

**YOLO-SOLANO AIR QUALITY  
MANAGEMENT DISTRICT**

Audited Financial Statements  
and Other Report

For the Fiscal Years Ended June 30, 2014 and 2013

**YOLO–SOLANO AIR QUALITY MANAGEMENT DISTRICT**

**BASIC FINANCIAL STATEMENTS**

**For the Fiscal Years Ended June 30, 2014 and 2013**

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**YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT**

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Yolo-Solano Air Quality Management District (the District) as of and for the years ended June 30, 2014 and June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our audit opinions.

## ***Opinion***

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, 2014 and June 30, 2013, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter***

As described in Note 1 to the financial statements, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 65 – *Items Previously Reported as Assets and Liabilities*, effective July 1, 2012. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress, and budgetary comparison information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards* we have also issued our report dated November 14, 2014, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Vavrinick, Trine, Day & Co. LLP*

Sacramento, California  
November 14, 2014

## YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014 and June 30, 2013

The following discussion and analysis of the Yolo-Solano Air Quality Management District's financial performance provides an overview of the District's financial activities for the fiscal year ending June 30, 2014. This information is presented in conjunction with the audited financial statements and the accompanying notes that follow this section.

#### Financial Highlights

- The total assets of the District exceeded its total liabilities by \$2,701,324 (net position). Of this amount \$2,364,705 is restricted due to legislation under AB 2766 and AB 923, and Solano County property tax received under AB 8 which under a Joint Powers Agreement with Solano County is restricted for use through the District's Clean Air Funds grant program and other public health awareness programs.
- As of the close of the 2014 fiscal year, the District's combined fund balances reported an ending balance of \$3,187,543, an increase of \$333,655 in comparison with 2013 fiscal year. The restricted portion of the total fund balance is 75% of the combined balance. A portion of the increase is due to not releasing grant funds in Fund 420, Mobile Source AB 923 of \$900,000, which rolled over into the fund balance available.
- In November 2012, the District established an additional special revenue fund to allow separate accounting for Department of Motor Vehicles (DMV) funds received under AB 2766 and AB 923 as to better account for the tracking of monies received and expenditures as the two assembly bills have different legislative restrictions. At the close of 2013, it was realized not enough money was transferred during the split, which totaled \$540,870. With Board approval, the cash was moved in three installments and was fully paid to the AB 923 fund by April 2014.
- In January 2013, the District paid \$121,100 and in September 2013, paid \$100,000 totaling \$211,100 to CalPERS to pay down the District's pension side fund. This resulted in a reduction of the employer rate by approximately 2% over the course of the last two fiscal years.
- Other Post-Employment Benefits (OPEB): The District covers a portion of the healthcare premium as required by law for retirees and dependents. The District starting prefunding in January 2013, and made the first payment of \$105,000 into the California Employer Retirement Benefit Trust (CERBT). In 2014, the District met the Annual Required Contribution (ARC) and contributed \$110,000. The monthly premiums for retirees known as "pay-as-you-go" was paid directory to CalPERS and the District asked for a disbursement from the trust for fiscal year 2014 of \$78,603. This disbursement reimburses the District for the pay-as-you-go costs for fiscal year 2014 that the District paid toward retiree health premiums.
- The District received a Federal grant totaling \$77,158 during FY 2014 for a third year as a pilot Section 105 Clean Air Act grant. This grant was used to supplement the District's permit program.
- Another grant received as an EPA pass-through from California Air Pollution Control Officers Association (CAPCOA) for the District's PM 2.5 air monitoring program totaled \$17,909 in fiscal year 2014 and was used to offset operation and maintenance of the federal and state air-monitoring network.

# YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014 and June 30, 2013

- The District's Clean Air Funds (CAF) competitive grant program provided funds to the community totaling \$350,000 in fiscal year 2014 using AB 2766 and Solano County Property Tax revenue.
- The District replaced school buses under a Board approved Lower Emission School Bus Program using AB 923 funds totaling \$303,020, which was an encumbered project from fiscal year 2013.
- In Solano County Solano Property Tax Mobile Source Fund 423, the District received \$56,224 in redevelopment statutory pass-through payments. The Redevelopment Agencies (RDA) statutory pass-through funds are required to be distributed to the District due to legislative action as we are an entity that receives tax proceeds from Solano County. Normally the District has received small increments directly from the Redevelopment Agencies (RDA), however now that Solano County is handling the pass-through, the District received the money in larger increments than prior years. The RDA pass-through received is earmarked for use in the CAF's program for future years.

### Overview of the Basic Financial Statements

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

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

### Government-Wide Financial Statements

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

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

Statement of Net Position presents information on all the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as an indicator of 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.

# YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014 and June 30, 2013

### 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 four funds:

- **General Fund:** This fund is used for the stationary source, agricultural burning, asbestos, and mutual settlement programs. The District also receives a small subvention grant and Portable Equipment Registration (PERP) fees from the State of California Air Resources Board (ARB). The District also received small pass-through grants from the EPA to assist in the stationary source and air monitoring programs. The revenue supports the staff that works within the programs.
- **Mobile Source Program - Dept. of Motor Vehicle Fees, Funds (AB 2766 and AB 923):** In fiscal year 2013 the District split the restricted Fund 422 to separate the AB 2766 and AB 923 revenue and expenses. 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 CAF Projects and supports the staff that works within the mobile source program under AB 2766 and remains in Fund 422. The District Board approved an additional \$2.00 under AB 923 in November 2004. This allows the DMV to collect an additional \$2.00 per vehicle, starting in April 2005. The use of the extra \$2.00 is restricted and as the revenue received under AB 2766, is set by legislation. The funds under AB 923 are now being accounted for in Fund 420.
- **Mobile Source Program-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. An administrative fee is charged to this restricted fund, and is reimbursed to the General Fund. Also included in this fund is RDA collected tax.

### 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. Since different accounting bases are used to prepare the above statements, reconciliation is required to facilitate the comparison between the fund statements and government-wide statements. The reconciliation between the total fund balances can be found on pages 17 and 18. The reconciliation of the total change in fund balances for all governmental funds to the change in net position can be found on pages 21 and 22.



**YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2014 and June 30, 2013**

**Statements of Revenues, Expenditures, and Changes in Fund Balance**

Budgeted and actual amounts by fund are provided on pages 44 through 51.

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

The notes to the basic financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 23 through 42 of this report.

**YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2014 and June 30, 2013**

**Government-Wide Financial Analysis**

Net position of the District's governmental activities may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$2,701,324 as of June 30, 2014 and \$2,359,314 as of June 30, 2013.

The following schedule lists a condensed Statement of Net Position as of June 30, 2014 compared with 2013 and 2012.

	Year ended June 30,		
	2014	2013	2012
Assets:			
Current assets	\$ 3,529,793	\$ 3,079,970	\$ 3,122,117
Capital assets, net	66,709	92,281	74,526
Total assets	<u>3,596,502</u>	<u>3,172,251</u>	<u>3,196,643</u>
Liabilities:			
Current liabilities	369,479	263,861	218,281
Noncurrent liabilities	525,699	549,076	607,733
Total liabilities	<u>895,178</u>	<u>812,937</u>	<u>826,014</u>
Net Position:			
Net investment in capital assets	55,730	73,982	49,791
Restricted	2,364,705	1,987,270	1,844,232
Unrestricted	280,889	298,062	476,606
Total net Position	<u>\$ 2,701,324</u>	<u>\$ 2,359,314</u>	<u>\$ 2,370,629</u>

Total net position increased from 2013 to 2014 by 13% or \$342,010, compared to a .5% decrease or \$11,315 from 2012 to 2013.

The largest portion of the District's net position, 88% for 2014, 84% for 2013, and 78% for 2012, represents resources that are subject to external restrictions on how they may be used (AB 2766, AB 923, and Solano Property Tax). The remaining portion of the District's net position is unrestricted which may be used to meet the District's ongoing operations and obligations. At the end of the fiscal year, the District is able to report positive balances as in the prior fiscal years.

**YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2014 and June 30, 2013**

The following lists the Statement of Activities as of June 30, 2014, 2013, and 2012:

	Year ended June 30,		
	2014	2013	2012
<b>Program Revenues:</b>			
Charges for services	\$ 1,746,121	\$ 1,787,471	\$ 1,747,928
Operating grants and contributions	2,214,007	2,230,741	2,188,171
<b>Total program revenues</b>	<b>3,960,128</b>	<b>4,018,212</b>	<b>3,936,099</b>
<b>Program Expenses:</b>			
Public health	3,874,739	4,209,206	4,226,507
Interest on long term debt	1,907	2,781	3,539
<b>Total program expenses</b>	<b>3,876,646</b>	<b>4,211,987</b>	<b>4,230,046</b>
<b>General Revenues:</b>			
Settlements and penalties	235,084	158,576	212,409
Investment income	8,406	8,437	16,405
Other	15,038	15,447	34,783
<b>Total general revenues</b>	<b>258,528</b>	<b>182,460</b>	<b>263,597</b>
Change in net position	342,010	(11,315)	(30,350)
Net Position - July 1	2,359,314	2,370,629	2,400,979
Net Position - June 30	<u>\$ 2,701,324</u>	<u>\$ 2,359,314</u>	<u>\$ 2,370,629</u>

**Governmental Activities**

Below are explanations of the significant revenue variances from fiscal years 2013 to 2014:

**Program Revenue:**

Charges for Services: This is the District's General Fund revenue and is considered the main operating fund of the District. There was a decrease in revenue that falls within this category from 2013 to 2014 of 2% or \$41,350. The variance is related to the stationary source new permit and source testing fees that did not meet the District's budget projections in 2014. For 2012 to 2013, the increase of 2% or \$39,543 was related to the State mandated Air Toxic Hot Spots Program, which amounted to \$32,787 for 2013.

Operating Grants and Contributions: This is revenue received from the DMV and Solano County under Solano property tax proceeds and redevelopment pass-through dollars; and state or federal grants and/or pass-through funds. There is a 3% or \$58,084 decrease from 2013 to 2014. There is one disbursement that was accrued for \$66,700 to 2014 from the Air Resources Board (ARB) for the Portable Equipment Registration Program (PERP) that has been delayed by the State of California, and was received after the 60-day receipt period. The variance from 2012 to 2013 was an increase of 2% or \$42,570.

**YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2014 and June 30, 2013**

Program Expenses:

- **Public Health:** Expenses under this category shows a decrease in fiscal year 2013 to 2014 of 9% or \$334,467 and a decrease of .4% or \$17,301 from fiscal year 2012 to 2013. The variance from 2014 to 2013 is the District's continued effort to reduce operation costs, and the reduction of grant funding released in 2014. The District considers the role of the District as a public health agency, with our goal to protect human health and property from the harmful effects of air pollution. Included in the role of a public health agency is staffing to ensure the goals are met. This involves meeting state and federal air quality rules and regulations and mandates. Other expenditures to effectively run the District consist of services and supplies including rent of office space, utilities, insurance, training, travel and professional services such as legal, accounting, payroll, computer network support, etc.

General Revenues:

- **General Revenue:** Settlement revenues increased by 33% or \$76,508 in FY 2014 compared to FY 2013 and a decrease of 34% or \$53,833 from FY 2012 to FY 2013. This revenue is received due to violation of District rules and regulations, and federal and/or state law, and can vary from year to year.

**Financial Analysis of the Governmental Funds**

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements focus on individual parts of the District, reporting the District's operations in more detail than the government-wide financial statements. The governmental funds provide information on near-term inflows, outflows and balances of spending resources. Total governmental fund balance at June 30, 2014 was \$3,166,932. This was an increase of 10% or \$313,045 from fiscal year 2013 to 2014. For 2014, the fund balance classification of restricted for AB 2766 and AB 923 were separated for the first year as the District split the DMV Fund into two separate funds. The following table shows the fund balance by classifications for the last three years ending June 30. Classifications include Restricted (AB 2766, AB 923 and Solano Property Tax), Assigned (General Fund's Equipment Replacement and Special Programs reserve accounts) and Unassigned (which also includes the General Fund's "General Reserves" of \$259,146).

<u>Fund Balance</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
General Fund	\$ 822,837	\$ 866,617	\$ 1,171,035
AB2766	266,251	147,272	1,454,887
AB923	1,528,823	1,318,311	*
Solano Property Tax	569,631	521,687	389,345
Total Fund Balance	<u>\$ 3,187,542</u>	<u>\$ 2,853,887</u>	<u>\$ 3,015,267</u>

\*Combined in fund 422 in 2013 and 2012. In 2014 the District separated the Fund to better track the use of the more restrictive AB923 money.

## YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014 and June 30, 2013

Variances of 15% in the fund balances by classification within the last three years are explained as follows:

- Mobile Source DMV AB 2766 fund balance increased by 45% or \$118,979 from 2013 to 2014. This variance was caused for the splitting of the DMV AB 2766 and AB 923 into two separate funds, as the largest portion of the prior year fund balance was due to AB 923 grant funds not being disbursed and/or expended. Under the combined fund balance there was an increase of 1% or \$10,696 from 2012 to 2013.

#### **Analysis of General Fund Budget**

Significant variances from the Final Budget to the Actual amounts as shown on page 45 are:

- Revenue received in the Licenses and Permits category increased from final to actual by \$57,291. The increase is a combination several revenue accounts in the General Fund, renewal, new permit, source testing, Hot Spots (Air Toxics), agricultural burn and asbestos programs. It represents a 2% increase from final to actual.
- Revenue received in the Intergovernmental category is from other government agencies shows a \$75,219 increase from final to actual.
- Settlements and penalties increased by \$80,084 from final to actual. This revenue received is based on violation of District Rules and Regulations and settlement of the violation. The projections for the proposed and/or final budget are conservative and based on prior year trends.
- Expenditures in the Public Health category decreased from the final to the actual spent by \$560,028. There was savings in salaries and benefits of approximately \$64,500, and other operating expenses at approximately \$109,000. In addition, contingency reserve was not appropriated for use at \$248,000.

#### **Capital Assets and Long-Term Debt**

##### Capital Assets:

As of June 30, 2014 and June 30, 2013, the District's investment in capital assets amounted to \$66,709 and \$92,281 respectively, net of accumulated depreciation. This investment in capital assets includes air monitoring equipment, vehicles, office equipment, and furniture. Additional information on the District's capital assets can be found in Note 4 to the Financial Statements.

##### Long-Term Liabilities:

As of June 30, 2014 and June 30, 2013, the District's long-term liabilities that are not due and payable in the current period total \$552,927 and \$661,282, respectively, which includes the District's accrued compensated absences (accrued leave), capital lease obligations (photocopiers), and other post-employment benefits. Additional information on the District's long-term liabilities can be found in Note 5 to the Financial Statements.

# YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014 and June 30, 2013

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's policies include taking a conservative approach to budgeting and careful forecasting for future revenue and expenditures.

The General Fund's main support is from fees received from permit holders under the stationary source permit program. As the General Fund supports salaries and benefits, and service and supplies to support the employees funded through the General Fund, the District looks closely at cost recovery in the stationary source program. This determines future cost recovery adjustments in permit fees to ensure the District has the revenue to support operations. For fiscal year 2014, the District projected an 86% cost recovery in the stationary source program. Based on this analysis, and to bring some financial relief to permit holders, the Executive Director did not recommend a fee adjustment based on the California Consumer Price Index (CPI) as allowed by District Rule 4.1, Section 402. By year's end the District ended 2014 with 93% cost recovery in the stationary source program. For fiscal year 2015, the District is projecting a cost recovery of the stationary source program of 87%. To avoid larger increases to fees in the future, the Executive Director did recommend and the Board approved a 1.4% CPI adjustment effective July 1, 2014.

The DMV revenue is received from vehicle registration fees within the District's jurisdiction. The DMV revenue received under AB 2766 supports employees working within the Mobile Source program, which includes salaries and benefits, and operating costs; and a portion supports the Clean Air Funds program. The District has budgeted \$105,000 toward the CAF Program using AB 2766 money for 2015. AB 923 supported the District's Lower Emission School Bus Program (AB923) since 2014. As of June 30, 2014, all school buses in the District have been replaced and/or retrofitted under the Clean School Bus Program. New to 2015 with Board approval is to allocate grant funds using AB 923 money toward the District's Clean Agricultural Equipment and Public Fleet Program. The District has \$1,300,000 available for 2015.

Solano County property tax proceeds are allocated to the District through the Solano County Auditor-Controller's Office. This revenue has been used exclusively for the District's CAF program, and other public health awareness programs, and the District has \$400,000 available for 2015 CAF program.

The following factors were considered in preparing the fiscal year 2015 approved final budget. The District's overall budget is projected as an 11% increase, which includes the General Fund and the three Mobile Source Funds that are restricted in use.

- General Fund is projected to decrease 1%. Included in the 2015 budget is a payment to CalPERS to pay off the District's balance in the pension side fund of \$80,919 and contribute to the CERBT OPEB Trust to meet the District's ARC of \$127,400. The expenditure side of the budget is to meet our operating expenses. For revenue, the District is projecting a 3% increase in the stationary source program, and a decrease in the fund balance available (cash available) of 22% or \$141,372.
- Mobile Source DMV AB 2766 Fund is projected for 2015 at a 12% increase. The expenditures include money available to use in the continued development and updating of the permit database, which increases by 56% or \$29,300 for 2015. This database includes emission data used in the State Implementation Plans required by the Air Resources Board and the EPA. In addition, an increase in administrative overhead and indirect costs to the General Fund is projected at 58% or \$78,275 increase. Revenue projections show an increase of 4% on money received through the DMV under AB 2766. In addition, the cash available from 2014 to 2015 is projected to increase by 76% or \$105,217.

## **YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2014 and June 30, 2013**

- Mobile Source DMV AB 923 Fund is projected to increase by 36%. This fund is used exclusively for grant programs that are allowed under AB 923 legislation. The Board approved the District's Clean Agricultural Equipment and Public Fleet Program for 2015, and the District has \$1,300,000 available for grants. Revenue received from the DMV is expected to increase by 4%, and the cash available from 2014 is projected at a 54% increase or \$508,661.
- Mobile Source Solano County Property Tax Fund is projected to increase by 6% for 2015. Available grant funds released through the CAF grant program increased by 60% or \$150,000 and the cash moving from 2014 to 2015 is projected at a 9% or \$47,943 increase.

#### **Requests for Information**

This financial report is designed to provide a general overview of the District's finances for readers of the financial statements. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the Administrative Services Manager, 1947 Galileo Court, Suite 103, Davis, California 95618.

**YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT**

**STATEMENTS OF NET POSITION – GOVERNMENTAL ACTIVITIES**

**JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Cash and investments	\$ 940,394	\$ 936,196
Restricted cash	2,184,461	1,714,586
Accounts receivable	30,323	74,203
Due from other agencies	374,615	354,985
Capital assets, net	66,709	92,281
<b>TOTAL ASSETS</b>	<u>3,596,502</u>	<u>3,172,251</u>
<b>LIABILITIES</b>		
Accounts payable	41,256	36,121
Due to other agencies	92,521	1,094
Accrued payroll	140,387	37,622
Unearned revenue	68,087	76,818
Noncurrent liabilities:		
Due within one year	27,228	112,206
Due in more than one year	525,699	549,076
<b>TOTAL LIABILITIES</b>	<u>895,178</u>	<u>812,937</u>
<b>NET POSITION</b>		
Net investment in capital assets	55,730	73,982
Restricted for:		
Mobile Source DMV (AB2766)	266,251	147,272
Mobile Source DMV (AB923)	1,528,823	1,318,311
Mobile Source Solano Property Tax (AB8)	569,631	521,687
Unrestricted	280,889	298,062
<b>TOTAL NET POSITION</b>	<u>\$ 2,701,324</u>	<u>\$ 2,359,314</u>

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



**YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT**  
**STATEMENTS OF ACTIVITIES – GOVERNMENTAL ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>PROGRAM EXPENSES</b>		
Governmental activities:		
Public health	\$ 3,874,739	\$ 4,209,206
Interest on long-term debt	1,907	2,781
<b>TOTAL PROGRAM EXPENSES</b>	<u>3,876,646</u>	<u>4,211,987</u>
<b>PROGRAM REVENUES</b>		
Charges for services	1,746,121	1,787,471
Operating grants and contributions	2,214,007	2,230,741
<b>TOTAL PROGRAM REVENUES</b>	<u>3,960,128</u>	<u>4,018,212</u>
<b>NET PROGRAM REVENUE (EXPENSE)</b>	<u>83,482</u>	<u>(193,775)</u>
<b>GENERAL REVENUES</b>		
Settlements and penalties	235,084	158,576
Investment income	8,406	8,437
Other	15,038	15,447
<b>TOTAL GENERAL REVENUES</b>	<u>258,528</u>	<u>182,460</u>
<b>CHANGES IN NET POSITION</b>	342,010	(11,315)
Net Position at Beginning of Year	<u>2,359,314</u>	<u>2,370,629</u>
Net Position at End of Year	<u>\$ 2,701,324</u>	<u>\$ 2,359,314</u>

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

**YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT**

**BALANCE SHEET – GOVERNMENTAL FUNDS**

**JUNE 30, 2014**

	Special Revenue Funds				Total Governmental Funds
	General Fund	Mobile Source DMV (AB2766) Fund	Mobile Source DMV (AB923) Fund	Mobile Source (Solano Property Tax) Fund	
<b>ASSETS</b>					
Cash and investments	\$ 911,578	\$ 28,816	\$ -	\$ -	\$ 940,394
Restricted cash	-	96,698	1,435,516	652,247	2,184,461
Accounts receivable	30,323	-	-	-	30,323
Due from other governments	87,310	186,614	93,307	7,384	374,615
<b>TOTAL ASSETS</b>	<b>\$ 1,029,211</b>	<b>\$ 312,128</b>	<b>\$ 1,528,823</b>	<b>\$ 659,631</b>	<b>\$ 3,529,793</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 25,841	\$ 15,415	\$ -	\$ -	\$ 41,256
Due to other governments	2,394	127	-	90,000	92,521
Accrued payroll	110,052	30,335	-	-	140,387
Unearned revenue	68,087	-	-	-	68,087
<b>TOTAL LIABILITIES</b>	<b>206,374</b>	<b>45,877</b>	<b>-</b>	<b>90,000</b>	<b>342,251</b>
<b>FUND BALANCES</b>					
Restricted for:					
AB2766	-	266,251	-	-	266,251
AB923	-	-	1,528,823	-	1,528,823
Solano Property Tax	-	-	-	569,631	569,631
Assigned to:					
Equipment replacement	14,765	-	-	-	14,765
Special programs	13,053	-	-	-	13,053
Unassigned	795,019	-	-	-	795,019
<b>TOTAL FUND BALANCES</b>	<b>822,837</b>	<b>266,251</b>	<b>1,528,823</b>	<b>569,631</b>	<b>3,187,542</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,029,211</b>	<b>\$ 312,128</b>	<b>\$ 1,528,823</b>	<b>\$ 659,631</b>	<b>\$ 3,529,793</b>

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

**YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT**

**BALANCE SHEET – GOVERNMENTAL FUNDS**

**JUNE 30, 2013**

	Special Revenue Funds				Total Governmental Funds
	General Fund	Mobile Source DMV (AB2766) Fund	Mobile Source DMV (AB923) Fund	Mobile Source (Solano Property Tax) Fund	
<b>ASSETS</b>					
Cash and investments	\$ 928,091	\$ 8,105	\$ -	\$ -	\$ 936,196
Restricted cash	-	514,392	686,628	513,566	1,714,586
Accounts receivable	74,203	-	-	-	74,203
Due from other governments	74,427	181,624	90,813	8,121	354,985
Due from other funds	-	-	540,870	-	540,870
<b>TOTAL ASSETS</b>	<b>\$ 1,076,721</b>	<b>\$ 704,121</b>	<b>\$ 1,318,311</b>	<b>\$ 521,687</b>	<b>\$ 3,620,840</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 27,642	\$ 8,479	\$ -	\$ -	\$ 36,121
Due to other governments	1,094	-	-	-	1,094
Due to other funds	-	540,870	-	-	540,870
Accrued payroll	30,122	7,500	-	-	37,622
Unearned revenue	76,818	-	-	-	76,818
<b>TOTAL LIABILITIES</b>	<b>135,676</b>	<b>556,849</b>	<b>-</b>	<b>-</b>	<b>692,525</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue	74,428	-	-	-	74,428
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>74,428</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>74,428</b>
<b>FUND BALANCES:</b>					
Restricted for:					
AB2766	-	147,272	-	-	147,272
AB923	-	-	1,318,311	-	1,318,311
Solano Property Tax	-	-	-	521,687	521,687
Assigned to:					
Equipment replacement	14,774	-	-	-	14,774
Special programs	13,061	-	-	-	13,061
Unassigned	838,782	-	-	-	838,782
<b>TOTAL FUND BALANCES</b>	<b>866,617</b>	<b>147,272</b>	<b>1,318,311</b>	<b>521,687</b>	<b>2,853,887</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 1,076,721</b>	<b>\$ 704,121</b>	<b>\$ 1,318,311</b>	<b>\$ 521,687</b>	<b>\$ 3,620,840</b>

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

**YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT**

**RECONCILIATION OF THE BALANCE SHEET TO THE GOVERNMENT-WIDE  
STATEMENTS OF NET POSITION – GOVERNMENTAL FUNDS**

**JUNE 30, 2014**

Fund balances – total governmental funds \$ 3,187,542

Amounts reported for governmental activities in the Statement of Net  
Position are different because:

Capital assets used in governmental activities are not current  
financial resources and therefore are not reported in the funds:

Governmental capital assets	\$ 627,992	
Less: accumulated depreciation	<u>(561,283)</u>	66,709

Long-term liabilities are not due and payable in the current  
period and therefore are not reported in the funds. Those  
liabilities consist of:

Accrual for other post-employment benefits (OPEB)	(419,994)	
Capitalized lease obligations	(10,979)	
Accrued compensated absences	<u>(121,954)</u>	<u>(552,927)</u>

Net position – governmental activities \$ 2,701,324

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

**YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT**

**RECONCILIATION OF THE BALANCE SHEET TO THE GOVERNMENT-WIDE  
STATEMENTS OF NET POSITION – GOVERNMENTAL FUNDS**

**JUNE 30, 2013**

Fund balances – total governmental funds		\$ 2,853,887
Amounts reported for governmental activities in the Statement of Net Position 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		74,428
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds:		
Governmental capital assets	\$ 627,992	
Less: accumulated depreciation	<u>(535,711)</u>	92,281
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Accrual for other post-employment benefits (OPEB)	(499,391)	
Capitalized lease obligations	(18,299)	
Accrued compensated absences	<u>(143,592)</u>	<u>(661,282)</u>
Net position – governmental activities		<u><u>\$ 2,359,314</u></u>

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

**YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT**

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

**FOR THE YEAR ENDED JUNE 30, 2014**

	Special Revenue Funds				Total Governmental Funds
	General Fund	Mobile Source DMV (AB2766) Fund	Mobile Source DMV (AB923) Fund	Mobile Source (Solano Property Tax) Fund	
<b>REVENUES</b>					
Licenses and permits	\$ 1,746,121	\$ -	\$ -	\$ -	\$ 1,746,121
Intergovernmental	345,576	1,073,181	536,590	333,088	2,288,435
Settlements and penalties	235,084	-	-	-	235,084
Use of money	3,921	1,353	3,132	-	8,406
Other revenues	11,967	3,071	-	-	15,038
<b>TOTAL REVENUES</b>	<b>2,342,669</b>	<b>1,077,605</b>	<b>539,722</b>	<b>333,088</b>	<b>4,293,084</b>
<b>EXPENDITURES</b>					
Current:					
Public health	2,575,983	818,626	303,020	252,573	3,950,202
Debt service:					
Principal	7,320	-	-	-	7,320
Interest	1,907	-	-	-	1,907
<b>TOTAL EXPENDITURES</b>	<b>2,585,210</b>	<b>818,626</b>	<b>303,020</b>	<b>252,573</b>	<b>3,959,429</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(242,541)</b>	<b>258,979</b>	<b>236,702</b>	<b>80,515</b>	<b>333,655</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	198,761	-	-	-	198,761
Transfers out	-	(140,000)	(26,190)	(32,571)	(198,761)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>198,761</b>	<b>(140,000)</b>	<b>(26,190)</b>	<b>(32,571)</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(43,780)</b>	<b>118,979</b>	<b>210,512</b>	<b>47,944</b>	<b>333,655</b>
Fund Balances at Beginning of Year	866,617	147,272	1,318,311	521,687	2,853,887
Fund Balances at End of Year	<b>\$ 822,837</b>	<b>\$ 266,251</b>	<b>\$ 1,528,823</b>	<b>\$ 569,631</b>	<b>\$ 3,187,542</b>

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 BALANCES – GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2013**

	Special Revenue Funds				Total Governmental Funds
	General Fund	Mobile Source DMV (AB2766) Fund	Mobile Source DMV (AB923) Fund	Mobile Source (Solano Property Tax) Fund	
<b>REVENUES</b>					
Licenses and permits	\$ 1,787,471	\$ -	\$ -	\$ -	\$ 1,787,471
Intergovernmental	203,483	1,035,062	517,532	400,236	2,156,313
Settlements and penalties	158,576	-	-	-	158,576
Use of money	4,330	2,289	1,818	-	8,437
Other revenues	15,417	30	-	-	15,447
<b>TOTAL REVENUES</b>	<b>2,169,277</b>	<b>1,037,381</b>	<b>519,350</b>	<b>400,236</b>	<b>4,126,244</b>
<b>EXPENDITURES</b>					
Current:					
Public health	2,603,950	761,679	622,956	242,701	4,231,286
Capital outlay	47,121	-	-	-	47,121
Debt service:					
Principal	6,436	-	-	-	6,436
Interest	2,781	-	-	-	2,781
<b>TOTAL EXPENDITURES</b>	<b>2,660,288</b>	<b>761,679</b>	<b>622,956</b>	<b>242,701</b>	<b>4,287,624</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(491,011)</b>	<b>275,702</b>	<b>(103,606)</b>	<b>157,535</b>	<b>(161,380)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	186,593	-	1,447,105	-	1,633,698
Transfers out	-	(1,583,317)	(25,188)	(25,193)	(1,633,698)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>186,593</b>	<b>(1,583,317)</b>	<b>1,421,917</b>	<b>(25,193)</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(304,418)</b>	<b>(1,307,615)</b>	<b>1,318,311</b>	<b>132,342</b>	<b>(161,380)</b>
Fund Balances at Beginning of Year	1,171,035	1,454,887	-	389,345	3,015,267
Fund Balances at End of Year	\$ 866,617	\$ 147,272	\$ 1,318,311	\$ 521,687	\$ 2,853,887

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

**YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT**

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

**FOR THE YEAR ENDED JUNE 30, 2014**

Net changes in fund balances – total governmental funds		\$	333,655
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 decreased by this amount during the year.			(74,428)
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		\$	-
Depreciation expense			(25,572)
			<u>(25,572)</u>
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.			
Principal repayments on long-term liabilities			7,320
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.			
Change in OPEB liability			79,397
Change in accrual for compensated absences			21,638
			<u>21,638</u>
Change in net position – governmental activities		\$	<u>342,010</u>

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



**YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES – GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2013**

Net changes in fund balances – total governmental funds		\$	(161,380)
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.			74,428
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	\$	47,121	
Depreciation expense		<u>(29,366)</u>	17,755
Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.			
Principal repayments on long-term liabilities			6,436
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.			
Change in OPEB liability			61,496
Change in accrual for compensated absences			<u>(10,050)</u>
Change in net position – governmental activities		\$	<u><u>(11,315)</u></u>

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

# YOLO–SOLANO AIR QUALITY MANAGEMENT DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

### NOTE 1 – 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.

#### A. Background:

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

The District includes all of Yolo County and the northeast portion of Solano County which lies within the Sacramento Valley Air Basin. The District is governed by a Board of Directors, which is comprised of four members from the Board of Supervisors of Yolo County, three members from the Board of Supervisors of Solano County and seven city representatives. The Auditor-Controller/Treasurer/Tax Collector of Yolo County serves as the District's Treasurer.

#### B. Basis of Presentation – Government-Wide Financial Statements:

The government-wide financial statements (e.g., the *Statements of Net Position* and the *Statements of Activities*) report information on all of the non-fiduciary activities of the District. 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 *Statements of Activities* demonstrates the degree to which the direct expenses of a given function or segments 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 settlements and penalties 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 District's policy to use restricted resources first, then unrestricted resources as they are needed.

# YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

JUNE 30, 2014 AND 2013

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### C. Basis of Presentation – Fund Financial Statements:

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both 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, to be available if they are collected within 60 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 and employees.

Licenses and permits, intergovernmental revenues, settlement and penalties, and interest income 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.

The District reports the following major governmental fund:

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 (AB2766) – This special revenue fund is used to account for the restricted revenues received from the State under Assembly Bill 2766 (AB2766) for implementation of the California Clean Air Act to reduce air pollution from motor vehicles and related studies.

Mobile Source DMV (AB923) – This special revenue fund was created in FY 2012/2013 to separately account for the restricted revenues received from the State under Assembly Bill 923 (AB923), 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 to expenditures for specific purposes.

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 (AB8), 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.

# YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

JUNE 30, 2014 AND 2013

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### D. Budgets:

Budgets are adopted on a budgetary basis 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.

#### E. 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 estimated fair market 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, with historical cost greater 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 is 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.

#### F. Deferred Outflows/Inflows of Resources:

In addition to assets, the Statements of Net Position 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. The District does not have any of these items for the year ended June 30, 2014 and June 30, 2013.

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. The District does not have any of these items for the year ended June 30, 2014.

#### G. Net Position:

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

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

# YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

JUNE 30, 2014 AND 2013

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### G. Net Position (Continued):

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

#### H. Fund Balance:

Fund Balance – In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The District has established the following classifications and definitions of fund balance:

Nonspendable – Resources that cannot be spent because they are not in an expendable form (e.g. prepaid asset, inventory) or must be maintained intact (e.g. endowment principal).

Restricted – Resources that are constrained to specific purposes by an external provider (e.g. grantors, contributors, governmental laws and regulations) or by constitutional provisions or enabling legislation.

Committed – Resources with self-imposed limitations, evidenced by the District's formal action (resolution), and require both the approval of the highest level of decision making authority (District Board) and the same formal action to remove or modify the limitations.

Assigned – Resources with self-imposed limitations but do not require approval by the highest level of decision making authority or the same level of formal action to remove or modify limitations. The District Board has the authority to assign fund balance through the budget process which is recommended by staff and approved by the Board each year. Residual balances in Special Revenue Funds.

Unassigned – Resources that cannot be reported in any other classification in the General Fund.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balances are available, the District's policy is to first apply restricted fund balance. When expenditures are incurred for purposes for which committed, assigned, or unassigned fund balances are available, the District's policy is to first apply committed fund balance, then assigned fund balance, and finally unassigned fund balance.

#### I. 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.

## YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

JUNE 30, 2014 AND 2013

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### J. New Effective Accounting Pronouncements:

The Governmental Accounting Standards Board (GASB) releases new accounting and financial reporting standards which may have a significant impact on the District's financial reporting process. New standards which may impact the District include the following:

GASB Statement No. 65 – In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement redefines certain financial elements previously reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. The objective is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues). Under GASBS No. 65, when an asset is recorded in governmental fund financial statements but the revenue is not available, the government should report a deferred inflow of resources until such time as the revenue becomes available. As such, the implementation of GASBS No. 65 resulted in a reclassification of unavailable revenues (formerly deferred revenues), previously reported as current liabilities, are now reported as Deferred Inflows of Resources - Unavailable Revenues.

GASB Statement No. 66 – In March 2012, GASB issued Statement No. 66, *Technical Corrections – 2012 – and amendment of GASB Statements No. 10 and 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The District has determined that this Statement does not have a material effect on the financial statements.

GASB Statement No. 67 – In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*. The objective of this Statement is to improve financial reporting by State and local governmental pension plans. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to define contribution plans that provide postemployment benefits other than pensions. This Statement is not applicable to the District.

GASB Statement No. 70 – In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this Statement is to improve accounting and financial reporting by State and local governments that extend and receive nonexchange financial guarantees. The Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This Statement is not applicable to the District.

## YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

JUNE 30, 2014 AND 2013

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### K. Future Accounting Pronouncements:

The Governmental Accounting Standards Board (GASB) releases new accounting and financial reporting standards which may have a significant impact on the District's financial reporting process. Future new standards which may impact the Authority include the following:

GASB Statement No. 68 – In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement. This Statement is not effective until the fiscal year ending June 30, 2015. The District has not determined the effect of this Statement.

GASB Statement No. 69 – In January 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. The objective of this Statement is to improve accounting and financial reporting by State and local governments for government combinations and disposals of government operations. The Statement provides authoritative guidance on a variety of government combinations including mergers, acquisitions, and transfers of operations. This Statement is not effective until the fiscal year ending June 30, 2015. The District has not determined the effect of this Statement.

GASB Statement No. 71 – In November 2013, GASB issued Statement No. 71, *Pension Transition For Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement should be applied simultaneously with the provisions of Statement No. 68. District has not determined the effect of this Statement.

#### NOTE 2 – CASH AND INVESTMENTS

##### Cash in County Treasury:

The District maintains most of its cash and investments with the Yolo County Treasurer in a cash and investment pool. On a quarterly basis, the Treasurer allocates interest to participants based upon their average daily balances. Required disclosure information regarding the classification of investments and other deposit and investment risk disclosures can be found in the County's Comprehensive Annual Financial Report (CAFR). The County of Yolo's financial statements may be obtained by contacting the County of Yolo's Auditor-Controller's Office at 625 Court Street, Room 103, Woodland, California 95695. The Yolo County Treasury Oversight Committee oversees the Treasurer's investments and policies.

**YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**

**JUNE 30, 2014 AND 2013**

*NOTE 2 – CASH AND INVESTMENTS (Continued)*

The District had no deposit or investment policy that addressed a specific type of risk. Investments held in the County's investment pool are available on demand and are stated at amortized cost plus accrued interest.

The total amounts held by the District are as follows:

	<u>2014</u>	<u>2013</u>
County pooled cash and investments	\$ 791,829	\$ 803,235
Cash on hand	148,565	132,961
Restricted cash (AB2766)	96,698	514,392
Restricted cash (AB923)	1,435,516	686,628
Restricted cash (Solano Co. Property Tax)	652,247	513,566
Total Cash and Investments	<u>\$ 3,124,855</u>	<u>\$ 2,650,782</u>

Cash and investments are classified in the financial statements as follows:

	<u>2014</u>	<u>2013</u>
Cash and investments	\$ 940,394	\$ 936,196
Restricted cash	2,184,461	1,714,586
Total Cash and Investments	<u>\$ 3,124,855</u>	<u>\$ 2,650,782</u>

Custodial credit risk cash and investments:

The District has three outside bank accounts at a local bank, First Northern Bank. At June 30, 2014, the reported amount of the Districts deposits was as follows and is reported as cash on hand.

	<u>2014</u>	<u>2013</u>
District deposits at First Northern Bank	\$ 148,565	\$ 132,961
Federally Insured deposits	\$ 148,565	\$ 132,961
Uninsured deposits	<u>-</u>	<u>-</u>



**YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**

**JUNE 30, 2014 AND 2013**

*NOTE 3 – RESTRICTED CASH/PROGRAM EXPENDITURES*

Revenues received under AB2766 and AB923 are restricted from cash available for current operations in accordance with that legislation. As of June 30, 2014 and 2013, the restricted cash balance in the AB2766 special revenue fund, which totaled \$96,698 and \$514,392, and the AB923 special revenue fund, which totaled \$1,435,516 and \$686,628, respectively, is restricted for clean air projects as approved by the Board. Expenditures under AB2766 for the years ended June 30, 2014 and 2013, were made in accordance with the District's Board of Directors' authorizations and were as follows:

	Mobile Source DMV (AB 2766) Fund	
	2014	2013
Expenditures:		
Public health:		
Salaries and benefits	\$ 626,794	\$ 580,183
Professional services:		
Discretionary external projects/programs	9,371	15,325
Other services and supplies	82,461	55,971
Program expenditures:		
024u Educational Campaign	-	14,863
Climate change compact	-	1,500
Engine Retrofit	15,000	-
Low Speed EV Upgrade	-	8,801
Motor Grader Replacement	4,975	-
Replace 1992 Diesel Yard Truck	7,421	-
Replace Diesel Tractor	-	21,063
Replace Heavy Duty Diesel Collection Vehicle	15,000	-
Replace Heavy Duty Truck	-	21,063
Replace Rescue Vehicle	-	28,000
Replacement Vehicle	25,375	-
Retrofit of Weights & Measures Truck	-	13,060
Search for King Carbon	-	1,850
The Kids from Planet Earth - Yolo County	4,625	-
Utility Vacuum Truck Retrofit	12,604	-
Yolobus Summer Sizzler	15,000	-
Total public health expenditures	<u>818,626</u>	<u>761,679</u>
Capital outlay	-	-
Transfers out:		
Overhead allocation *	87,750	85,836
Administrative fee *	52,250	50,376
Total transfers out**	<u>140,000</u>	<u>136,212</u>
Total AB2766 Expenditures and Transfers	<u>\$ 958,626</u>	<u>\$ 897,891</u>

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

\*\* Total Transfers out net of \$1,447,105 transfer out to set up Mobile Source DMV (AB923) Fund.

**YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**

**JUNE 30, 2014 AND 2013**

*NOTE 3 – RESTRICTED CASH/PROGRAM EXPENDITURES (Continued)*

Expenditures under AB923 for the year ended June 30, 2014 and June 30, 2013, were made in accordance with the District's Board of Directors' authorizations and were as follows:

	Mobile Source DMV (AB 923) Fund	
	<u>2014</u>	<u>2013</u>
Expenditures:		
Public health:		
Program expenditures:		
Bus replacement	\$ 303,020	\$ 622,956
Transfers out:		
Administrative fee *	<u>26,190</u>	<u>25,188</u>
Total AB923 Expenditures and Transfers	<u>\$ 329,210</u>	<u>\$ 648,144</u>

As of June 30, 2014 and 2013, the cash balance in the Solano Property Tax Special Revenue Fund, which totaled \$652,247 and \$513,566, respectively, is restricted for clean air projects in Solano County as approved by the Board of Directors. Expenditures and transfers under AB8 for the fiscal years ended June 30, 2014 and 2013, were made in accordance with the District's Board of Directors' authorizations and were as follows:

Public health:		
Professional expenditures:		
Discretionary external projects/programs	\$ 2,574	\$ 1,701
Program expenditures:		
Diesel Mower Replacement	33,000	-
Healthy School Air Campaign	9,604	-
Motor Grader Replacement Project	55,025	100,000
Mower Replacement Project	-	36,000
Replace 1992 Diesel Yard Tuck	32,579	-
Replace Chevy Pickup w/ECO Boost	19,000	-
Safe Routes to School	-	30,000
Smart Cycling Program	3,000	-
The Kids from Plant Earth - Solano County	4,975	-
Utility Vacuum Truck Retrofit	2,816	-
Vacaville-Dixon Bikeway	<u>90,000</u>	<u>75,000</u>
Total public health expenditures:	<u>252,573</u>	<u>242,701</u>
Transfers out:		
Administrative fee *	<u>32,571</u>	<u>25,193</u>
Total AB8 Expenditures	<u>\$ 285,144</u>	<u>\$ 267,894</u>

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

**YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**

**JUNE 30, 2014 AND 2013**

*NOTE 4 – CAPITAL ASSETS*

Capital asset activity for the years ended June 30, 2014 and 2013 was as follows:

	Balance at July 1, 2013	Additions	Deletions	Balance at June 30, 2014
Capital assets being depreciated:				
Office equipment	\$ 109,169	\$ -	\$ -	109,169
Office furniture	139,574			139,574
Air monitoring equipment	224,319			224,319
Vehicles	154,930			154,930
Total capital assets, being depreciated	<u>627,992</u>	<u>-</u>	<u>-</u>	<u>627,992</u>
Less accumulated depreciation for:				
Office equipment	(76,125)	(13,224)		(89,349)
Office furniture	(134,076)	(1,832)		(135,908)
Air monitoring equipment	(200,271)	(4,609)		(204,880)
Vehicles	(125,239)	(5,907)		(131,146)
Total accumulated depreciation	<u>(535,711)</u>	<u>(25,572)</u>		<u>(561,283)</u>
Total capital assets being depreciated, net	<u>\$ 92,281</u>	<u>\$ (25,572)</u>	<u>\$ -</u>	<u>\$ 66,709</u>
	Balance at July 1, 2012	Additions	Deletions	Balance at June 30, 2013
Capital assets being depreciated:				
Office equipment	\$ 109,169	\$ -	\$ -	\$ 109,169
Office furniture	139,574			139,574
Air monitoring equipment	195,237	29,082		224,319
Vehicles	155,599	18,039	(18,708)	154,930
Total capital assets, being depreciated	<u>599,579</u>	<u>47,121</u>	<u>(18,708)</u>	<u>627,992</u>
Less accumulated depreciation for:				
Office equipment	(58,587)	(17,538)		(76,125)
Office furniture	(132,244)	(1,832)		(134,076)
Air monitoring equipment	(195,273)	(4,998)		(200,271)
Vehicles	(138,949)	(4,998)	18,708	(125,239)
Total accumulated depreciation	<u>(525,053)</u>	<u>(29,366)</u>	<u>18,708</u>	<u>(535,711)</u>
Total capital assets being depreciated, net	<u>\$ 74,526</u>	<u>\$ 17,755</u>	<u>\$ -</u>	<u>\$ 92,281</u>

Depreciation expense of \$25,572 and \$29,366 is charged to Public Health for the fiscal years ended June 30, 2014 and 2013, respectively.

**YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**

**JUNE 30, 2014 AND 2013**

*NOTE 5 – LONG-TERM LIABILITIES*

The following is a summary of long-term liabilities activity of the District for the years ended June 30, 2014 and 2013:

	Balance July 1, 2013	Additions	Repayments	Balance June 30, 2014	Due Within One Year
Liability for other					
post-employment benefits	\$ 499,391	\$ -	\$ (79,397)	\$ 419,994	\$ -
Capital lease obligations	18,299	-	(7,320)	10,979	9,228
Compensated absences	143,592	-	(21,638)	121,954	18,000
	<u>\$ 661,282</u>	<u>\$ -</u>	<u>\$ (108,355)</u>	<u>\$ 552,927</u>	<u>\$ 27,228</u>

	Balance July 1, 2012	Additions	Repayments	Balance June 30, 2013	Due Within One Year
Liability for other					
post-employment benefits	\$ 560,887	\$ -	\$ (61,496)	\$ 499,391	\$ -
Capital lease obligations	24,735	-	(6,436)	18,299	9,206
Compensated absences	133,542	106,291	(96,241)	143,592	103,000
	<u>\$ 719,164</u>	<u>\$ 106,291</u>	<u>\$ (164,173)</u>	<u>\$ 661,282</u>	<u>\$ 112,206</u>

The General Fund is utilized to liquidate all long-term liabilities.

The following is a description of the composition of long-term liabilities at June 30, 2014 and 2013:

Capital Lease Obligation: The District leases equipment (photocopiers) under capital leases which has monthly payments of \$769, incorporating current sales tax, through October 15, 2015. Capital assets acquired under the capital lease consist of office equipment totaling \$34,261 and accumulated depreciation at June 30, 2014 and 2013, of \$27,408 and \$20,556, respectively. As of June 30, 2014, future minimum lease payments under capital lease obligations are as follows:

Fiscal Year Ending June, 30:	
2015	\$ 9,228
2016	2,307
Total payments	<u>11,535</u>
Less: amounts representing interest	<u>(556)</u>
Net present value of future minimum lease payments	<u>\$ 10,979</u>

**YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**

**JUNE 30, 2014 AND 2013**

*NOTE 5 – LONG-TERM LIABILITIES (Continued)*

Accrued Compensated Absences:

Accumulated unpaid employee vacation and compensated hours, are recognized as liabilities of the District to the extent they vest. Sick leave has not been included as employees only receive accumulated sick leave upon death, layoff, and/or retirement. Also, in the event of retirement, employees have the option to either convert unused sick leave into additional service credits or be paid at one half of any accumulated sick leave in excess of 200 hours. It is management's belief and estimate that all employees will take the service credit. The General Fund is utilized to liquidate liabilities related to compensated absences.

*NOTE 6 – INTERFUND TRANSACTIONS*

Interfund Transfers:

Interfund transfers for the years ended June 30, 2014 and 2013, were as follows:

Transfers from	Transfers to	2014	2013
General Fund	Mobile Source DMV (AB2766) Fund	\$ 140,000	\$ 136,212
	Mobile Source DMV (AB923) Fund	26,190	25,188
	Mobile Source (Solano Property Tax) Fund	32,571	25,193
		<u>198,761</u>	<u>186,593</u>
Mobile Source DMV (AB923) Fund	Mobile Source DMV (AB2766) Fund	-	1,447,105
		<u>-</u>	<u>1,447,105</u>
	Total	<u>\$ 198,761</u>	<u>\$ 1,633,698</u>

Transfers are used to allocate overhead expenses and administrative fees from the General Fund to the other funds.

Due To/Due From Other Funds:

Receivable Fund	Payable Fund	2014	2013
Mobile Source DMV (AB923) Fund	Mobile Source DMV (AB2766) Fund	\$ -	\$ 540,870
		<u>\$ -</u>	<u>\$ 540,870</u>

During the fiscal year 2013-14, the District did not have any Due To/Due From transactions. In fiscal year 2012-13, however the Mobile Source DMV (AB2766) Fund owed the Mobile Source DMV (AB923) Fund \$540,870 as a result of the separation of the two funds.

**YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**

**JUNE 30, 2014 AND 2013**

*NOTE 7 – DEFINED BENEFIT PENSION PLANS*

Plan Description:

The District contributes to the California Public Employees Retirement System (CalPERS), a cost sharing multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. CalPERS requires employers with less than 100 active members in the plan to participate in the risk pool. All permanent full and part time District employees working at least 1,000 hours per year are eligible to participate in CalPERS. Under CalPERS, benefits vest after five years of service. Upon retirement, participants are entitled to an annual retirement benefit, payable for life, in an amount equal to a benefit factor times their highest average monthly salary over twelve consecutive months of employment. Benefit provisions and all other requirements are established by state statute. On January 1, 2013, The Public Employees’ Pension Reform Act (PEPRA) went into effect, creating a second tier within the District’s retirement plan with CalPERS. Employees hired after January 1, 2013 that meet the criteria per the act (no prior CalPERS service, or more than six months of separation from a CalPERS agency or a retirement system that has reciprocity with CalPERS), are now considered “New Members”, and the other classification of employees’ eligible for retirement are now known as “Classic Members”. The establishment and amendment of specific benefit provisions of the plan is authorized by resolution of the District’s Board. Copies of CalPERS annual financial report may be obtained from their Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy:

“Classic Member” participants are required to contribute 7% of their annual covered salary and “New Member” participants contribute one-half of the normal cost as calculated by CalPERS at 6.25%. The District contributes a portion of the “Classic Member” and “New Member” participants’ contributions up to 5.5%. The District makes the contributions required of District employees on their behalf and for their account, which amounted to \$121,033 and \$99,479, for the years ended June 30, 2014 and 2013. The District is required to contribute at an actuarially determined rate; the rate for the years ended June 30, 2014 was 11.499% for “Classic Members” and 6.25% for “New Members” and 2013 11.632% (new tier not effective) of annual covered payroll. In addition to the fiscal year 2013-14 annual required contribution, on October 23, 2013, the Board entered into an agreement with CalPERS to pay down the District’s pension side fund in the amount of \$100,000, which resulted in a reduction to the fiscal year 2013-14 required contribution percentage of 0.813%. The contribution requirements of plan members and the District are established and may be amended by CalPERS. The District’s contributions to CalPERS for the years ending June 30, 2014, 2013 and 2012 were \$249,261, \$201,041, and \$191,543, respectively.

<u>Fiscal Year Ending</u>	<u>Annual Required Contributions (ARC)</u>	<u>Percentage of ARC Contributed</u>
6/30/2014	\$ 249,261	100%
6/30/2013	201,041	100%
6/30/2012	191,543	100%

## YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

JUNE 30, 2014 AND 2013

#### *NOTE 8 – 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 and memorandums of understanding 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's employer contribution is a formula set through a contract with CalPERS.

The "uneven formula" contribution for each retiree was set in 1989 by Resolution No. 89-03 which had a minimum contribution of \$12.50 per month. Each year, thereafter, the monthly retiree contribution increased monthly by not less than five percent of the monthly employer contribution for active employees. Resolution No. 89-03 also stated that increases would occur under the employer contribution for retirees until such time the contributions are equal between active and retirees.

Over time CalPERS realized that retiree health care contributions under this approach did not achieve parity with active employee's contributions. In 2007, AB2544 was passed to change the computation for annual increases under the uneven plan formula effective January 1, 2008. Under the new provisions, the District has to annually increase the total monthly retiree health care contribution to equal an amount not less than the number of years the agency has been in PEMHCA, multiplied by five percent of the current monthly employer contributions for employees, until the time that the employer contribution for retirees equals the employer contribution paid for active employees. This annual adjustment to the monthly employer contribution for a retiree cannot exceed \$100 per retiree per month. The District, based on years in PEMHCA, has increased the employer contribution for retirees by \$100 per retiree per month annually since 2008. The District is required to do so until the employer contribution for retirees reaches the amount the District contributes for active employees. This increase takes effect in January of each calendar year.

As such, the District's maximum contribution in 2012 for active employees for employee and family was \$1,428 which was 90% PEMHCA under the Kaiser Bay Area basic plan. On June 13, 2012, the District entered into an agreement with active employees that caps the employer paid portion of the healthcare premium. Effective January 1, 2013 the District contributes the maximum of \$550 for employee only, \$1,110 for employee plus one, and \$1,430 for employee and family within the PEMHCA system.

Starting in January 2013, employer contributions for retirees are at the same cap as active. The amount the retiree's actually contribute is based on the year they retired, insurance plan, and status of employee (employee only, employee + one, or employee + family) but only up to the capped amount. Also another considering factor is if the retiree is eligible for Medicare, the employer contribution is reduced based on the coordination of Medicare and PEMHCA.

**YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**

**JUNE 30, 2014 AND 2013**

*NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)*

Funding Policy:

The contribution requirements of the District's participants and the District are established by and may be amended by the District pursuant to agreements with its employees. Contributions to the OPEB plan for the years ended June 30, 2014 and 2013, totaled \$78,603 and \$67,160, respectively, on the pay-as-you-go method. Retired plan members and their beneficiaries pay the annual premium cost not paid by the employer. In addition to the fiscal year 2013-14 annual required contribution, on December 12, 2013, the Board entered into an agreement with the California Employers' Retirement Benefit Trust Program (CERBT) for prefunding of Other Post Employment Benefits in the amount of \$110,000.

Annual OPEB Cost and Net OPEB Obligation:

The District's annual other post-employment benefit cost (expense) is calculated based on the annual required contribution (ARC) of the employer. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the District's annual required contribution for the year, the interest on OPEB obligation, adjustments to the ARC, the amount actually contributed to the Plan, and changes in the District's Net OPEB obligation:

	<u>2014</u>	<u>2013</u>
Annual required contribution	\$ 105,000	\$ 105,000
Interest on OPEB obligation	36,206	40,664
Adjustment to ARC	<u>(32,000)</u>	<u>(35,000)</u>
Annual OPEB cost (expense)	109,206	110,664
Contributions made:		
Premium payments made	(78,603)	(67,160)
Prefunding CERBT contribution	<u>(110,000)</u>	<u>(105,000)</u>
Increase/(Decrease) in net OPEB obligation	(79,397)	(61,496)
Net OPEB obligation, beginning of year	<u>499,391</u>	<u>560,887</u>
Net OPEB obligation, end of year	<u><u>\$ 419,994</u></u>	<u><u>\$ 499,391</u></u>



**YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**

**JUNE 30, 2014 AND 2013**

*NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)*

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the OPEB obligation for fiscal years 2014, 2013, and 2012, were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	\$ 109,206	172.70%	\$ 419,994
6/30/2013	110,664	155.57%	499,391
6/30/2012	243,686	21.29%	560,887

Funded Status and Funding Progress:

The funded status of the Plan as of June 30, 2014, the Plan's most recent actuarial valuation date, was as follows:

Date of valuation:	<u>June 30, 2014</u>
Actuarial accrued liability (AAL)	\$ 1,274,000
Actuarial value of Plan assets	(108,000)
Underfunded actuarial accrued liability (UAAL)	\$ 1,166,000
Funded ratio (actuarial value of Plan assets/AAL)	8.48%
Covered payroll (active Plan participants)	\$ 1,698,000
UAAL as a percentage of covered payroll	68.67%

Actuarial valuations of an ongoing plan involve estimates of the value of expected benefit payments and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan participants) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan participants to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**

**JUNE 30, 2014 AND 2013**

*NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (Continued)*

For the June 30, 2013, actuarial valuation, the entry age normal actuarial cost level of pay method was used. The actuarial assumptions included a 4.25% investment rate of return, a 3.25% salary increase, and a 3% general inflation rate. Premiums were assumed to increase with a CalPERS minimum medical plan premium decrease rate of 8.0% for 2014 grading down to 5% for 2021 and thereafter. The initial UAAL was amortized as a level percentage of projected payroll on a closed basis over fixed 27-year period as of the year ended June 30, 2014.

*NOTE 9 – RISK MANAGEMENT*

The District is exposed to various risks of loss related to the loss of, damage to and destruction of assets caused by accidents, forces of nature, and the requirements of the California Labor Code.

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.

During the years ending June 30, 2014 and June 30, 2013, the District has no settlements exceeding insurance coverage for these categories of risk. For the past three years, settlements or judgment amounts have not exceeded insurance provided for District.

**YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**

**JUNE 30, 2014 AND 2013**

*NOTE 10 – RELATED PARTY TRANSACTIONS*

Under the District's clean air funds programs (DMV AB2766 and Solano Co. Property Tax) 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 (the 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 receives 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. Expenditures for services provided by related parties during the fiscal year ended June 30, 2014, are summarized as follows:

Related Party	Fiscal Year 2013-2014 Expenses
City of Dixon:	
Utility Vacuum Truck Retrofit	\$ 15,421
City of Rio Vista:	
Replace Pickup with ECOBOOST	19,000
Diesel Mower Replacement	33,000
Solano County:	
Vacaville-Dixon Bikeway	90,000
Motor Grade Replacement Project	60,000
Yolo County:	
Legal and accounting services, and indirect charges from Yolo Co.	57,179
District Directors	
Board meeting stipends and reimbursements	14,393
Hearing Board members	
Meeting stipends	<u>500</u>
Total	<u><u>\$ 289,493</u></u>

**YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**

**JUNE 30, 2014 AND 2013**

*NOTE 10 – RELATED PARTY TRANSACTIONS (Continued)*

Expenditures for services provided by related parties during the fiscal year ended June 30, 2013, are summarized as follows:

Related Party	Fiscal Year 2012-2013 Expenses
City of Davis:	
Replace Diesel Tractor	\$ 21,063
City of Dixon:	
Mower Replacement Project	36,000
City of Rio Vista:	
Replace Rescue Vehicle	28,000
City of Winters:	
Low Speed Electric Vehicle Upgrade	8,801
Solano County:	
Vacaville-Dixon Bikeway	75,000
Motor Grade Replacement Project	100,000
Yolo County:	
Retrofit of Weights & Measures Truck for Ag Department	13,060
Climate Change Compact	1,500
Legal and accounting services	53,573
District Directors	
Board meeting stipends and reimbursements	11,204
Hearing Board members	
Meeting stipends	<u>1,020</u>
Total	<u>\$ 349,221</u>

**YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**

**JUNE 30, 2014 AND 2013**

*NOTE 11 – LEASE COMMITMENTS*

The District amended its office space lease agreement effective November 1, 2009, which includes an expansion of the existing office space, first right of refusal for additional office space as it becomes available, and a liquidating damages clause should the District terminate the lease agreement before its amended expiration date of August 31, 2019. Rent expense under all operating lease agreements was \$168,527 and \$164,330, for the years ended June 30, 2014 and 2013, respectively. As of June 30, 2014, future minimum lease payments under operating leases are as follows:

Fiscal year ending June 30,	
2015	\$ 155,220
2016	155,220
2017	155,220
2018	155,220
Thereafter	<u>181,090</u>
Total minimum lease commitments	<u>\$ 801,970</u>

*NOTE 12 – 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.

*NOTE 13 – RESTATEMENT*

The District adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in the FY 2013-14, which did not have an effect on fund balance, but effected the presentation of deferred revenue. Under both the accrual and modified accrual basis of accounting, revenue may be recognized only when earned. Therefore, the government-wide statements of net position as well as governmental funds defer revenue recognition in connection with resources that have been received as of year-end, but not yet earned. For the District this is primarily composed of revenue for renewal fees billed in advance of the service year and revenues collected outside of the Districts period of availability (60 days). If fees are collected before year-end, unearned revenue is recorded for all revenue related to services provided in the next fiscal year. If revenue is collected outside of the period of availability, deferred revenue is recorded, as it is recognized as revenue in the next fiscal year.

**REQUIRED SUPPLEMENTARY INFORMATION**

**YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT**

**OTHER POSTEMPLOYMENT BENEFITS – SCHEDULE OF FUNDING PROGRESS**

**FOR THE YEAR ENDED JUNE 30, 2014**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2013	\$ 108,000	\$ 1,274,000	\$ 1,166,000	8.48%	\$ 1,698,000	68.67%
6/30/2009	\$ -	\$ 1,758,000	\$ 1,758,000	0%	\$ 1,727,000	101.80%

See accompanying note to required supplementary information.

**YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION – STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Licenses and permits	\$ 1,703,650	\$ 1,715,050	\$ 1,746,121	\$ 31,071
Intergovernmental	253,721	193,199	345,576	152,377
Settlements and penalties	160,000	160,000	235,084	75,084
Use of money	8,000	6,000	3,921	(2,079)
Other revenues	12,500	12,500	11,967	(533)
<b>TOTAL REVENUES</b>	<b>2,137,871</b>	<b>2,086,749</b>	<b>2,342,669</b>	<b>255,920</b>
<b>EXPENDITURES</b>				
Current:				
Public health	2,867,188	2,997,427	2,575,983	421,444
Debt service:				
Principal	9,600	9,800	7,320	2,480
Interest	-	-	1,907	(1,907)
<b>TOTAL EXPENDITURES</b>	<b>2,876,788</b>	<b>3,007,227</b>	<b>2,585,210</b>	<b>422,017</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(738,917)</b>	<b>(920,478)</b>	<b>(242,541)</b>	<b>677,937</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	187,000	187,000	198,761	11,761
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>187,000</b>	<b>187,000</b>	<b>198,761</b>	<b>11,761</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(551,917)</b>	<b>(733,478)</b>	<b>(43,780)</b>	<b>689,698</b>
Fund Balance at Beginning of Year	866,617	866,617	866,617	-
Fund Balance at End of Year	\$ 314,700	\$ 133,139	\$ 822,837	\$ 689,698

See accompanying note to required supplementary information.



**YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION – STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Licenses and permits	\$ 1,688,830	\$ 1,688,830	\$ 1,787,471	\$ 98,641
Intergovernmental	221,550	301,473	203,483	(97,990)
Settlements and penalties	155,000	155,000	158,576	3,576
Use of money	10,000	10,000	4,330	(5,670)
Other revenues	21,000	14,000	15,417	1,417
<b>TOTAL REVENUES</b>	<b>2,096,380</b>	<b>2,169,303</b>	<b>2,169,277</b>	<b>(26)</b>
<b>EXPENDITURES</b>				
Current:				
Public health	2,944,859	3,136,011	2,603,950	532,061
Capital outlay	53,100	53,100	47,121	5,979
Debt service:				
Principal	9,600	9,600	6,436	3,164
Interest	-	-	2,781	(2,781)
<b>TOTAL EXPENDITURES</b>	<b>3,007,559</b>	<b>3,198,711</b>	<b>2,660,288</b>	<b>538,423</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(911,179)</b>	<b>(1,029,408)</b>	<b>(491,011)</b>	<b>538,397</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	252,000	183,400	186,593	3,193
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>252,000</b>	<b>183,400</b>	<b>186,593</b>	<b>3,193</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(659,179)</b>	<b>(846,008)</b>	<b>(304,418)</b>	<b>541,590</b>
Fund Balance at Beginning of Year	1,171,035	1,171,035	1,171,035	-
Fund Balance at End of Year	\$ 511,856	\$ 325,027	\$ 866,617	\$ 541,590

See accompanying note to required supplementary information.

**YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION – 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, 2014**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 1,017,000	\$ 1,017,000	\$ 1,073,181	\$ 56,181
Use of money	4,000	4,000	4,424	424
<b>TOTAL REVENUES</b>	<u>1,021,000</u>	<u>1,021,000</u>	<u>1,077,605</u>	<u>56,605</u>
<b>EXPENDITURES</b>				
Current:				
Public health	994,503	1,024,322	818,626	205,696
<b>TOTAL EXPENDITURES</b>	<u>994,503</u>	<u>1,024,322</u>	<u>818,626</u>	<u>205,696</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>26,497</u>	<u>(3,322)</u>	<u>258,979</u>	<u>262,301</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(135,700)	(135,700)	(140,000)	(4,300)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(135,700)</u>	<u>(135,700)</u>	<u>(140,000)</u>	<u>(4,300)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(109,203)	(139,022)	118,979	258,001
Fund Balance at Beginning of Year	147,272	147,272	147,272	-
Fund Balance at End of Year	<u>\$ 38,069</u>	<u>\$ 8,250</u>	<u>\$ 266,251</u>	<u>\$ 258,001</u>

See accompanying note to required supplementary information.

**YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION – 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, 2013**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 1,545,000	\$ 1,029,804	\$ 1,035,062	\$ 5,258
Use of money	10,000	6,000	2,319	(3,681)
<b>TOTAL REVENUES</b>	<u>1,555,000</u>	<u>1,035,804</u>	<u>1,037,381</u>	<u>1,577</u>
<b>EXPENDITURES</b>				
Current:				
Public health	2,261,730	900,149	761,679	138,470
<b>TOTAL EXPENDITURES</b>	<u>2,261,730</u>	<u>900,149</u>	<u>761,679</u>	<u>138,470</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(706,730)</u>	<u>135,655</u>	<u>275,702</u>	<u>140,047</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(232,000)	(135,655)	(1,583,317)	(1,447,662)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(232,000)</u>	<u>(135,655)</u>	<u>(1,583,317)</u>	<u>(1,447,662)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(938,730)	-	(1,307,615)	(1,307,615)
Fund Balance at Beginning of Year	1,454,887	1,454,887	1,454,887	-
Fund Balance at End of Year	<u>\$ 516,157</u>	<u>\$ 1,454,887</u>	<u>\$ 147,272</u>	<u>\$ (1,307,615)</u>

See accompanying note to required supplementary information.

**YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION – 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, 2014**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 508,800	\$ 508,800	\$ 536,590	\$ 27,790
Use of money	2,680	2,680	3,132	452
<b>TOTAL REVENUES</b>	<u>511,480</u>	<u>511,480</u>	<u>539,722</u>	<u>28,242</u>
<b>EXPENDITURES</b>				
Current:				
Public health	1,412,298	1,425,617	303,020	1,122,597
<b>TOTAL EXPENDITURES</b>	<u>1,412,298</u>	<u>1,425,617</u>	<u>303,020</u>	<u>1,122,597</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(900,818)</u>	<u>(914,137)</u>	<u>236,702</u>	<u>(1,150,839)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(25,440)	(25,440)	(26,190)	(750)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(25,440)</u>	<u>(25,440)</u>	<u>(26,190)</u>	<u>750</u>
<b>NET CHANGE IN FUND BALANCE</b>	(926,258)	(939,577)	210,512	1,150,089
Fund Balance at Beginning of Year	1,318,311	1,318,311	1,318,311	-
Fund Balance at End of Year	<u>\$ 392,053</u>	<u>\$ 378,734</u>	<u>\$ 1,528,823</u>	<u>\$ 1,150,089</u>

See accompanying note to required supplementary information.

**YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION – 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, 2013**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 220,000	\$ 220,000	\$ 280,425	\$ 60,425
TOTAL REVENUES	<u>220,000</u>	<u>220,000</u>	<u>280,425</u>	<u>60,425</u>
EXPENDITURES				
Current:				
Public health	189,000	189,000	154,500	34,500
TOTAL EXPENDITURES	<u>189,000</u>	<u>189,000</u>	<u>154,500</u>	<u>34,500</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>31,000</u>	<u>31,000</u>	<u>125,925</u>	<u>94,925</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(22,000)	(22,000)	(22,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(22,000)</u>	<u>(22,000)</u>	<u>(22,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	9,000	9,000	103,925	94,925
Fund Balance at Beginning of Year	<u>285,420</u>	<u>285,420</u>	<u>285,420</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 294,420</u>	<u>\$ 294,420</u>	<u>\$ 389,345</u>	<u>\$ 94,925</u>

See accompanying note to required supplementary information.

**YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION – STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – MOBILE SOURCE (SOLANO  
PROPERTY TAX) SPECIAL REVENUE FUND**

**FOR THE YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 245,000	\$ 245,000	\$ 333,088	\$ 88,088
TOTAL REVENUES	<u>245,000</u>	<u>245,000</u>	<u>333,088</u>	<u>88,088</u>
EXPENDITURES				
Current				
Public health	689,806	742,187	252,573	489,614
TOTAL EXPENDITURES	<u>689,806</u>	<u>742,187</u>	<u>252,573</u>	<u>489,614</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(444,806)</u>	<u>(497,187)</u>	<u>80,515</u>	<u>577,702</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(24,500)	(24,500)	(32,571)	8,071
TOTAL OTHER FINANCING SOURCES (USES)	<u>(24,500)</u>	<u>(24,500)</u>	<u>(32,571)</u>	<u>8,071</u>
NET CHANGE IN FUND BALANCE	(469,306)	(521,687)	47,944	569,631
Fund Balance at Beginning of Year	<u>521,687</u>	<u>521,687</u>	<u>521,687</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 52,381</u>	<u>\$ -</u>	<u>\$ 569,631</u>	<u>\$ 569,631</u>

See accompanying note to required supplementary information.

**YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION – STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – MOBILE SOURCE (SOLANO  
PROPERTY TAX) SPECIAL REVENUE FUND**

**FOR THE YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 200,000	\$ 220,000	\$ 400,236	\$ 180,236
TOTAL REVENUES	<u>200,000</u>	<u>220,000</u>	<u>400,236</u>	<u>180,236</u>
EXPENDITURES				
Current:				
Public health	502,025	557,345	242,701	314,644
TOTAL EXPENDITURES	<u>502,025</u>	<u>557,345</u>	<u>242,701</u>	<u>314,644</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(302,025)</u>	<u>(337,345)</u>	<u>157,535</u>	<u>494,880</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(20,000)	(22,000)	(25,193)	3,193
TOTAL OTHER FINANCING SOURCES (USES)	<u>(20,000)</u>	<u>(22,000)</u>	<u>(25,193)</u>	<u>3,193</u>
NET CHANGE IN FUND BALANCE	(322,025)	(359,345)	132,342	491,687
Fund Balance at Beginning of Year	<u>389,345</u>	<u>389,345</u>	<u>389,345</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 67,320</u>	<u>\$ 30,000</u>	<u>\$ 521,687</u>	<u>\$ 491,687</u>

See accompanying note to required supplementary information.

**YOLO-SOLANO AIR QUALITY MANAGEMENT DISTRICT**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

**JUNE 30, 2014 AND JUNE 30, 2013**

*NOTE 1 – BUDGETARY DATA*

The District is required to prepare a budget each fiscal year for its General Fund, Mobile Source DMV (AB2766 and AB923) Special Revenue Fund, and Mobile Source (Solano Property Tax) Special Revenue Fund based on estimates of revenues and expected expenditures. The budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America. All changes to the budget during the year are reflected in these financial statements and require the approval of the governing board. All unencumbered annual appropriations lapse at the end of each fiscal year.





**INDEPENDENT AUDITORS' 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 Yolo-Solano Air Quality Management District (the District), as of and for the years ended June 30, 2014 and June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 14, 2014. Our report includes an emphasis of a matter for the District's adoption of new accounting guidance GASB Statement No. 65 – *Items Previously Reported as Assets and Liabilities*.

**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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Vavrinik, Trine, Day & Co. LLP*

Sacramento, California  
November 14, 2014