%	

Benefit changes. None since June 30, 2017.

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

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2024

SCHEDULE OF CONTRIBUTIONS TO THE OPEB PLAN (UNAUDITED)

	2024	2023	2022	2021	2020	2019	2018
Actuarially determined contribution - employer fiscal year	\$ 198,497	\$ 124,728	\$ 200,611	\$ 195,533	\$ 207,100	\$ 228,705	\$ 207,000
Contributions in relation to the actuarially determined contributions	(366,513)	(333,923)	(426,869)	(405,506)	(436,353)	(387,482)	(342,855)
Contribution deficiency (excess)	<u>\$ (168,016)</u>	<u>\$ (209,195)</u>	<u>\$ (226,258)</u>	<u>\$ (209,973)</u>	<u>\$ (229,253)</u>	<u>\$ (158,777)</u>	<u>\$ (135,855)</u>
Covered-employee payroll - employer fiscal year	\$ 2,380,070	\$ 2,186,238	\$ 2,171,208	\$ 2,314,851	\$ 2,163,100	\$ 2,071,003	\$ 1,914,724
Contributions as a percentage of covered-employee payroll	15.40%	15.27%	19.66%	17.52%	20.17%	18.71%	17.91%
Notes to Schedule:							
Valuation date used to determine ADC	June 30, 2023	June 30, 2019	June 30, 2019	June 30, 2019	June 30, 2019	June 30, 2017	June 30, 2015
Discount rate used to determine ADC	6.05%	6.60%	6.60%	6.60%	6.60%	7.25%	7.25%
Actuarial cost method				Entry age normal			
Amortization method				Level % of pay			
Amortization period	15 years closed	18 years closed	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	Market value	Market value	Actuarial value
Inflation	2.50%	2.50%	2.75%	2.75%	2.75%	2.75%	2.75%
Healthcare cost trend rates	6.5% in 2025 to 3.9% in 2075 in steps of 0.1%	5.7% in 2022 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%	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%	3%	3.25%	3.25%
Retirement age				50 to 75			
Mortality	CalPERS 2021	CalPERS 2017	CalPERS 2017	CalPERS 2017	CalPERS 2017	CalPERS 2014	
				Experience Study			
Mortality improvement	MW Scale 2022 generationally	MW Scale 2020 generationally	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.

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COMPLIANCE REPORTS

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550 Howe Avenue, Suite 210
Sacramento, California 95825

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

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, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated July 16, 2025.

Report on 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001 that we consider to be a material weakness.

Report on 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. 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*.

The District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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

July 16, 2025

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

SCHEDULE OF FINDINGS

For the Year Ended June 30, 2024

Finding 2024-001 –Revenue Recognition – Material Weakness

Condition: The District's revenue is not being recorded on the accrual basis of accounting. Grant revenue is being recorded on a cash basis instead of being recorded when earned on cost reimbursement grants and allocations. In addition, permit renewal fees billed in June for July receivables were not deferred or removed from the receivable balance.

Criteria: Internal controls over financial reporting should be in place to ensure the District is maintaining the accounting records on the accrual basis of accounting.

Cause: The District recently began receiving grant funding and state allocations and has not put into place the procedures for recording the revenue in the proper period. Staff turnover has also contributed to these issues.

Effect: A number of adjusting journal entries were needed during the audit to correct balances to report on the accrual basis of accounting.

Recommendation: Revenue tracking spreadsheets should be created for all cost reimbursement grants and the District needs to ensure that the revenue is accrued to the extent of expenditures incurred. Revenue related to state allocations need to be recognized in the year allocated, or at the time grant documents were signed, whichever is later. Revenue related to permit fees billed in June for July permits should be removed from revenue at year end or consideration should be given to generating the July permit renewals with a July date instead of a June date.

District's Response: The District plans on implementing these recommendations.

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