YOLO–SOLANO AIR QUALITY MANAGEMENT DISTRICT

Audited Financial Statements
and Other Reports

June 30, 2025

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YOLO–SOLANO AIR QUALITY MANAGEMENT DISTRICT

BASIC FINANCIAL STATEMENTS AND OTHER REPORTS

June 30, 2025

TABLE OF CONTENTS

Independent Auditor's Report 1
Management's Discussion and Analysis 4

Basic Financial Statements

Government-wide Financial Statements:
Statement of Net Position 13
Statement of Activities 14

Fund Financial Statements:
Governmental Funds:
Balance Sheets – Governmental Funds 15
Reconciliation of the Balance Sheets to the Government-wide Statement of Net Assets 16
Statements of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds 17
Reconciliation of the Statements of Revenues, Expenditures and Changes in Fund Balances to the Government-wide Statement of Activities 18

Notes to the Basic Financial Statements 19

Required Supplementary Information

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund 41
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Mobile Source DMV (AB 2766) Special Revenue Fund 42
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Mobile Source DMV (AB 923) Special Revenue Fund 43
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Solano Property Tax Special Revenue Fund 44
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Farmer Special Revenue Fund 45
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Other Grants Special Revenue Fund 46
Schedule of the Proportionate Share of the Net Pension Liability and Schedule of Contributions to the Pension Plan (Unaudited) 47
Schedule of Changes in the Net OPEB Liability and Related Ratios (Unaudited) 48
Schedule of Contributions to the OPEB Plan (Unaudited) 49

YOLO–SOLANO AIR QUALITY MANAGEMENT DISTRICT

BASIC FINANCIAL STATEMENTS

June 30, 2025

TABLE OF CONTENTS (CONTINUED)

Compliance Reports

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* 50
Schedule of Findings 52

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, and each major fund, of the Yolo–Solano Air Quality Management District (the District), as of and for the year ended June 30, 2025, 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, 2025, 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 September 4, 2026, 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

September 4, 2026

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, 2025. 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, 2025, the District's total assets amounted to $19,514,689, while total liabilities were $6,383,501. This results in a net position of $14,298,775. A substantial portion of the net position is restricted for designated purposes, including employee benefits, Mobile Source programs under AB 2766 and AB 923, Solano County initiatives, FARMER funding, and Other Grants.

  The District implemented GASB Statement No. 101, Compensated Absences, during FY 2024–25. The implementation was immaterial; however, prior-year amounts were restated to reflect the required accrual of sick leave expected to be used for time off. As noted in the auditor's management letter, the District will refine its methodology for estimating compensated absences to ensure sick leave expected to be converted to pension service credit is excluded from the accrual.

- **Governmental Fund Balances:** The combined ending governmental fund balances totaled $17,589,643. 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 $4,223,829. In addition, the net OPEB liability is $70,538. Both figures reflect ongoing adjustments for actuarial assumptions and funding contributions as detailed in Notes G and H.

- **Capital Assets and Lease Obligations:** Capital assets, net of accumulated depreciation, total $931,049. In addition, pursuant to GASB Statement No. 87, the District continues to record a right-of-use lease asset for its office space with an associated lease liability, including both current and noncurrent portions. As of June 30, 2025, the current portion of the lease liability is $190,853 and the noncurrent portion is $720,479.

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:

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 five funds:

- **General Fund:** This fund is used for the stationary source, agricultural burning, asbestos, and mutual settlement programs. The District receives a small subvention grant and Portable Equipment Registration (PERP) fees from the State of California Air Resources Board (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 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**

    - **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.

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 40 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 41 through 46.

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 pages 30–31 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,		
	2025	2024	2023
Assets:			
Current assets	$18,583,640	$18,983,965	$18,827,834
Capital assets, net	931,049	1,048,443	1,266,206
Total assets	19,514,689	20,032,408	20,094,040
Deferred outflows of resources	2,120,585	2,835,838	2,547,059
Liabilities:			
Current liabilities	1,208,704	667,539	498,923
Noncurrent liabilities	5,174,797	6,341,712	5,869,699
Total liabilities	6,383,501	7,009,251	6,368,622
Deferred inflows of resources	952,998	504,254	648,578
Net Position:			
Net investment in capital assets	19,717	0	19,811
Restricted	12,924,461	14,367,917	14,491,622
Unrestricted	1,354,597	986,824	1,112,466
Total net position	$14,298,775	$15,354,741	$15,623,899

Analysis and Key Variances

Assets: From FY 2024 to FY 2025, current assets decreased by $400,325 (approximately 2.1%), while capital assets, net, decreased by $117,394 (approximately 11.2%). Overall, total assets decreased by $517,719 (approximately 2.6%).

Deferred Outflows and Liabilities: Deferred outflows of resources for FY 2025 total $2,120,585. Total liabilities decreased from $7,009,251 in FY 2024 to $6,383,501 in FY 2025, a reduction of $625,750 (approximately 8.9%). Deferred inflows of resources for FY 2025 are $952,998.

Net Position: The FY 2025 total net position is $14,298,775, which is $1,055,966 (approximately 6.9%) lower than FY 2024's $15,354,741. This decrease is primarily attributable to actuarial adjustments for pension and OPEB, implementation of GASB 101, and timing differences in grant revenue recognition.

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,		
	2025	2024	2023
Program Revenues:			
Charges for services	$4,175,296	$3,241,433	$2,697,556
Operating grants and contributions	4,444,101	5,822,053	7,321,224
Total program revenues	8,619,397	9,063,486	10,018,780
Program Expenses:			
Public health	10,191,752	9,682,893	5,528,592
Interest on long term debt	104,819	121,454	66,328
Total program expenses	10,296,571	9,804,347	5,594,920
General Revenues			
Investment income	545,441	498,391	251,718
Other	75,767	63,379	42,522
Total general revenues	621,208	567,770	294,240
Change in net position	(1,055,966)	(173,091)	4,718,100
Net Position - July 1	15,354,741	15,527,832	6,529,649
Net Position - June 30	$14,298,775	$15,354,741	$10,905,799

- **Program Revenues:** Charges for services increased to $4,175,296 in FY 2025 (up $933,863, or approximately 28.8% from FY 2024's $3,241,433). Operating grants and contributions decreased to $4,444,101 in FY 2025 (down $1,377,952, or approximately 23.7% from FY 2024's

$5,822,053). As a result, total program revenues decreased to $8,619,397 in FY 2025 from $9,063,486 in FY 2024.

- **Program Expenses:** Total program expenses increased to $10,296,571 in FY 2025 (from $9,804,347 in FY 2024). Public health expenditures rose to $10,191,752 in FY 2025, reflecting ongoing program commitments and multi-year grant activities. Interest on long-term liabilities for FY 2025 totaled $104,819.

- **General Revenues:** Investment income increased to $545,441 in FY 2025 (from $498,391 in FY 2024). Other general revenues totaled $75,767 in FY 2025 (up from $63,379 in FY 2024), bringing total general revenues to $621,208.

- **Overall Change in Net Position:** FY 2025 shows a decrease in net position of $1,055,966, compared to FY 2024's decrease of $173,091. The FY 2025 decrease is primarily attributable to actuarial adjustments for pension and OPEB, implementation of GASB 101, and timing differences in grant revenue recognition.

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, 2025, the total governmental fund balance was $17,589,643. The fund balances by classification for FY 2025 are as follows:

	Year ended June 30,		
Fund Balance	2025	2024	2023
General Fund	$5,612,278	$4,945,326	$4,719,656
AB2766	1,942,417	1,556,510	1,274,929
AB923	3,447,068	3,812,618	3,424,944
Solano Property Tax	1,939,037	1,648,253	1,471,697
FARMER Fund	885,344	1,731,747	3,286,556
Other Grants	3,763,499	4,753,614	4,255,188
Total program fund balance	$17,589,643	$18,448,068	$18,432,970

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

- **General Fund:** Ending FY 2025 with a balance of $5,612,278, the General Fund reflects the District's core operating resources. This balance demonstrates improved revenue performance and controlled expenditures relative to prior fiscal periods.

- **Mobile Source DMV (AB 2766) Fund:** With a year-end balance of $1,942,417, this fund continues to capture restricted revenue from the DMV. Its balance is supported by steady intergovernmental revenues and effective program management.

- **Mobile Source DMV (AB 923) Fund:** The balance of $3,447,068 achieved in FY 2025 indicates continued program activity and the efficient use of restricted grant dollars allocated for cleaner vehicle initiatives and related projects.

- **Solano Property Tax Fund:** Reporting a balance of $1,939,037, this fund benefits from stable property tax proceeds that are earmarked for projects to reduce motor-vehicle-related air pollution in Solano County.

- **FARMER Fund:** Ending FY 2025 with $885,344, the FARMER Fund reflects the District's management of agricultural equipment incentive programs and demonstrates control over both funding and expenditures for these initiatives.

- **Other Grant Funds:** With a balance of $3,763,499, these funds support emerging and ongoing grant programs, bolstering the District's capacity to address new air quality initiatives.

Collectively, these balances demonstrate the District's strong short-term liquidity and ability to meet near-term obligations while supporting strategic program initiatives.

Analysis of General Fund Budget

Significant variances between the final General Fund budget and the actual results for FY 2025 are as follows:

Revenues:

- **Licenses and Permits:** Actual revenue was $3,347,549, compared to the final budget of $3,454,161, resulting in a variance of $106,612.

- **Intergovernmental Revenues:** Actual collections totaled $812,700 versus a final budget of $766,589, a variance of $46,111.

- **Settlements and Penalties:** Actual revenue was $827,747 compared to a budget of $424,000, resulting in a variance of $403,747.

- **Use of Money:** Actual revenue was $228,178 versus a budget of $39,872, a favorable variance of $188,306.

- **Other Revenues:** Actual revenue was $72,784 versus a budget of $500, a favorable variance of $72,784.

Overall, total General Fund revenue was $5,288,958 compared to the final budget of $4,685,122, resulting in a favorable variance of $603,836.

Expenditures:

- **Public Health:** Actual General Fund expenditures totaled $4,867,410 compared to the final budget of $5,102,402, resulting in no variance.

- **Capital Outlay:** Actual capital outlay was $105,742, consistent with planned equipment replacement needs.

- **Debt Service:** Actual principal payments totaled $174,984 and interest totaled $50,365. Combined debt service expenditures were $225,349.

Total General Fund expenditures were $5,198,501 compared to the final budget of $5,185,402, resulting in a negative variance of $13,099.

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 $666,952, 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 $525,844 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 $931,049 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 continues to recognize a right-of-use lease asset and related lease liability. The liability includes both current and noncurrent portions, as disclosed in Notes D and E.

- **Long-Term Liabilities:** Beyond lease obligations, the District's long-term liabilities include compensated absences, pension obligations, and OPEB. These liabilities are managed to ensure long-term financial sustainability.

Pension and Other Post-Employment Benefits (OPEB)

- **Pension Obligations:** The net pension liability of $4,223,829 arises from the District's allocated share under its CalPERS plan. Pension expense for FY 2025 totaled $874,135, reflecting updated actuarial assumptions and changes in deferred inflows and outflows.

- **OPEB:** The net OPEB liability of $70,538 reflects commitments to healthcare benefits for eligible retirees and their dependents. OPEB expense for FY 2025 totaled $141,012, based on updated actuarial valuations.

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 in the FY 2025 audit, including refinement of the compensated absences methodology under GASB 101 and continued review of journal entry posting practices.

- **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 2025, 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 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 2025. 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.

BASIC FINANCIAL STATEMENTS

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YOLO–SOLANO AIR QUALITY MANAGEMENT DISTRICT

STATEMENT OF NET POSITION

June 30, 2025

ASSETS		
Cash and investments		$ 5,194,618
Restricted cash and investments		10,998,750
Accounts receivable		440,447
Due from other agencies		1,949,825
Capital assets, net		931,049
	TOTAL ASSETS	19,514,689
DEFERRED OUTFLOWS OF RESOURCES		
Pensions		1,335,293
OPEB		785,292
	TOTAL DEFERRED OUTFLOWS	2,120,585
LIABILITIES		
Accounts payable		86,748
Accrued payroll		148,266
Unearned revenue		640,748
Compensated absences, current portion		142,089
Lease liability, current portion		190,853
Noncurrent liabilities:		
Compensated absences		159,951
Net pension liability		4,223,829
Net OPEB liability		70,538
Lease liability		720,479
	TOTAL LIABILITIES	6,383,501
DEFERRED INFLOWS OF RESOURCES		
Pensions		126,902
OPEB		826,096
	TOTAL DEFERRED INFLOWS	952,998
NET POSITION		
Investment in capital assets		19,717
Restricted for:		
Employee benefits		947,096
Mobile Source DMV (AB 2766)		1,942,417
Mobile Source DMV (AB 923)		3,447,068
Solano County projects		1,939,037
FARMER program		885,344
Other grants		3,763,499
Unrestricted		1,354,597
	TOTAL NET POSITION	$ 14,298,775

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, 2025

PROGRAM EXPENSES		
Governmental activities:		
Public health		$ 10,191,752
Interest on long-term liabilities		104,819
	TOTAL PROGRAM EXPENSES	10,296,571
PROGRAM REVENUES		
Charges for services		4,175,296
Operating grants and contributions		4,444,101
	TOTAL PROGRAM REVENUES	8,619,397
	NET PROGRAM REVENUE	(1,677,174)
GENERAL REVENUES		
Investment income		545,441
Other		75,767
	TOTAL GENERAL REVENUES	621,208
	CHANGE IN NET POSITION	(1,055,966)
Net position at beginning of year		15,354,741
	NET POSITION AT END OF YEAR	$ 14,298,775

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

YOLO–SOLANO AIR QUALITY MANAGEMENT DISTRICT

BALANCE SHEETS – GOVERNMENTAL FUNDS

June 30, 2025

		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	$ 5,194,618						$ 5,194,618
Restricted cash and investments	947,096	$ 1,567,181	$ 3,339,096	$ 1,939,037	$ 885,344	$ 2,320,996	10,998,750
Accounts receivable	440,447						440,447
Due from other governments	183,405	215,945	107,972			1,442,503	1,949,825
Due from other funds	67,204	230,955					298,159
TOTAL ASSETS	$ 6,832,770	$ 2,014,081	$ 3,447,068	$ 1,939,037	$ 885,344	$ 3,763,499	$ 18,881,799
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable	$ 86,270	$ 478					$ 86,748
Accrued payroll	144,284	3,982					148,266
Unearned revenue	640,748						640,748
Due to other funds	230,955	67,204					298,159
TOTAL LIABILITIES	1,102,257	71,664					1,173,921
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue	118,235						118,235
TOTAL DEFERRED INFLOWS OF RESOURCES	118,235						118,235
FUND BALANCES							
Restricted for:							
Employee benefits	947,096						947,096
Mobile Source DMV (AB 2766)		1,942,417					1,942,417
Mobile Source DMV (AB 923)			$ 3,418,787				3,418,787
Solano property tax				$ 1,939,037			1,939,037
FARMER program					$ 885,344		885,344
Other grants						$ 3,763,499	3,763,499
Assigned to:							
Equipment replacement			28,281				28,281
Unassigned	4,665,182						4,665,182
TOTAL FUND BALANCES	5,612,278	1,942,417	3,447,068	1,939,037	885,344	3,763,499	17,589,643
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	$ 6,832,770	$ 2,014,081	$ 3,447,068	$ 1,939,037	$ 885,344	$ 3,763,499	$ 18,881,799

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, 2025

Fund balances – total governmental funds		$ 17,589,643
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		118,235
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds:		
Governmental capital assets	$ 2,298,836	
Less: accumulated depreciation	(1,367,787)	931,049
Deferred outflows of resources related to pensions and OPEB		2,120,585
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		(911,332)
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	(302,040)	
Net pension liability	(4,223,829)	
Net OPEB liability	(70,538)	(4,596,407)
Deferred inflows of resources related to pensions and OPEB		(952,998)
Net position – governmental activities		$ 14,298,775

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, 2025

		Major Special Revenue Funds					
	General Fund	Mobile Source DMV (AB 2766) Fund	Mobile Source DMV (AB 923) Fund	Solano Property Tax Fund	FARMER Fund	Other Grant Funds	Total Governmental Funds
REVENUES							
Licenses and permits	$ 3,347,549						$ 3,347,549
Intergovernmental	812,700	$ 1,240,733	$ 620,367	$ 689,695		$ 1,073,220	4,436,715
Settlements and penalties	827,747						827,747
Use of money	228,178	39,641	127,776		$ 44,251	105,595	545,441
Other revenues	72,784	2,983					75,767
TOTAL REVENUES	5,288,958	1,283,357	748,143	689,695	44,251	1,178,815	9,233,219
EXPENDITURES							
Current:							
Public health	4,867,410	743,732	1,056,766	340,000	774,482	1,974,074	9,756,464
Capital outlay	105,742						105,742
Debt service:							
Principal	174,984						174,984
Interest	50,365		4,089				54,454
TOTAL EXPENDITURES	5,198,501	743,732	1,060,855	340,000	774,482	1,974,074	10,091,644
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES	90,457	539,625	(312,712)	349,695	(730,231)	(795,259)	(858,425)
OTHER FINANCING SOURCES (USES)							
Transfers in	576,495						576,495
Transfers out		(153,718)	(52,838)	(58,911)	(116,172)	(194,856)	(576,495)
TOTAL OTHER FINANCING SOURCES (USES)	576,495	(153,718)	(52,838)	(58,911)	(116,172)	(194,856)	
NET CHANGE IN FUND BALANCES	666,952	385,907	(365,550)	290,784	(846,403)	(990,115)	(858,425)
Fund balances at beginning of year	4,945,326	1,556,510	3,812,618	1,648,253	1,731,747	4,753,614	18,448,068
FUND BALANCES AT END OF YEAR	$ 5,612,278	$ 1,942,417	$ 3,447,068	$ 1,939,037	$ 885,344	$ 3,763,499	$ 17,589,643

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, 2025

Net changes in fund balances – total governmental funds	$ (858,425)
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.	7,386
Governmental funds report capital outlay as expenditures. In the Statement of Activities, however, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Capital outlay	105,742
Depreciation and amortization expense	(223,136)
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	174,984
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	(109,162)
Change in pension and related amounts	(331,468)
Change in OPEB liability and related amounts	178,113
Change in net position – governmental activities	$ (1,055,966)

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The District includes all of Yolo County and the northeast portion of Solano County which lies within the Sacramento Valley Air Basin. The District is governed by a Board of Directors, which is comprised of four members from the Board of Supervisors of Yolo County, three members from the Board of Supervisors of Solano County and seven city representatives.

Basis of Presentation – Government-wide Financial Statements: The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District has no business-type activities.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers all revenues other than expenditure reimbursement grants to be available if they are collected within 60 days of the end of the current fiscal period. Expenditure reimbursement grants are available if received within 180 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Payable balances consist primarily of payables to vendors.

Licenses and permits, intergovernmental revenues, settlements and penalties and investment earnings associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

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

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

Mobile Source DMV (AB 923) – This special revenue fund was created in FY 2012/13 to separately account for the restricted revenues received from the State under Assembly Bill 923 (AB 923), whereby the Board of Directors approved the addition of $2.00 for each vehicle registration for various projects as established by legislation, which are legally restricted for the reduction of air pollution by providing funding for cleaner than required engines and equipment.

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Grant Funds – This special revenue fund is used to account for other grant funds, including amounts 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 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.

The District accrues 100% of vacation and the portion of sick leave available to be paid and the expected to be used for time off. The cost of vacation and sick leave is recognized in the period earned by the employee in the government-wide statements. 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 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 statements. No expenditure is reported in the governmental fund financial statements for these accounts.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 items.

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. The District implemented this Statement during the year ended June 30, 2025. The effect of this change was immaterial and net position has not been restated as a result.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

In December 2025, the GASB issued Statement No. 105, Subsequent Events. This Statement requires the date through which subsequent events have been evaluated to be disclosed. This Statement clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events. The provisions of this Statement are effective for fiscal years beginning after June 15, 2026.

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

NOTE B – CASH AND INVESTMENTS

The District's cash and investments at June 30, 2025 is classified in the accompanying financial statements as follows:

Cash and investments	$ 5,194,618
Restricted investments	10,998,750
Total cash and investments	$ 16,193,368

Cash and cash equivalents as of June 30, 2025 consisted of the following:

Deposits with financial institutions	$ 3,960,623
Public Agency Retirement Services (PARS) Trust	947,096
Investment in Yolo County Pooled Investment Fund	11,285,649
Total cash and investments	$ 16,193,368

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.

NOTE B – CASH AND INVESTMENTS (Continued)

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, 2025, the weighted average maturity of the investments contained in the County of Yolo investment pool was approximately 770 days and the PARS Trust was less than a year.

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 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, 2025, the carrying amount of the District's deposits was $3,960,623 and the balance in financial institutions was $3,998,218. Of the balance in financial institutions, $250,000 was covered by federal depository insurance and $3,748,218 at June 30, 2025 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, 2025, the restricted cash balance in the AB 2766 special revenue fund, which totaled $1,567,181, and the AB 923 special revenue fund, which totaled $3,339,096, is restricted for clean air projects as approved by the Board. Expenditures under AB 2766 for the year ended June 30, 2025 were made in accordance with the District's Board of Directors' authorizations and were as follows:

	Mobile Service DMV (AB 2766) Fund
Salaries and benefits	$ 542,544
Professional services:	
Professional service and information technology A-87 Costs	17,761
Other services and supplies	47,483
Program expenditures:	
Breathe California	8,000
Bullseye Farms	15,200
City of Davis	5,000
City of West Sacramento	13,700
City of Woodland	10,300
Gordon Farms	1,000
Payne Bros	12,800
Robinson Oil Corp	34,944
STA Safe Routes to School	15,000
The Bike Campaign	30,000
Yolo Commute	(10,000)
Total current expenditures	743,732
Transfers out:	
Administrative fee*	153,718
Total AB 2766 Expenditures and Transfers	$ 897,450

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

NOTE C – RESTRICTED CASH (Continued)

Expenditures under AB 923 for the year ended June 30, 2025 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	
Payne Bros	$ 200,000
Esparto USD	800,000
Ecology Action of Santa Cruz	39,959
Mutual Housing of CA/Ecology Action Infrastructure	16,807
Interest expense	4,089
Total current expenditures	1,060,855
Transfers out:	
Administrative fee*	52,838
Total AB 923 Expenditures and Transfers	$ 1,113,693

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

As of June 30, 2025, the cash balance in the Solano Property Tax special revenue fund, which totaled $1,939,037 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, 2025 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	$ 130,000
Payne Bros	3,200
Reiko Matsumura	11,400
City of Rio Vista	100,000
Gordon Farms	25,400
STA Safe Routes to School	20,000
Solano Transportation Authority	50,000
Total current expenditures	340,000
Transfers out:	
Administrative fee*	58,911
Total Solano Property Tax Expenditures	$ 398,911

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

NOTE C – RESTRICTED CASH (Continued)

As of June 30, 2025 the cash balance in the FARMER's special revenue fund was $885,344 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:	
Los Rios Farms	$ 200,000
Ramos Farms	50,519
Michael B. Glide	103,729
Geer Ranch	147,900
Full Belly Farm	58,487
Sutter Home Winery	81,015
Deer and Tule Management	119,332
Free Spirit Farm	13,500
Total current expenditures	774,482
Transfers out:	
Administrative fee*	116,172
Total FARMER Expenditures	$ 890,654

As of June 30, 2025 the cash balance restricted for the MOYER program in the other grants special revenue fund was $1,146,328, 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:

NOTE C – RESTRICTED CASH (Continued)

	MOYER Fund
Program expenditures:	
Bliss Power Lawn Equipment	$ 78,600
Bullseye Farms	150,000
Citrus Heights Mower LLC	46,100
Full Belly Farm Inc.	200,000
Hendrix Hay Co.	200,000
Klein Farms	150,000
Pape Machinery	536
Sierra Saw Power Equipment Center	9,813
SiteOne Landscape Supply Holding, LLC	6,079
Sterling May Equipment Co.	11,447
Westlake Hardware	19,564
Sierra Saw Power Equipment Center	15,471
Total current expenditures	887,610
Transfer out:	
Administrative fee	133,141
Total MOYER Expenditures	$ 1,020,751

As of June 30, 2025 the cash balance restricted for the CAPP program in the other grants special revenue fund was $1,174,668, 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	$ 200,000
Hamilton Brothers	200,000
Nakahara Farms, Inc	200,000
Schreiner Bros Farms	200,000
Richard Carli	169,660
Tim Miramontes	60,224
Sterling May Equipment	39,500
Westlake Hardware Inc	17,080
Total current expenditures	1,086,464
Transfer out:	
Administrative fee	61,715
Total CAPP Expenditures	$ 1,148,179

NOTE D – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2025 was as follows:

	Balance at July 1, 2024	Additions	Deletions	Balance at June 30, 2025
Capital assets being depreciated:				
Office equipment	$ 80,909			$ 80,909
Office furniture	118,465			118,465
Air monitoring equipment	237,587	$ 105,742		343,329
Vehicles	230,702			230,702
Office building right-of-use asset	1,525,432			1,525,432
Total capital assets, being depreciated	2,193,095	105,742	-	2,298,837
Less accumulated depreciation for:				
Office equipment	(56,067)	(7,098)		(63,165)
Office furniture	(118,465)			(118,465)
Air monitoring equipment	(187,133)	(21,173)		(208,306)
Vehicles	(222,624)	(8,078)		(230,702)
Office building right of use asset	(560,363)	(186,787)		(747,150)
Total accumulated depreciation	(1,144,652)	(223,136)	-	(1,367,788)
Capital assets, net	$ 1,048,443	$ (117,394)	$ -	$ 931,049

NOTE E – LONG-TERM LIABILITY

The following is a summary of long-term liabilities activity of the District for the year ended June 30, 2025:

	Balance July 1, 2024	Additions	Repayments	Balance June 30, 2025	Due Within One Year
Lease liability	$ 1,086,316		$ (174,984)	$ 911,332	$ 190,853
Compensated absences	192,879	$ 109,161		302,040	142,089
Pension	4,228,367		(4,538)	4,223,829	
OPEB	1,076,642		(1,006,104)	70,538	
	$ 6,584,204	$ 109,161	$ (1,185,626)	$ 5,507,739	$ 332,942

The following is a description of the composition of long-term liabilities at June 30, 2025:

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 been accrued based on the amount of sick leave expected to be taken as time off.

NOTE E – LONG-TERM LIABILITY (Continued)

Lease: The District leases its 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, 2025 was $1,525,432, and related accumulated amortization was $747,150. The intangible right of use asset is being amortized over 6 years, the remaining term of the lease, including option periods. Amortization expense was $186,787 during the year ended June 30, 2025. Minimum lease payments over the remaining term of the lease include:

Fiscal year ending June 30,	Principal Payments	Interest Payments	Total
2026	$ 190,853	$ 41,256	$ 232,109
2027	207,742	31,330	239,072
2028	225,708	20,536	246,244
2029	244,814	8,818	253,632
Thereafter	42,215	264	42,479
Total minimum lease commitments	$ 911,332	$ 102,204	$ 1,013,536

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, 2025, the following funds have interfund balances.

Due from Other Funds	Due to Other Funds	
General Fund	Mobile Source (AB 2766) Fund	$ 67,204
Mobile Source DMV (AB 2766)	General Fund	230,955
Total Due to/from Other Funds		$ 298,159

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, 2025 were as follows:

Fund Receiving Transfer	Fund Making Transfer	
General Fund	Mobile Source DMV (AB 2766) Fund	$ 153,718
	Mobile Source (AB 923) Fund	52,838
	Solano Property Tax	58,911
	Farmer's Fund	116,172
	Other Grant Funds	194,856
Total Interfund Transfers		$ 576,495

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, 2025 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	12.52%	7.87%

In addition to the contribution rates above, the District was also required to make payments of $316,330 toward its unfunded actuarial liability during the year ended June 30, 2025.

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 $542,666 for the year ended June 30, 2025.

NOTE G – DEFINED BENEFIT PENSION PLANS (Continued)

Net Pension Liability: As of June 30, 2025, the District reported a net pension liability for its proportionate share of the net pension liability of the Plan of $4,223,829.

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, 2024, using an annual actuarial valuation as of June 30, 2023 rolled forward to June 30, 2024.

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, 2025 and 2024 was as follows:

Proportion - June 30, 2024	0.08456%
Proportion - June 30, 2025	0.08733%
Change - Increase	0.00277%

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions: For the year ended June 30, 2025, the District recognized pension expense of $874,135. At June 30, 2025, 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	$ 542,666	
Changes in assumptions	108,561	
Differences between actual and expected experience	365,189	$ (14,249)
Net differences between projected and actual earnings on plan investments	243,161	
Change in employer's proportion	75,716	
Differences between the employer's contribution and the employer's proportionate share of contributions		(112,653)
Total	$ 1,335,293	$ (126,902)

The $542,666 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, 2025:

Year Ended June 30	
2026	$ (223,871)
2027	(522,936)
2028	(2,246)
2029	83,328
2030	
Thereafter	
	$ (665,725)

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, 2024
Measurement Date	June 30, 2024
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 morality 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, 2024 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, 2024. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

NOTE G – DEFINED BENEFIT PENSION PLANS (Continued)

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a,b)	Real Return Years 11+(b)
Global Equity - cap weighted	30.0%	4.54%	5.98%
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%	
Investement Grade Corporates	10.0%	1.56%	
High Yield	5.0%	2.27%	2.62%
Emerging Market Debt	5.0%	2.48%	1.46%
Private Debt	5.0%	3.57%	2.87%
Real Assets	15.0%	3.21%	5.00%
Leverage	-5.0%	-59.0%	(.92)%
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	$ 6,588,184
Current Discount Rate	6.90%
Net Pension Liability	$ 4,223,829
1% Increase	7.90%
Net Pension Liability	$ 2,277,617

Payable to the Pension Plan: At June 30, 2025, the District reported a payable of $15,346 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2025.

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

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, 2025, the District's cash contributions to the trust were $244,510, benefit payments were $152,859 and the estimated implicit subsidy was $91,651.

Employees Covered by Benefit Terms: As of the June 30, 2024 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	19
Active employees	24
Inactive plan members entitled to but not receiving benefits	0
Total	43

Net OPEB Liability: The District's total OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2024.

Actuarial Assumptions and Other Inputs: The total OPEB liability in the June 30, 2024 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, 2024
Measurement date	June 30, 2024
Actuarial cost method	Entry-age normal cost method
Actuarial assumptions:	
Discount rate	6.40%
Salary increases	2.80% per year
General inflation rate	2.30% per year
Mortality rate	Derived using CalPERS membership data
Healthcare trend rate	Start at 6.80%. Grade down to 3% 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, 2024 measurement date consists of the following: increase in the discount rate from 6.05% to 6.40%, decrease in the payroll growth rate from 3% to 2.80%, healthcare trends and other changes.

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%	6.90%
Fixed Income	23.0%	4.10%
Real Estate Investment Trusts	20.0%	6.30%
Treasury Inflation Protected Securities	5.0%	3.90%
Commodities	3.0%	4.60%
	100.0%	

Discount Rate: The discount rate used to measure the total OPEB liability was 6.40%. 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, 2024	$ 3,140,898	$ 2,064,256	$ 1,076,642
Changes in the year:			
Service cost	104,173		104,173
Interest	189,115		189,115
Contributions - employer		366,513	(366,513)
Investment income		226,841	(226,841)
Assumption changes	(533,093)		(533,093)
Plan experience	(174,580)		(174,580)
Administrative expenses		(1,051)	1,051
Other miscellaenous income/(expense)		(584)	584
Implicit subsidy	(89,884)	(89,884)	-
Benefit payments	(148,508)	(148,508)	-
Net changes	(652,777)	353,327	(1,006,104)
Balance at June 30, 2025 (measurement date June 30, 2024)	$ 2,488,121	$ 2,417,583	$ 70,538

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 5.40%	Current Discount Rate 6.40%	1% Increase 7.40%
Net OPEB liability	$ 287,696	$ 70,538	$ (117,667)

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 5.80%	Current Healthcare Cost Trend Rates 6.80%	1% Increase 7.80%
Net OPEB liability	$ 12,843	$ 70,538	$ 130,943

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the year ended June 30, 2025, the District recognized OPEB expense of $141,012. At June 30, 2025, 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	$ 319,125	
Changes of assumptions	126,273	$ (153,350)
Net differences between projected and actual earnings on plan investments	21,511	
Differences between expected and actual experience	318,383	(672,746)
Total	$ 785,292	$ (826,096)

The $319,125 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:

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

Year Ended June 30	
2026	$ (47,386)
2027	672
2028	(80,120)
2029	(48,575)
2030	(35,543)
Thereafter	(148,977)
	$ (359,929)

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

The recognition period differs depending on the source of the gain or loss. The net difference between projected and actual earnings on OPEB plan investments is recognized over 5 years. All other amounts are recognized over the expected average remaining service lifetime (EARSL), which was 7.6 years at June 30, 2025.

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	$ 25,000,000	$ 1,000
Worker's Compensation	1,000,000	Statutory limit	1,000
Property Damage	50,000	600,000,000	1,000
Fidelity	2,500	25,000,000	1,000

During the year ended June 30, 2025, the District has no settlements exceeding insurance coverage for these categories of risk. For the past three years, settlements or judgment amounts have not exceeded insurance provided for District.

NOTE J – RELATED PARTY TRANSACTIONS

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

Expenses for services provided by related parties and payments to related parties under clean air programs during the fiscal year ended June 30, 2025 are summarized as follows:

Related Party	Fiscal Year 2024-2025 Expenses
City of Vacaville	
Install 150 feet of sidewalk on Front Street	$ 130,000
City of West Sacramento	
Expand the on-demand rideshare service to Downtown Sacramento	13,700
City of Davis	
Purchase a tow-behind electric bike lane sweeper	5,000
Yolo County	
Legal Services	43,200
District Directors and Hearing Board Members	
Board meeting stipends	13,900
Mileage Reimbursements	9,005
Total	$ 214,805

NOTE K – CONTINGENCIES

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

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

REQUIRED SUPPLEMENTARY INFORMATION

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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, 2025

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
REVENUES				
Licenses and permits	$ 3,445,684	$ 3,454,161	$ 3,347,549	$ (106,612)
Intergovernmental	698,959	766,589	812,700	46,111
Settlements and penalties	369,000	424,000	827,747	403,747
Use of money	39,872	39,872	228,178	188,306
Other revenues	500	500	72,784	72,284
TOTAL REVENUES	4,554,015	4,685,122	5,288,958	603,836
EXPENDITURES				
Current:				
Public health	5,077,402	5,102,402	4,867,410	234,992
Capital outlay	83,000	83,000	105,742	(22,742)
Debt service:				
Principal			174,984	(174,984)
Interest			50,365	(50,365)
TOTAL EXPENDITURES	5,160,402	5,185,402	5,198,501	(13,099)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(606,387)	(500,280)	90,457	590,737
OTHER FINANCING SOURCES				
Transfers in	641,388	641,388	576,495	(64,893)
TOTAL OTHER FINANCING SOURCES	641,388	641,388	576,495	(64,893)
NET CHANGE IN FUND BALANCE	35,001	141,108	666,952	525,844
Fund balance at beginning of year	4,945,326	4,945,326	4,945,326	
FUND BALANCE AT END OF YEAR	$ 4,980,327	$ 5,086,434	$ 5,612,278	$ 525,844

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, 2025

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
REVENUES				
Intergovernmental	$ 1,194,092	$ 1,194,092	$ 1,240,733	$ 46,641
Use of money	3,500	3,500	39,641	36,141
Miscellaenous revenue			2,983	2,983
TOTAL REVENUES	1,197,592	1,197,592	1,283,357	85,765
EXPENDITURES				
Current:				
Public health	896,972	901,972	743,732	158,240
TOTAL EXPENDITURES	896,972	901,972	743,732	158,240
EXCESS OF REVENUES OVER EXPENDITURES	300,620	295,620	539,625	244,005
OTHER FINANCING USES				
Transfers out	(175,310)	(175,310)	(153,718)	21,592
TOTAL OTHER FINANCING USES	(175,310)	(175,310)	(153,718)	21,592
NET CHANGE IN FUND BALANCE	125,310	120,310	385,907	265,597
Fund balance at beginning of year	1,556,510	1,556,510	1,556,510	
FUND BALANCE AT END OF YEAR	$ 1,681,820	$ 1,676,820	$ 1,942,417	$ 265,597

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, 2025

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
REVENUES				
Intergovernmental	$ 596,232	$ 596,232	$ 620,367	$ 24,135
Use of money	28,500	28,500	127,776	99,276
TOTAL REVENUES	624,732	624,732	748,143	123,411
EXPENDITURES				
Current:				
Public health	707,860	707,860	1,056,766	(348,906)
Debt service:				
Interest			4,089	(4,089)
TOTAL EXPENDITURES	707,860	707,860	1,060,855	(352,995)
EXCESS OF REVENUES OVER EXPENDITURES	(83,128)	(83,128)	(312,712)	(229,584)
OTHER FINANCING USES				
Transfers out	(37,265)	(37,265)	(52,838)	(15,573)
TOTAL OTHER FINANCING USES	(37,265)	(37,265)	(52,838)	(15,573)
NET CHANGE IN FUND BALANCE	(120,393)	(120,393)	(365,550)	(245,157)
Fund balance at beginning of year	3,812,618	3,812,618	3,812,618	
FUND BALANCE AT END OF YEAR	$ 3,692,225	$ 3,692,225	$ 3,447,068	$ (245,157)

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, 2025

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
REVENUES				
Intergovernmental	$ 538,725	$ 538,725	$ 689,695	$ 150,970
TOTAL REVENUES	538,725	538,725	689,695	150,970
EXPENDITURES				
Current:				
Public health	450,000	450,000	340,000	110,000
TOTAL EXPENDITURES	450,000	450,000	340,000	110,000
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES	88,725	88,725	349,695	260,970
OTHER FINANCING USES				
Transfers out	(53,873)	(53,873)	(58,911)	(5,038)
TOTAL OTHER FINANCING USES	(53,873)	(53,873)	(58,911)	(5,038)
NET CHANGE IN FUND BALANCE	34,852	34,852	290,784	255,932
Fund balance at beginning of year	1,648,253	1,648,253	1,648,253	
FUND BALANCE AT END OF YEAR	$ 1,683,105	$ 1,683,105	$ 1,939,037	$ 255,932

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, 2025

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
REVENUES				
Intergovernmental	$ 796,100	$ 796,100		$ (796,100)
Use of money	9,500	9,500	$ 44,251	34,751
TOTAL REVENUES	805,600	805,600	44,251	(761,349)
EXPENDITURES				
Current:				
Public health	960,000	960,000	774,482	185,518
TOTAL EXPENDITURES	960,000	960,000	774,482	185,518
OTHER FINANCING USES				
Transfers out	(189,100)	(189,100)	(116,172)	72,928
TOTAL FINANCING OTHER USES	(189,100)	(189,100)	(116,172)	72,928
NET CHANGE IN FUND BALANCE	(343,500)	(343,500)	(846,403)	(502,903)
Fund balance at beginning of year	1,731,747	1,731,747	1,731,747	
FUND BALANCE AT END OF YEAR	$ 1,388,247	$ 1,388,247	$ 885,344	$ (502,903)

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, 2025

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
REVENUES				
Intergovernmental	$ 2,216,865	$ 2,216,865	$ 1,073,220	$ (1,143,645)
Use of money	27,000	27,000	105,595	(78,595)
TOTAL REVENUES	2,243,865	2,243,865	1,178,815	(1,222,240)
EXPENDITURES				
Current:				
Public health	2,912,825	2,912,825	1,974,074	938,751
TOTAL EXPENDITURES	2,912,825	2,912,825	1,974,074	938,751
OTHER FINANCING USES				
Transfers out	(185,840)	(185,840)	(194,856)	(9,016)
TOTAL FINANCING OTHER USES	(185,840)	(185,840)	(194,856)	(9,016)
NET CHANGE IN FUND BALANCE	(854,800)	(854,800)	(990,115)	(292,505)
Fund balance at beginning of year	4,753,614	4,753,614	4,753,614	
FUND BALANCE AT END OF YEAR	$ 3,898,814	$ 3,898,814	$ 3,763,499	$ (292,505)

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, 2025

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

	June 30, 2025	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	0.87330%	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	$ 4,223,829	$ 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	$ 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	$ 1,794,933
Proportionate share of the net pension liability as a percentage of covered payroll	177.47%	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	75.89%	75.10%	76.04%	89.40%	77.66%	78.65%	79.12%	77.19%	74.06%	78.40%	79.82%

Notes to Schedule:

Reporting valutaion	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	June 30, 2013
Rerporting measurement date	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	June 30, 2014
Discount rate	6.90%	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.

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

	June 30, 2025	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
Contractually required contribution (actuarially determined)	$ 542,666	$ 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	(542,666)	(471,101)	(440,287)	(413,712)	(396,414)	(348,459)	(300,961)	(258,810)	(226,957)	(208,597)	(285,922)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll - fiscal year	$ 2,466,862	$ 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	22.00%	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, 2022	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

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	Market Value	15-year smoothed market
Inflation	2.30%	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%	2.80%	2.75%	2.75%	2.75%	2.875%	3.00%	3.00%	3.00%	3.00%	3.00%
Investment rate of return	6.80%	6.80%	7.00%	7.00%	7.00%	7.25%	7.375% [1]	7.50% [1]	7.50% [1]	7.50% [1]	7.50%
Morality	[3]	[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)

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB liability:								
Service cost	$ 104,173	$ 86,323	$ 76,499	$ 78,536	$ 76,249	$ 100,155	$ 90,099	$ 87,263
Interest	189,115	157,722	160,516	185,456	181,593	177,628	172,852	163,911
Differences between expected and actual experience	(533,093)	442,339		(450,945)		78,952		
Changes of assumptions	(174,580)	59,824	121,714	24,757		(15,488)	102,666	
Benefit payments	(238,392)	(209,195)	(220,817)	(206,461)	(196,735)	(159,482)	(135,855)	(125,500)
Net change in total OPEB liability	(652,777)	537,013	137,912	(368,657)	61,107	181,765	229,762	125,674
Total OPEB liability - beginning	3,140,898	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)	$ 2,488,121	$ 3,140,898	$ 2,603,885	$ 2,465,973	$ 2,834,630	$ 2,773,523	$ 2,591,758	$ 2,361,996
Plan fiduciary net position:								
Contributions - employer	$ 366,513	$ 333,923	$ 426,869	$ 405,506	$ 436,353	$ 387,482	$ 342,855	$ 326,500
Net investment income	226,841	124,143	(272,880)	369,323	39,626	61,049	47,849	40,033
Administrative expenses	(1,051)	(538)	(487)	(509)	(508)	(179)	(343)	(223)
Other trust expense	(584)						(920)	
Benefit payments	(238,392)	(209,195)	(220,817)	(206,461)	(196,735)	(159,482)	(135,855)	(125,500)
Net change in plan fiduciary net position	353,327	248,333	(67,315)	567,859	278,736	288,870	253,586	240,810
Plan fiduciary net position - beginning	2,064,256	1,815,923	1,883,238	1,315,379	1,036,643	747,773	494,187	253,377
Plan fiduciary net position - ending (b)	$ 2,417,583	$ 2,064,256	$ 1,815,923	$ 1,883,238	$ 1,315,379	$ 1,036,643	$ 747,773	$ 494,187
Net OPEB liability - ending (a)-(b)	$ 70,538	$ 1,076,642	$ 787,962	$ 582,735	$ 1,519,251	$ 1,736,880	$ 1,843,985	$ 1,867,809
Plan fiduciary net position as a percentage of the total OPEB liability	97.17%	65.72%	69.74%	76.37%	46.40%	37.38%	28.85%	20.92%
Covered-employee payroll - measurement period	$ 2,466,862	$ 2,380,070	$ 2,171,208	$ 2,314,851	$ 2,172,124	$ 2,071,003	$ 1,914,724	$ 1,780,314
Total net OPEB liability as percentage of covered-employee payroll	2.86%	45.24%	36.29%	25.17%	69.94%	83.87%	96.31%	104.91%
Notes to schedule:								
Valuation date	June 30, 2024	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, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Discount Rate	6.40%	6.05%	6.10%	6.60%	6.60%	6.60%	6.80%	7.25%
Inflation	2.30%	2.50%	2.50%	2.50%	2.75%	2.75%	2.75%	2.75%
Salary increase	2.80%	3.00%	3.00%	3.00%	3.00%	3.00%	3.25%	3.25%
Health insurance increase	6.80% to 3%	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, 2025

SCHEDULE OF CONTRIBUTIONS TO THE OPEB PLAN (UNAUDITED)

	2025	2024	2023	2022	2021	2020	2019	2018
Actuarially determined contribution - employer fiscal year	$ 189,996	$ 198,497	$ 124,728	$ 200,611	$ 195,533	$ 207,100	$ 228,705	$ 207,000
Contributions in relation to the actuarially determined contributions	(319,125)	(366,513)	(333,923)	(426,869)	(405,506)	(436,353)	(387,482)	(342,855)
Contribution deficiency (excess)	$ (129,129)	$ (168,016)	$ (209,195)	$ (226,258)	$ (209,973)	$ (229,253)	$ (158,777)	$ (135,855)
Covered-employee payroll - employer fiscal year	$ 2,447,257	$ 2,380,600	$ 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	13.04%	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, 2024	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	6.40%	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	22 years closed	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	Market value	Actuarial value
Inflation	2.30%	2.50%	2.50%	2.75%	2.75%	2.75%	2.75%	2.75%
Healthcare cost trend rates	6.80% in 2026 to 4.04% in 2075 in steps of 0.1%	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	2.80%	3%	3%	3%	3%	3%	3.25%	3.25%
Retirement age	50 to 75							
Mortality	CalPERS 2021	CalPERS 2021	CalPERS 2017	CalPERS 2017	CalPERS 2017	CalPERS 2017	CalPERS 2014	
	Experience Study							
Mortality improvement	MP-2020 generationally	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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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, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 4, 2026.

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 items 2025-001 and 2025-002 that we consider to be material weaknesses.

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

September 4, 2026

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT`

SCHEDULE OF FINDINGS

For the Year Ended June 30, 2025

Finding 2025-001 –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.

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.

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

Finding 2025-002 – Internal Controls over Financial Reporting and Year-End Closing Procedures – Material Weakness

Condition: The audit was delayed because of delays in producing closing entries, trial balance schedules, reconciliations, account analyses, and other financial reports needed by management and the auditors. We noted during the audit that the District's trial balance required multiple revisions before it could be finalized for audit financial statement preparation. Revisions were necessary to resolve balances recorded in suspense accounts, properly allocate amounts that were split between funds, and correct beginning fund balances for multiple funds that did not properly roll forward from the prior year. We reviewed eight trial balances before we received one where the funds were in balance and fund balances rolled forward to begin the audit. Areas where accounts and transactions were not adequately reconciled and evaluated for proper recording prior to the start of the audit fieldwork and areas that require improvement included the following:

- Ensure funds are in balance. We reviewed several versions of the general ledger for the audit where the funds were not in balance, which were then corrected by recording entries in suspense, which also needed to be cleared.
- Ensure interfund transactions, including due to and from other funds, and transfers in and out are in balance.
- Ensure suspense accounts are cleared out.
- Procedures for accounting for leases and related accounts need to be established.
- Procedures for evaluating when entries should be posted to fund balance and whether fund balance/net position/restrictions and investment in capital assets are properly reflected.
- Determination of the current portion of compensated absences and the amount to reflect in the governmental funds.

- Reconciliation of all accounts receivable balances to the subsidiary receivable system and ensure old transactions are properly cleared out. Transactions going back to 2017 sill appear on the accounts receivable listing.
- Ensure that collection of receivables are recorded as a reduction in the receivable instead of recording as revenue when received.
- Ensure revenue received in advance of qualifying expenditures are properly deferred.
- Procedures for tracking grant expenditures to ensure revenue is accrued to the extent of reimbursable expenditures incurred and evaluation of proper accounting treatment of transactions as earned, unearned, or unavailable revenue.
- Ensure government-wide entries are made properly to zero out capital outlay.
- Sick leave accrual needs to be calculated and recorded.

Criteria: Internal controls over financial reporting should be in place to ensure the District has the ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements. Due to new staff being assigned to close the books and the lack of a complete closing checklist, the Finance Department staff did not identify and record all year-end closing entries prior to the start of the audit.

Cause: The District has had turnover in the accounting staff and does not have processes in place to properly reconcile general ledger accounts and close the District's books.

Effect: A number of audit adjustments needed to be posted to properly report balances in the District's financial statements, and the audit was delayed until these corrections could be made.

Recommendation: We recommend that the District develop internal control procedures to create a responsible structure for accurate financial reporting. Procedures should be in place to prepare the required reconciliations at year-end and throughout the year and post entries needed to close the books prior to the start of the audit. We believe that the year-end closing process could proceed more quickly and smoothly by developing a comprehensive closing procedures checklist. We recommend that the District review the trial balance and reconcile account balances prior to providing it for audit to ensure suspense accounts are resolved, amounts are recorded in the appropriate funds, and beginning fund balances agree to the prior-year audited financial statements. This review will help ensure the trial balance is complete and accurate and reduce the need for revisions during the audit.

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

YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT`

SCHEDULE OF FINDINGS

For the Year Ended June 30, 2025

Prior Year Findings

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.

Current Status: See finding 2025-01, which is a continuation of this finding. However, the District completed the portion of the finding related to the permit renewal fees billed in June for July services. The June invoices were billed on July 1 to avoid the revenue being recorded.