



South Coast Air Quality Management District

South Coast
AQMD

21865 Copley Drive, Diamond Bar, CA 91765-4178
(909) 396-2000 • www.aqmd.gov

ADMINISTRATIVE COMMITTEE MEETING

Committee Members

Dr. William A. Burke, Chair
Council Member Ben Benoit, Vice Chair
Mayor Judith Mitchell
Council Member Michael Cacciotti

**November 8, 2019 ♦ 10:00 a.m. ♦ Conference Room CC-8
21865 Copley Drive, Diamond Bar, CA 91765**

Teleconference Locations

11461 West Sunset Boulevard
The Brentwood Room 1
Los Angeles, CA 90049

Wildomar City Hall
23873 Clinton Keith Rd, Ste. 201
Wildomar, CA 92595

Caltrans
100 South Main St.
Los Angeles, CA 90012
Room #01.038

(The public may attend at any location listed above.)

Call-in for listening purposes only is available by dialing:

Toll Free: 866-244-8528

Listen Only Passcode: 5821432

In addition, a webcast is available for viewing and listening at:

<http://www.aqmd.gov/home/library/webcasts>

AGENDA

Members of the public may address this body concerning any agenda item before or during consideration of that item (Gov't. Code Section 54854.3(a)). Please provide a Request to Address the Committee card to the Committee Secretary if you wish to address the Committee on an agenda item. If no cards are available, please notify South Coast AQMD staff or a Board Member of your desire to speak. All agendas for regular meetings are posted at South Coast AQMD Headquarters, 21865 Copley Drive, Diamond Bar, California, at least 72 hours in advance of the regular meeting. Speakers may be limited to three (3) minutes each.

CALL TO ORDER

DISCUSSION ITEMS – Items 1 through 8:

1. Board Members' Concerns (***No Motion Required***)
Any member of the Governing Board, on his or her own initiative may raise a concern to the Administrative Committee regarding any South Coast AQMD items or activities.

Dr. William A. Burke
Committee Chair

2. Chairman's Report of Approved Travel (***No Motion Required***) Dr. Burke pg. 1
3. Report of Approved Out-of-Country Travel
(***No Motion Required***) Wayne Nastri
Executive Officer
4. Review December 6, 2019 Governing Board Agenda Wayne Nastri pgs. 2-10
5. Approval of Compensation for Board Member Assistant(s)/
Consultant(s) (Any material, if submitted, will be distributed at
the meeting.) (***Motion Requested if Proposal Made***) Dr. Burke
6. Annual Audited Financial Statements for FY Ended June 30, 2019
(***No Motion Required***) Sujata Jain pgs. 11-175
*This item transmits the annual audited financial statements of the South
Coast AQMD. The South Coast AQMD has received an unmodified
opinion (the highest obtainable) on its financial statements.*
Chief Financial Officer,
Finance
7. South Coast AQMD's FY 2019-20 First Quarter ended
September 30, 2019 Budget vs. Actual (Unaudited) Sujata Jain pgs. 176-179
(***No Motion Required***)
*Staff will provide a comparison of budget vs. actual results for revenues
and expenditures for the first quarter which ended September 30, 2019.*
8. Status Report on Major Ongoing and Upcoming Projects for
Information Management (***No Motion Required***) Ron Moskowitz pgs. 180-188
*Information Management is responsible for data systems management
services in support of all South Coast AQMD operations. This action is
to provide the monthly status report on major automation contracts and
planned projects.*
Chief Information
Officer, Information
Management

ACTION ITEM - Item 9:

DECEMBER ITEM

9. Transfer Funds for Enhanced Particulate Monitoring Program
(***Motion Requested***) Jason Low pgs. 189-190
*This action is to transfer up to \$300,000 between Major Objects in
Science and Technology Advancement's FY 2019-20 Budget to realign
expenditures for the FY 2019-20 Enhanced Particulate Monitoring
Program.*
ADEO, Science &
Technology
Advancement

OTHER MATTERS:

10. Other Business Dr. Burke
*Any member of the Committee, or its staff, on his or her own initiative or in
response to questions posed by the public, may ask a question for clarification,
may make a brief announcement or report on his or her own activities, provide a
reference to staff regarding factual information, request staff to report back at a
subsequent meeting concerning any matter, or may take action to direct staff to
place a matter of business on a future agenda. (Govt Code Section 54954.2)*
11. Public Comment
*At the end of the regular meeting agenda, an opportunity is provided for the public to speak on any subject within
the Committee's authority that is not on the agenda. Speakers may be limited to three (3) minutes each.*

12. **Next Meeting Date:** December 13, 2019 at 10:00 a.m.

ADJOURNMENT

Document Availability

All documents (i) constituting non-exempt public records, (ii) relating to an item on an agenda for a regular meeting, and (iii) having been distributed to at least a majority of the Committee after the agenda is posted, are available prior to the meeting for public review at the South Coast AQMD, Public Information Center, 21865 Copley Drive, Diamond Bar, CA 91765.

Americans with Disabilities Act

The agenda and documents in the agenda packet will be made available, upon request, in appropriate alternative formats to assist persons with a disability (Govt. Code Section 54954.2(a)). Disability-related accommodations will also be made available to allow participation in the Administrative Committee meeting. Any accommodations must be requested as soon as practicable. Requests will be accommodated to the extent feasible. Please contact Nancy Velasquez at 909-396-2557 from 7 a.m. to 5:30 p.m. Tuesday through Friday, or send the request to nvelasquez@aqmd.gov.



South Coast Air Quality Management District

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Item 2

BOARD MEETING DATE: December 6, 2019

REPORT: Administrative Committee

SYNOPSIS: The Administrative Committee met November 8, 2019 and reviewed the proposed agenda for the December 6, 2019 Board meeting. The Committee also discussed various issues detailed in the Committee report. The next Administrative Committee meeting is December 13, 2019, at 10:00 a.m., in CC-8.

RECOMMENDED ACTION:
Approve this report.

Dr. William A. Burke, Chair
Administrative Committee

NV

Attendance:

[Will be inserted subsequent to the November 8, 2019 Administrative Committee meeting.]

Administrative Committee Discussion Items:

[Will be inserted subsequent to the November 8, 2019 Administrative Committee meeting.]

Report on Board Member Travel Authorized by the Chairman at the November 8, 2019 Administrative Committee meeting:

DATE	TRAVELER	DESTINATION	PURPOSE
November 20-21, 2019	Mayor Judith Mitchell	Sacramento, CA	Mayor Mitchell will attend the monthly CARB Board Meeting as the South Coast AQMD Board Representative.
November 20-23, 2019	Council Member Joe Buscaino	San Antonio, TX	Council Member Buscaino will attend the National League of Cities, Energy, Environment & Natural Resources Committee as it relates to air quality on behalf of the South Coast AQMD.
December 4-5, 2019	Mayor Judith Mitchell	Oakland, CA	Mayor Mitchell will attend AB 617 Programs/CARB Board Meeting as the South Coast AQMD Board Representative.



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11/1/19 4:15 PM

DRAFT AGENDA

MEETING, DECEMBER 6, 2019

A meeting of the South Coast Air Quality Management District Board will be held at 9:00 AM, in the Auditorium at South Coast AQMD Headquarters, 21865 Copley Drive, Diamond Bar, California.

Questions About an Agenda Item	<ul style="list-style-type: none"> ▪ The name and telephone number of the appropriate staff person to call for additional information or to resolve concerns is listed for each agenda item. ▪ In preparation for the meeting, you are encouraged to obtain whatever clarifying information may be needed to allow the Board to move expeditiously in its deliberations.
Meeting Procedures	<ul style="list-style-type: none"> ▪ The public meeting of the South Coast AQMD Governing Board begins at 9:00 a.m. The Governing Board generally will consider items in the order listed on the agenda. However, <u>any item</u> may be considered in <u>any order</u>. ▪ After taking action on any agenda item not requiring a public hearing, the Board may reconsider or amend the item at any time during the meeting.
Questions About Progress of the Meeting	<ul style="list-style-type: none"> ▪ During the meeting, the public may call the Clerk of the Board's Office at (909) 396-2500 for the number of the agenda item the Board is currently discussing.

The agenda and documents in the agenda packet will be made available upon request in appropriate alternative formats to assist persons with a disability. Disability-related accommodations will also be made available to allow participation in the Board meeting. Any accommodations must be requested as soon as practicable. Requests will be accommodated to the extent feasible. Please telephone the Clerk of the Boards Office at (909) 396-2500 from 7:00 a.m. to 5:30 p.m. Tuesday through Friday.

All documents (i) constituting non-exempt public records, (ii) relating to an item on the agenda, and (iii) having been distributed to at least a majority of the Governing Board after the agenda is posted, are available prior to the meeting for public review at the South Coast Air Quality Management District Clerk of the Board's Office, 21865 Copley Drive, Diamond Bar, CA 91765.

The Agenda is subject to revisions. For the latest version of agenda items herein or missing agenda items, check the South Coast AQMD's web page (www.aqmd.gov) or contact the Clerk of the Board, (909) 396-2500. Copies of revised agendas will also be available at the Board meeting.

A webcast of the meeting is available for viewing at:
<http://www.aqmd.gov/home/news-events/webcast>

Cleaning the air that we breathe...

CALL TO ORDER

- Pledge of Allegiance
- Opening Comments: William A. Burke, Ed.D., Chair
Other Board Members
Wayne Nastri, Executive Officer
- Recognize Employees with Twenty, Twenty-Five, Thirty, Thirty-Five and Forty Years of Service

Burke

Staff/Phone (909) 396-

CONSENT CALENDAR (Items 1 through XX)

Note: Consent Calendar items held for discussion will be moved to Item No. XX

10681. Approve Minutes of November 1, 2019 Board Meeting

Garzaro/2500

10718. Set Public Hearing January 10, 2020 to Consider Adoption of and/or Amendments to South Coast AQMD Rules and Regulations

Nastri/3131

Set Hearing January 10, 2020 to Determine That Proposed Amendments to Rule 102 – Definition of Terms, Are Exempt from CEQA and Amend Rule 102

Nakamura/3105

Rule 102 defines the terms used in South Coast Air Quality Management District rules and regulations. Rule 102 defines the “District” as the abbreviation for the South Coast Air Quality Management District. Staff is proposing to add the “South Coast AQMD” as another abbreviation for the South Coast Air Quality Management District to more distinctly describe the agency and the jurisdiction under our authority. The use of “South Coast AQMD” instead of “District” as an abbreviation of South Coast Air Quality Management District will be included in new and amended rules; therefore, the new definition must be included in Rule 102. This action is to adopt the Resolution: 1) Determining that the proposed amendments to Rule 102 - Definition of Terms, are exempt from the California Environmental Quality Act, and 2) Amending Rule 102 – Definition of Terms. (No Committee Review)

Budget/Fiscal Impact

10741. **Execute Contract to Demonstrate Fuel Cell Range-Extended Drayage Trucks** **Miyasato/3249**

In April 2017, the Board approved several projects for port handling equipment, including one with Vehicle Velocity Group (VVG), partnering with Efficient Drivetrains, Inc., (EDI) to develop and demonstrate one battery electric and three plug-in hybrid electric drayage trucks. Cummins Inc., (Cummins) which recently acquired EDI and Hydrogenics Corporation, proposes instead to develop and demonstrate four fuel cell range-extended drayage trucks. This action is to execute a contract with Cummins to develop and demonstrate four fuel cell range-extended drayage trucks in the amount of \$3,568,300 from the Clean Fuels Fund (31), comprising \$2,985,995 in CEC pass-through revenue and \$582,305 for South Coast AQMD's cost-share. Cummins will provide additional cost-share to make up the increased costs of the revised project. (Technology Committee, November 15, 2019; Recommended for Approval)

10732. **Amend Contracts to Develop and Demonstrate Zero Emission Drayage Trucks** **Miyasato/3249**

In March 2016, the Board recognized revenue from CARB and other funding partners and awarded multiple contracts to develop and demonstrate zero emission drayage trucks. In October 2018, the Board amended those contracts to reallocate funds among the project partners; however, an additional reallocation of funds is needed at this time. These actions are to authorize the Executive Officer to amend the agreement with CARB; amend the four project partner contracts reallocating funds, as needed; amend contracts for administrative assistance; and reallocate project and administrative funds between project partners and administrative assistance contracts. (Reviewed: Technology Committee, November 15, 2019; Recommended for Approval)

10733. **Recognize and Transfer Funds, Execute and Amend Agreements for Installation and Maintenance of Air Filtration Systems, and Reimburse General Fund for Administrative Costs** **Miyasato/3249**

The U.S. EPA and CARB are executing four Supplemental Environmental Projects (SEPs) and have asked South Coast AQMD to act as the SEP administrator to install and maintain air filtration systems at schools in environmental justice communities. South Coast AQMD will also be carrying out its own SEP. These actions are to recognize up to \$316,000 and transfer up to \$45,000 from the General Fund into the Air Filtration Fund (75). These actions are to also execute agreements to install and maintain air filtration systems in an amount not to exceed \$342,950, execute or amend access agreements with local school districts, amend contracts to purchase additional filters using unspent administrative funds, and reimburse the General Fund for administrative costs up to \$18,050 for SEP administration. (Reviewed: Technology Committee, November 15, 2019; Recommended for Approval)

10734. **Recognize Funds and Execute Agreements for Fleet Chargers and Electric School Buses** **Miyasato/3249**

In August 2018, staff applied for 30 fleet chargers through Southern California Edison's Charge Ready Program, which requires the host to execute an easement. In September 2018, the Board approved an award to Los Angeles Unified School District (LAUSD) for the purchase of up to three Type D electric school buses using funds from the LADWP Variance Special Revenue Fund (38) as well as funding LAUSD applied for from CARB's Hybrid and Zero Emission Truck and Bus Voucher Incentive Program (HVIP). Subsequently, LAUSD determined that only Type C electric school buses could be deployed at the site, resulting in a lower incentive from CARB's HVIP. LADWP must provide additional mitigation fees totaling \$255,000 to make up this difference. These actions are to execute an easement, recognize funds from LADWP, execute an agreement with LADWP to receive those funds, and execute a contract with LAUSD for three Type C electric school buses in an amount not to exceed \$682,460 from the LADWP Variance Special Revenue Fund (69). (Reviewed: Technology Committee, November 15, 2019; Recommended for Approval)

10695. **Adopt Resolution, Execute Contracts, Amend Awards, Transfer Funds and Reimburse Administrative Costs** **Berry/2363**

In June 2019, the Program Announcement for the Year 21 Carl Moyer Program closed. This year, in addition to the traditional sources of Carl Moyer SB 1107 and AB 923 funds, funding from the Community Air Protection Program, State Reserve and FARMER will also be available to fund Carl Moyer projects. In addition, updates to improve the Carl Moyer online application system are necessary. These actions are to: 1) adopt a Resolution recognizing up to \$86 million in Community Air Protection Program funds; 2) execute contracts for Year 21 Carl Moyer Program, SOON Provision, State Reserve, FARMER and Community Air Protection Programs; 3) amend a "Year 20" SOON Provision contract award; 4) authorize the Executive Officer to redistribute the source of funds for these contracts to ensure program liquidation targets are met; 5) amend a contract for the Carl Moyer online application system; 6) transfer \$3 million from the Carl Moyer Program AB 923 Fund (80) to the Voucher Incentive Program Fund (59) for truck replacements; and 7) reimburse administrative costs related to implementing these incentive funds. (Reviewed: Technology Committee, November 15, 2019; Recommended for Approval)

10738. Issue Program Announcement for Combustion Freight and Marine Projects Eligible Under Volkswagen Environmental Mitigation Program **Berry/2363**

In November 2018, the Board recognized revenue up to \$150 million to administer and implement two of the five project funding categories for the Volkswagen (VW) Environmental Mitigation Program. Two other air districts, San Joaquin Valley APCD (Valley Air) and Bay Area AQMD (BAAQMD), will administer and implement the three other project funding categories. Staff has been working in collaboration with CARB, Valley Air and BAAQMD to develop an administrative budget, project agreements and framework for the VW Program. In support of extensive statewide outreach, this past spring, staff, CARB, Valley Air and BAAQMD jointly conducted a series of public stakeholder workgroup meetings to solicit input on each of the funding categories. Staff considered all public comments in the development of the solicitation for the Combustion Freight and Marine Projects category, which includes Class 7-8 freight trucks, freight switcher locomotives and ferries/tugboats/towboats. This action is to issue the statewide Program Announcement for the first installment of program funds totaling \$30 million for the Combustion Freight and Marine Projects category. (Reviewed: Technology Committee, November 15, 2019; Recommended for Approval)

10740. Transfer Funds for Enhanced Particulate Monitoring Program **Low/2269**

This action is to transfer up to \$300,000 into Science and Technology Advancement's FY 2019-20 Budget between Major Objects to realign expenditures for the FY 2019-20 Enhanced Particulate Monitoring Program. (Reviewed: Administrative Committee, November 8, 2019; Recommended for Approval)

10462. Approve Contract Awards and Modifications as Approved by MSRC **McCallon**

Items XX through XX - Information Only/Receive and File

10447. Legislative, Public Affairs, and Media Report **Alatorre/3122**

This report highlights the October 2019 outreach activities of the Legislative, Public Affairs and Media Office, which includes: Major Events, Community Events/Public Meetings, Environmental Justice Update, Speakers Bureau/Visitor Services, Communications Center, Public Information Center, Business Assistance, Media Relations and Outreach to Business and Federal, State, and Local Government. (No Committee Review)

10686. **Hearing Board Report** **Prussack/2500**
- This reports the actions taken by the Hearing Board during the period of October 1 through October 31, 2019. (No Committee Review)
10628. **Civil Filings and Civil Penalties Report** **Gilchrist/3459**
- This reports the monthly penalties from October 1 through October 31, 2019, and legal actions filed by the General Counsel's Office from October 1 through October 31, 2019. An Index of South Coast AQMD Rules is attached with the penalty report. (Reviewed: Stationary Source Committee, November 15, 2019)
10499. **Lead Agency Projects and Environmental Documents Received** **Nakamura/3105**
- This report provides, for the Board's consideration, a listing of CEQA documents received by the South Coast AQMD between October 1, 2019 and October 31, 2019, and those projects for which the South Coast AQMD is acting as lead agency pursuant to CEQA. (Reviewed: Mobile Source Committee, November 15, 2019)
10523. **Rule and Control Measure Forecast** **Fine/2239**
- This report highlights South Coast AQMD rulemaking activities and public hearings scheduled for 2020. (No Committee Review)
10731. **Annual Audited Financial Statements for FY Ended June 30, 2019** **Jain/2804**
- This item transmits the annual audited financial statements of the South Coast AQMD. The South Coast AQMD has received an unmodified opinion (the highest obtainable) on its financial statements. (Reviewed: Administrative Committee, November 8, 2019)
10737. **Status Report on Major Ongoing and Upcoming Projects for Information Management** **Moskowitz/3329**
- Information Management is responsible for data systems management services in support of all South Coast AQMD operations. This action is to provide the monthly status report on major automation contracts and planned projects. (Reviewed: Administrative Committee, November 8, 2019)

XX. Items Deferred from Consent Calendar

BOARD CALENDAR

10424.	Administrative Committee (Receive & File)	Chair: Burke	Nastri/3131
10652.	Investment Oversight Committee (Receive & File)	Chair: Cacciotti	Jain/2804
10473.	Legislative Committee (Receive & File)	Chair: Mitchell	Alatorre/3122
10401.	Mobile Source Committee (Receive & File)	Chair: Burke	Fine/2239
10435.	Mobile Source Air Pollution Reduction Review Committee (Receive & File)	Board Liaison: Benoit	Berry/2363
10543.	Stationary Source Committee (Receive & File)	Chair: Benoit	Dejbakhsh/2618
10378.	Technology Committee (Receive & File)	Chair: Buscaino	Miyasato/3249
10678.	California Air Resources Board Monthly Report (Receive & File)	Board Rep: Mitchell	Garzaro/2500

PUBLIC HEARINGS

10728. Determine That Proposed Rule 1480 – Ambient Monitoring and Sampling of Metal Toxic Air Contaminants, Is Exempt from CEQA and Adopt Proposed Rule 1480 **Nakamura/3105**

Proposed Rule 1480 establishes a process to require a facility to conduct ambient monitoring and sampling of metal toxic air contaminants if the facility meets specific criteria. The process includes an initial notice, request for information, notice of findings, and notice to designate the facility if criteria specified in the proposed rule are met. A facility that is designated will be required to submit a Monitoring and Sampling Plan and conduct ambient monitoring and sampling. The proposed rule includes an alternative monitoring and sampling provision where the facility can elect to have the South Coast AQMD conduct ambient monitoring and sampling for a fee. The proposed rule also has monitoring, reporting, and recordkeeping provisions, and provisions to reduce and cease monitoring and sampling provided certain criteria are met. This action is to adopt the Resolution: 1) Determining that Proposed Rule 1480 – Ambient Monitoring and Sampling of Metal Toxic Air Contaminants, is exempt from the California Environmental Quality Act and 2) Adopting Rule 1480 – Ambient Monitoring and Sampling of Metal Toxic Air Contaminants. (Reviewed: Stationary Source Committee, October 18, 2019)

10725. Determine That No New Environmental Document Is Required Under CEQA for the Contingency Measure Plan for the 1997 8-Hour Ozone Standard, and Approve Contingency Measure Plan for the 1997 8-Hour Ozone Standard Rees/2856

The South Coast Air Basin (SCAB) is classified as an Extreme nonattainment area for the 1997 8-hour ozone national ambient air quality standard (NAAQS), with an attainment date of June 15, 2024. The attainment strategy in the 2016 AQMP includes both defined measures as well as “further deployment of cleaner technologies” measures, as allowed under the federal Clean Air Act (CAA) section 182(e)(5). Under CAA requirements, development and adoption of contingency measures are required no later than three years before the attainment date. The Contingency Measure Plan represents a joint strategy by South Coast AQMD and CARB for addressing the contingency measure requirements of CAA section 182(e)(5) for the 1997 8-hour ozone NAAQS for the SCAB. This action is to: 1) Determine that the Contingency Measure Plan for the 1997 8-hour ozone standard is within the scope of the Final Program Environmental Impact Report for the 2016 AQMP such that no new environmental document is required under the California Environmental Quality Act; and 2) Approve the Contingency Measure Plan for the 1997 8-hour ozone standard. (Reviewed: Mobile Source Committee, October 18 and November 15, 2019)

10716. Determine That Facility-Based Mobile Source Measure for Commercial Airports Is Exempt from CEQA and Approve Facility-Based Mobile Source Measure for Commercial Airports Rees/2856

In May 2018, the Board directed staff to pursue a voluntary Memorandum of Understanding (MOU) Approach based on the airports’ development of Air Quality Improvement Plans (AQIPs) to implement the 2016 AQMP Facility-Based Mobile Source Measure (FBMSM) MOB-04 (Emission Reductions at Commercial Airports). All five commercial airports have developed their own AQIPs or Air Quality Improvement Measures (AQIMs) for non-aircraft airport emissions. The draft MOUs specify State Implementation Plan (SIP) creditable AQIP or AQIM measures, which the airports agree to implement. In addition, the airports will provide annual reports to South Coast AQMD. South Coast AQMD is making an enforceable commitment to U.S. EPA to achieve the emission reductions associated with implementation of these measures and seeks to obtain SIP credits. This action is to: 1) Determine that the FBMSM for Commercial Airports is exempt from the requirements of the California Environmental Quality Act; and 2) Approve the FBMSM for Commercial Airports which includes the MOUs and the South Coast AQMD’s enforceable commitment. (Reviewed: Mobile Source Committee, October 18 and November 15, 2019).

PUBLIC COMMENT PERIOD – (Public Comment on Non-Agenda Items, Pursuant to Government Code Section 54954.3)

BOARD MEMBER TRAVEL – (No Written Material)

Board member travel reports have been filed with the Clerk of the Boards, and copies are available upon request.

*****PUBLIC COMMENTS*****

Members of the public are afforded an opportunity to speak on any agenda item before consideration of that item. Please notify the Clerk of the Board, (909) 396-2500, if you wish to do so. All agendas are posted at South Coast AQMD Headquarters, 21865 Copley Drive, Diamond Bar, California, at least 72 hours in advance of the meeting. At the end of the agenda, an opportunity is also provided for the public to speak on any subject within the South Coast AQMD's authority. Speakers will be limited to a total of three (3) minutes for the Consent Calendar and Board Calendar and three (3) minutes or less for other agenda items.

Note that on items listed on the Consent Calendar and the balance of the agenda any motion, including action, can be taken (consideration is not limited to listed recommended actions). Additional matters can be added and action taken by two-thirds vote, or in the case of an emergency, by a majority vote. Matters raised under the Public Comment Period may not be acted upon at that meeting other than as provided above.

Written comments will be accepted by the Board and made part of the record, provided 25 copies are presented to the Clerk of the Board. Electronic submittals to cob@aqmd.gov of 10 pages or less including attachment, in MS WORD, PDF, plain or HTML format will also be accepted by the Board and made part of the record if received no later than 5:00 p.m., on the Tuesday prior to the Board meeting.

ACRONYMS

AQ-SPEC = Air Quality Sensor Performance Evaluation Center

AQIP = Air Quality Investment Program

AQMP = Air Quality Management Plan

AVR = Average Vehicle Ridership

BACT = Best Available Control Technology

BARCT = Best Available Retrofit Control Technology

Cal/EPA = California Environmental Protection Agency

CARB = California Air Resources Board

CEMS = Continuous Emissions Monitoring Systems

CEC = California Energy Commission

CEQA = California Environmental Quality Act

CE-CERT =College of Engineering-Center for Environmental Research and Technology

CNG = Compressed Natural Gas

CO = Carbon Monoxide

DOE = Department of Energy

EV = Electric Vehicle

FY = Fiscal Year

GHG = Greenhouse Gas

HRA = Health Risk Assessment

LEV = Low Emission Vehicle

LNG = Liquefied Natural Gas

MATES = Multiple Air Toxics Exposure Study

MOU = Memorandum of Understanding

MSERCs = Mobile Source Emission Reduction Credits

MSRC = Mobile Source (Air Pollution Reduction) Review Committee

NATTS =National Air Toxics Trends Station

NESHAPS = National Emission Standards for Hazardous Air Pollutants

NGV = Natural Gas Vehicle

NOx = Oxides of Nitrogen

NSPS = New Source Performance Standards

NSR = New Source Review

OEHHA = Office of Environmental Health Hazard Assessment

PAMS = Photochemical Assessment Monitoring Stations

PEV = Plug-In Electric Vehicle

PHEV = Plug-In Hybrid Electric Vehicle

PM10 = Particulate Matter \leq 10 microns

PM2.5 = Particulate Matter \leq 2.5 microns

RECLAIM=Regional Clean Air Incentives Market

RFP = Request for Proposals

RFQ = Request for Quotations

RFQQ=Request for Qualifications and Quotations

SCAG = Southern California Association of Governments

SIP = State Implementation Plan

SOx = Oxides of Sulfur

SOON = Surplus Off-Road Opt-In for NOx

SULEV = Super Ultra Low Emission Vehicle

TCM = Transportation Control Measure

ULEV = Ultra Low Emission Vehicle

U.S. EPA = United States Environmental Protection Agency

VOC = Volatile Organic Compound

ZEV = Zero Emission Vehicle

DRAFT

BOARD MEETING DATE: December 6, 2019

AGENDA NO.

REPORT: Annual Audited Financial Statements for FY Ended June 30, 2019

SYNOPSIS: This item transmits the annual audited financial statements of the South Coast AQMD. The South Coast AQMD has received an unmodified opinion (the highest obtainable) on its financial statements.

COMMITTEE: Administrative, November 8, 2019, Reviewed

RECOMMENDED ACTION:

Receive and file the South Coast AQMD's Comprehensive Annual Financial Report (CAFR) and Single Audit Reports for the FY ended June 30, 2019.

Wayne Nastri
Executive Officer

SJ:tm

Background

The audit of the South Coast AQMD financial statements, along with the Single Audit Reports for the Fiscal Year ended June 30, 2019, have been completed by BCA Watson Rice, LLP. South Coast AQMD has received an unmodified opinion on its financial statements. An unmodified opinion is the highest obtainable, assuring interested parties that South Coast AQMD's financial statements fairly present the agency's financial position.

Attachments

- The Comprehensive Annual Financial Report (CAFR), which includes the Independent Auditor's Report, was previously provided to Board Members and will be available at South Coast AQMD's library or website at <http://www.aqmd.gov/home/about/finance>.
- Single Audit Reports that include Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards, Independent Auditor's Report on Compliance with Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance. Copies were previously provided to Board Members and will be available at South Coast AQMD's library or website at <http://www.aqmd.gov/home/about/finance>.



Comprehensive Annual Financial Report

Year Ended June 30, 2019

South Coast Air Quality Management District
Diamond Bar, California



MISSION STATEMENT

South Coast AQMD's mission is to clean the air and protect the health of all residents in the South Coast Air District through practical and innovative strategies.

South Coast
Air Quality Management District

Diamond Bar, California

Comprehensive Annual Financial Report
Year Ended June 30, 2019

Prepared by:
Finance Office
Sujata Jain, Assistant Deputy Executive Officer

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

Comprehensive Annual Financial Report
Year Ended June 30, 2019

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SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

GOVERNING BOARD

June 30, 2019

WILLIAM A. BURKE, Ed.D
Chairman
Speaker of the Assembly Appointee

BEN BENOIT
Vice Chair
County of Riverside
Cities Representative

LISA A. BARTLETT
County of Orange Representative

LARRY McCALLON
County of San Bernardino
Cities Representative

GIUSEPPE ANTHONY BUSCAINO
City of Los Angeles Representative

JUDITH M. MITCHELL
County of Los Angeles
Cities Representative
Western Region

MICHAEL A. CACCIOTTI
County of Los Angeles
Cities Representative
Eastern Region

V. MANUEL PEREZ
County of Riverside Representative

VANESSA DELGADO
Senate Rules Committee Appointee

DWIGHT ROBINSON
County of Orange
Cities Representative

JANICE HAHN
County of Los Angeles Representative

JANICE RUTHERFORD
County of San Bernardino Representative

VACANT
Governor's Appointee

WAYNE NASTRI
Executive Officer



South Coast Air Quality Management District

21865 Copley Drive, Diamond Bar, CA 91765-4178
(909) 396-2000 • www.aqmd.gov

October 11, 2019

Chairman, Governing Board and Residents
Of the South Coast Air Quality Management District

State law requires that local governments publish within nine months of the close of each fiscal year a complete set of audited financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This report is published to fulfill that requirement for the fiscal year ended June 30, 2019.

This report consists of management's representations concerning the finances of the South Coast Air Quality Management District (South Coast AQMD), Diamond Bar, California. Management assumes full responsibility for the completeness and reliability of all of the information presented in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

South Coast AQMD's financial statements have been audited by BCA Watson Rice LLP, Certified Public Accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of South Coast AQMD for the fiscal year ended June 30, 2019 are free of material misstatements. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified (clean) opinion that South Coast AQMD's financial statements for the fiscal year ended June 30, 2019 are fairly presented in conformity with accounting principles generally accepted in the United States. The independent auditor's report is located at the front of the financial section of this report.

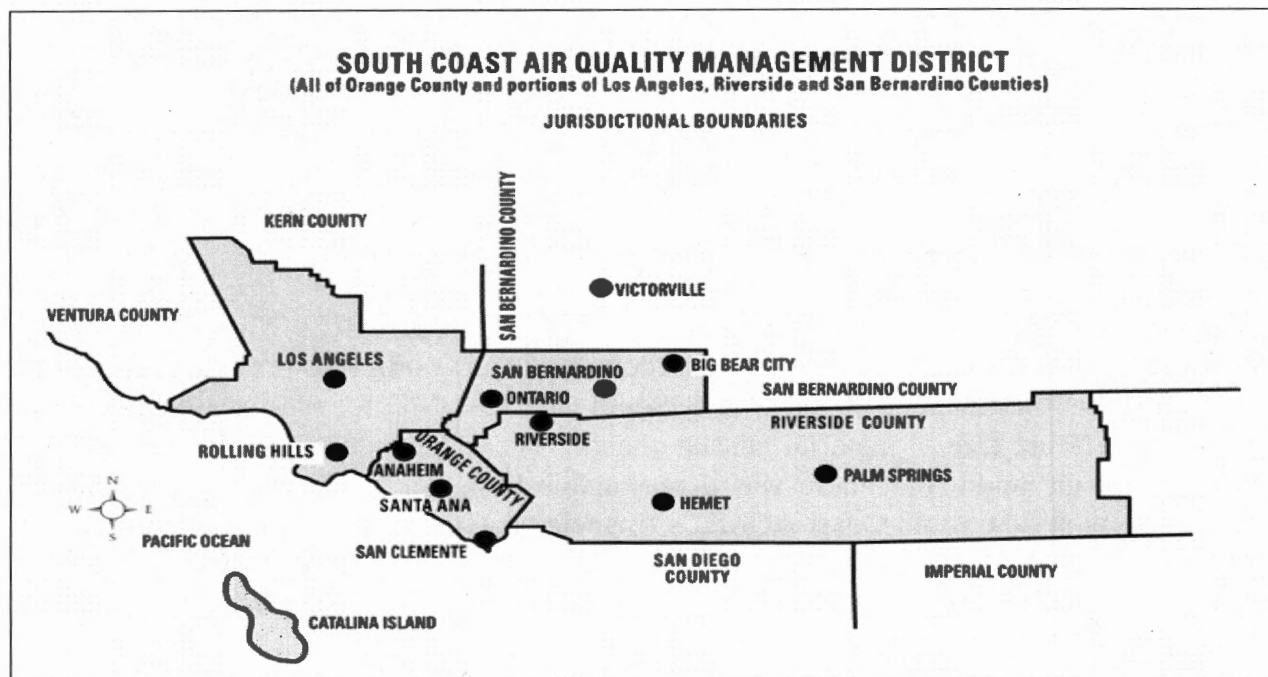
The independent audit of the financial statements of South Coast AQMD was part of a broader, federally mandated "Single Audit" designed to meet the special needs of Federal

grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with special emphasis on internal controls and compliance with federal statutes, regulations, and terms and conditions involving the administration of Federal awards. These reports are available in South Coast AQMD's separately issued Single Audit Report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the South Coast Air Quality Management District

The South Coast Air Quality Management District began operation on February 1, 1977 as a regional governmental agency established by the California Legislature pursuant to the Lewis Air Quality Management Act. South Coast AQMD encompasses all of Orange County and parts of Los Angeles, San Bernardino and Riverside Counties, representing over 17 million residents. It succeeded the Southern California Air Pollution Control District and its predecessor four county air pollution control districts, of which the Los Angeles County Air Pollution Control District was the oldest in the nation, having been formed in 1947.



South Coast AQMD's Governing Board is composed of 13 members, including four members appointed by the Boards of Supervisors of the four counties in South Coast AQMD's jurisdiction, six members appointed by cities in South Coast AQMD's jurisdiction and three members appointed by the Governor, the Speaker of the State Assembly and the Rules Committee of the State Senate, respectively. The members appointed by the various Boards of Supervisors and cities consist of one member of the Board of Supervisors of Los Angeles, Orange, Riverside, and San Bernardino Counties, respectively, and a mayor or member of the city council of a city within Orange, Riverside and San Bernardino Counties. Los Angeles County cities have three representatives, one each from the western and eastern portions of the county and one member representing the City of Los Angeles. Each Board member serves a four year term. The Board appoints the agency's Executive Officer and General Counsel. The Executive Officer in turn appoints the heads of the various agency departments.

Southern California has the most serious air quality problem in the country. A combination of poor atmospheric ventilation, a capping temperature inversion, bordering mountains and sunny days act to enhance smog formation and effectively trap pollutants in the Basin. South Coast AQMD is responsible for monitoring air pollution within the Basin and for developing and administering programs to reduce air pollution levels below the health-based standards established by the state and federal governments.

South Coast AQMD provides a full range of air pollution control activities, including permitting, site inspection, air quality attainment planning, rule making, air quality monitoring and technology advancement. Government Accounting Standards Board Statement No. 61 requires that certain separate but related component units be included with South Coast AQMD for reporting purposes. This report includes the South Coast Air Quality Management District Building Corporation (Corporation) as a blended component unit. South Coast AQMD may impose its will on the component unit, including the ability to appoint, hire, reassign or dismiss management. There are also financial benefit/burden relationships between South Coast AQMD and the Corporation. For additional information, see Note 1 to the financial statements.

The annual budget serves as the foundation for South Coast AQMD's financial planning and control. The Governing Board is required to adopt an annual budget by July 1 of each fiscal year. South Coast AQMD's annual appropriated budgets are adopted for the General Fund. Budgets are adopted on a budgetary basis that includes encumbrances as expenditures. All annual appropriations lapse at fiscal year end to the extent they have not been expended or encumbered. Amendments to increase the budget must be approved by the Governing Board. Budgets for Special Revenue Funds are not adopted due to the narrow focus (advance technology demonstration projects/emission reduction projects) and limited life of many of these special revenues. Expenditures from the Special Revenue Funds require Governing Board approval and are primarily related to contractual obligations with vendors and grantees. Administrative expenditures related to managing

and accounting for Special Revenue Fund projects are appropriated within the General Fund budget.

South Coast AQMD maintains budgetary controls through both signature authority and automated budget checking. The objective of these controls is to ensure compliance with specific special revenue fund appropriations and the annual appropriated budget approved by the Governing Board. South Coast AQMD maintains an encumbrance accounting system of purchase orders and contracts at the fund level as a means of accomplishing budgetary control. Open encumbrances are reported as committed fund balance at the end of the fiscal year. Purchase orders and contracts are reviewed to ensure that funds are available and that requests are properly authorized prior to being released or executed.

The accounting principles applied in reporting budgetary expenditures differ in some respects from the generally accepted accounting principles applied in the reporting of the financial statements. Reconciliation of these differences is presented in the Required Supplementary Information section of this report.

As reflected in the statements and schedules included in the financial section of this report, South Coast AQMD continues to meet its responsibility for sound financial management.

Factors Affecting Financial Condition

South Coast AQMD is a fee-supported agency and does not receive sales or property tax support. Approximately 71% of its General Fund revenue is derived from permit evaluation fees, annual permit renewal fees, emission fees, Hearing Board fees, Area Sources, Toxic Hot Spots, penalties and settlements, interest earnings, and other revenues. The remaining 29% of its General Fund revenue is derived from federal grants, state grants, California Air Resources Board (CARB) subvention funds, and motor vehicle fees.

To meet its program commitments, despite new federal and state mandates, increased workload complexity, and ongoing cost containment efforts, South Coast AQMD continues to streamline many of its operations. Compared to the fiscal year 1991-92 General Fund budget, the fiscal year 2018-19 General Fund budget reflects funded staffing levels that are approximately 25% below the 1991-92 level. The budgeted General Fund expenditures, when adjusted for inflation, are approximately 15% less than the 1991-92 period.

Government-wide revenues during this fiscal year increased by 31.9% as compared to the prior fiscal year, primarily due to increase in the grants such as the incentive portion of the Community Air Protection Program (CAPP) and subsequent increase in revenue. General Fund revenues increased by 2.6% as compared to the prior fiscal year, primarily

due to increase in state grants such as the implementation portion of CAPP, increase in Title V and non-Title V by 10.66% and 4% respectively and increase in CPI of 3.4%. Future changes in government-wide revenue are highly dependent on the timing of receipts and continuation of state and federal grant funding, while General Fund revenues are expected to continue to remain generally stable through the following fiscal year due to the strengthening of the economic environment.

Government-wide expenses increased when compared to the prior fiscal year by 32.1% primarily due to expenditures related to state grants such as Carl Moyer AB 923 program and the incentive portion of CAPP. General Fund expenditures increased by 7.7% as compared to the prior fiscal year, due to increased employee retirement plan contributions, slight salary increases and expenditures related to grants such as the implementation portion of CAPP. Future changes in government-wide expenses are highly dependent on the timing of receipts and continuation of state and federal grant funding, while General Fund expenditures are expected to increase through the following fiscal year due to the continued increases in employee retirement plan contributions.

Long-term Financial Planning

In addressing long-term program costs, South Coast AQMD has pursued actions over the past several years including legislative changes to the employee retirement plan, labor negotiations, and the use of one-time revenues to lower its long-term retirement costs. As part of the annual budget process, South Coast AQMD prepares a five year financial plan that demonstrates the commitment to meet future financial challenges and uncertainties while continuing to protect the health of the residents within the South Coast AQMD boundaries and remaining sensitive to business. During the current fiscal year and beyond, South Coast AQMD continues to look for cost savings and operational efficiencies as a means of balancing revenues and expenditures to ensure long term financial sustainability.

Relevant Financial Policies

In recent years, South Coast AQMD's Governing Board has made several policy decisions to meet future financial challenges and uncertainties while continuing to protect the health of the residents within the South Coast AQMD boundaries and remaining sensitive to business. These policy decisions include reducing debt, negotiating reductions in the cost of pensions, and reviewing and revising fee policies. In fiscal year 2012-13, debt associated with the Headquarters building was eliminated, while additional funds were set aside in fiscal year 2013-14 to pay for outstanding debt related to pension obligation bonds. Starting fiscal year 2017-18 employer pick-up of employee retirement plan contributions was completely phased out and the entire employee contribution portion of the pension cost is picked up by employees. This was eliminated at the direction of the Governing Board and was part of a three-year labor agreement. Over the

past decade and continuing, changes and reductions in pension benefits and costs have been successfully negotiated with the employees of South Coast AQMD as a means of curbing the cost of pensions and associated liabilities.

In fiscal year 2010-11, South Coast AQMD's Governing Board approved a rule which provides that certain fees be automatically adjusted effective July 1 of each year by the California Consumer Price Index for the preceding calendar year unless the Governing Board by rule decides not to implement such fee increase for a given year, either for all fees or for a specified fee or fees.

To more fully recover costs for certain South Coast AQMD activities, in fiscal year 2018-19 there was a 3.4% fee increase due to CPI. In June 2017, the Board approved fee increases for three fiscal years starting in FY 2017-18 through FY 2019-20. This approval included a Title V fee increase of 10.67% annually for the three years, for an overall increase of 32%; and a non-Title V fee increase of 4% annually for FY 2017-18 and FY 2018-19, for an overall increase of 8%.

Additionally, the Governing Board adopted a fund balance policy for the General Fund so that an amount equal to at least 20% of General Fund revenues is maintained in the combination of Assigned and Unassigned General Fund Balance. The policy serves to mitigate current and future risks related to potential revenue shortfalls and/or unanticipated expenditures.

Major Initiatives

The mission of South Coast AQMD is to protect public health from air pollution with sensitivity to the impacts of its actions on the community, public agencies and businesses. To carry out this mission, South Coast AQMD has developed the following goals:

- I. Achieve clean air standards.
- II. Enhance public education and equitable treatment for all communities.
- III. Operate efficiently and transparently.

During fiscal year 2018-19, South Coast AQMD advanced many projects which were particularly important to achieving our mission and goals, including: emissions reductions as specified in the 2016 Air Quality Management Plan; conduct monitoring of at least ten facilities and reduce emissions from those found to have high toxics risk to the community; complete all Title V inspectors training and support development of Cleaner Advanced Technology, development of enhanced emissions/ambient monitoring capabilities, increased communication between South Coast AQMD and all stakeholders, and internal business process improvement such as reducing the number of pending permit applications in the backlog.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the South Coast Air Quality Management District for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. The Comprehensive Annual Financial Report must satisfy both generally accepted accounting principles and applicable legal requirements. The Certificate of Achievement is valid for a period of one year only. We believe our current report continues to meet the Certificate of Achievement program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of our comprehensive annual financial report was made possible by the dedicated services of the accounting, financial services, and management staff of the Finance Office. These members have our sincere appreciation for the contribution made in the preparation of this report.

Recognition is also given to the Governing Board for their leadership and support and to all employees of South Coast AQMD who continue their work to accomplish South Coast AQMD's mission of protecting public health from air pollution with sensitivity to the impacts of its actions on the community and businesses.

Respectfully submitted,



Wayne Natri
Executive Officer



Sujata Jain, CPA
Assistant Deputy Executive Officer, Finance



Government Finance Officers Association

**Certificate of
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for Excellence
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Presented to

**South Coast Air Quality Management
District (AQMD), California**

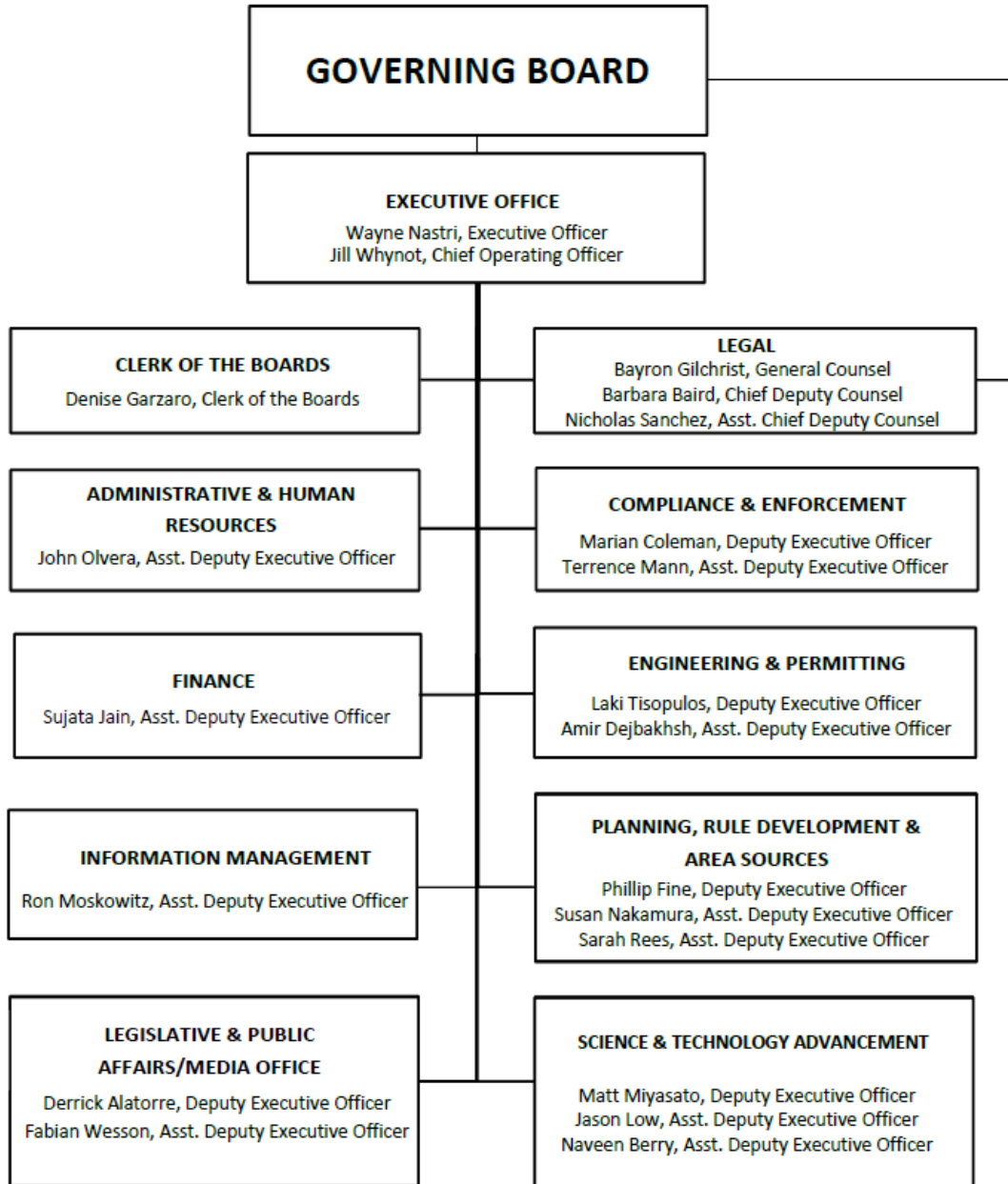
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO

South Coast Air Quality Management District, California Organizational Chart June 30, 2019



INDEPENDENT AUDITOR'S REPORT

The Governing Board of
South Coast Air Quality Management District

Report on the Basic Financial Statements

We have audited the accompanying basic financial statements of the governmental activities, the blended component unit, each major fund, and the aggregate remaining fund information of the South Coast Air Quality Management District (South Coast AQMD), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the South Coast AQMD's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the blended component unit, each major fund, and the aggregate remaining fund information of the South Coast AQMD, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in note 1F to the financial statements, South Coast AQMD adopted Governmental Accounting Standards Board (GASB) Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* for the year ended June 30, 2019. 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 Management's Discussion and Analysis and the required supplementary information on pages 4-20 and 72-78, respectively, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South Coast AQMD's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other

records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

BCA Watson Rice, LLP

Torrance, California
October 11, 2019

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019**

As management of the South Coast Air Quality Management District (South Coast AQMD), we offer readers of South Coast AQMD's financial statements this narrative overview and analysis of the financial activities of South Coast AQMD for fiscal year ended June 30, 2019. Please read it in conjunction with the accompanying transmittal letter, the basic financial statements, and the accompanying notes to those financial statements.

A. Financial Highlights

- Total assets and deferred outflows of resources of South Coast AQMD exceeded its total liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$692.3 million (net position), an increase of \$109.4 million was the change in net position for the current year. The net position of \$692.3 million consisted of: \$35.5 million net investment in capital assets; \$785.7 million restricted for long-term emission-reduction projects; and a deficit of \$128.9 million unrestricted net position primarily due to a net pension liability of \$218.2 million.
- As of the close of the fiscal year, South Coast AQMD's governmental funds reported combined ending fund balances of \$857.1 million, an increase of \$114.2 million in comparison to the prior year. Of the \$857.1 million combined ending fund balances, \$71.0 million represents the fund balance of the General Fund.
- Out of the general fund balance of \$71.0 million at the end of the fiscal year, \$64,226 was nonspendable, \$12.3 million was committed, \$6.1 million was assigned and \$52.5 million was unassigned, which is 32.9% of the general fund expenditures.
- South Coast AQMD's capital assets decreased by \$254,863 from the prior year.
- South Coast AQMD's long-term debt decreased by \$2.9 million or 7.8% of the long term debt outstanding.
- South Coast AQMD's net pension liability increased by \$4.2 million or 1.9% from the prior year.

B. Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to South Coast AQMD's basic financial statements. South Coast AQMD'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.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019**

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, South Coast AQMD, 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 South Coast AQMD. These financial statements are constructed around the concept of a primary government and its component unit, excluding fiduciary funds. The financial statements of South Coast AQMD's fiduciary funds are not included in the government-wide financial statements because these funds cannot be used to finance South Coast AQMD's activities.

The government-wide financial statements are designed to provide readers with a broad overview of South Coast AQMD's finances in a manner similar to a private sector business. These financial statements include the Statement of Net Position and the Statement of Activities.

The Statement of Net Position reports all assets and deferred outflows of resources held and liabilities and deferred inflows of resources owed by South Coast AQMD using the accrual basis of accounting which is similar to the accounting method used by most private sector companies. The difference between assets and liabilities is reported as net position. Over time increases or decreases in net position serve as a useful indicator of whether South Coast AQMD's financial position is improving or deteriorating.

The Statement of Activities presents information showing how South Coast AQMD's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods such as earned but unused vacation leave.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. South Coast AQMD, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of South Coast AQMD can be divided into two categories: governmental funds and fiduciary funds.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019**

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Non-financial assets such as land and building and long-term liabilities such as pension obligation bonds payable or long term liabilities that will not be paid with current assets are excluded. Such information on available spendable resources may be useful in evaluating South Coast AQMD's near-term financing requirements. The Basic Governmental Fund Statements can be found under the Fund Financial Statements section of this report.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Government-wide Financial Statements. By doing so, readers may better understand the long-term impact of South Coast AQMD's near-term financing decisions. Information from the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances is used to facilitate the comparison between governmental funds and governmental activities. The reconciliation between the Governmental Funds Balance Sheet and the Government-wide Statement of Net Position can be found under the Fund Financial Statements section. The reconciliation of the total change in fund balances for all governmental funds to the change in net position can also be found under that same section.

South Coast AQMD maintains 45 individual special revenue funds, one debt service fund, one capital projects fund, and a blended component unit in addition to the General Fund. Four of the special revenue funds are considered major funds. The information for the major special revenue funds is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund balances. Data for the other 41 non-major special revenue funds, debt service fund, capital projects fund and blended component unit are combined into a single, aggregated presentation. Individual fund data for each of the 41 non-major governmental funds, debt service fund, capital projects fund, and blended component unit, is reported in the Other Supplementary Information section of this report.

South Coast AQMD adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. This is presented in the Required Supplementary Information (RSI) section of this report. Also, presented in RSI are South Coast AQMD's schedule of proportionate share of net pension liability, schedule of

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019**

proportionate share of net OPEB liability, and schedules of contributions for pensions and OPEB.

Fiduciary Funds

Fiduciary Funds represent Agency Funds and Retirement Benefit Trust Fund which are custodial in nature and do not involve measurement of results of operations. South Coast AQMD's fiduciary activities are reported in separate Statements of Fiduciary Net Position. These statements are excluded from South Coast AQMD's other financial statements because the resources of fiduciary funds, by definition, cannot be used to support South Coast AQMD's own programs. South Coast AQMD is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The accounting used for fiduciary funds is much like that used for proprietary funds.

South Coast AQMD's Fiduciary Fund Financial Statements for the Agency Funds and Retirement Benefit Trust Fund are presented under the Fund Financial Statements section.

Notes to the Basic Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential to the reader for a full understanding of the data provided in the Government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents a RSI section concerning the General Fund's budgetary comparison schedule and budgetary reconciliation. Also included in RSI are South Coast AQMD's schedule of proportionate share of net pension liability, schedule of proportionate share of net OPEB liability, and schedules of contributions for pensions and OPEB.

Individual fund data for each of the non-major governmental funds is included in the Other Supplementary Information section.

The Statistical section provides readers with information covering financial trends, revenue capacity, debt capacity, demographic and economic information, and operating information.

C. Government-wide Financial Analysis

Our analysis focuses on the net position and changes in net position of South Coast AQMD's governmental and business-type activities.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019**

The schedule below presents a condensed Statement of Net Position as of June 30, 2019 compared with the prior fiscal year.

**Net Position
(amounts expressed in thousands)**

	Governmental Activities		Business-Type Activities		TOTAL	
	<u>FY 2018-19</u>	<u>FY 2017-18</u>	<u>FY 2018-19</u>	<u>FY 2017-18</u>	<u>FY 2018-19</u>	<u>FY 2017-18</u>
Current and other assets	\$ 932,368	\$ 802,067	\$ -	\$ -	\$ 932,368	\$ 802,067
Capital assets	35,502	35,756	-	-	35,502	35,756
Total assets	<u>967,870</u>	<u>837,823</u>	<u>-</u>	<u>-</u>	<u>967,870</u>	<u>837,823</u>
Deferred outflow of resources-pension	88,553	101,723	-	-	88,553	101,723
Deferred outflow of resources-OPEB	231	233	-	-	231	232
Total deferred outflow of resources	<u>88,784</u>	<u>101,956</u>	<u>-</u>	<u>-</u>	<u>88,784</u>	<u>101,956</u>
Other liabilities	77,996	61,954	-	-	77,996	61,954
Long-term liabilities	255,824	254,938	-	-	255,824	254,938
Total liabilities	<u>333,820</u>	<u>316,892</u>	<u>-</u>	<u>-</u>	<u>333,820</u>	<u>316,892</u>
Deferred inflow of resources-pension	29,738	39,614	-	-	29,738	39,614
Deferred inflow of resources-OPEB	810	360	-	-	810	360
Total deferred inflow of resources	<u>30,548</u>	<u>39,974</u>	<u>-</u>	<u>-</u>	<u>30,548</u>	<u>39,974</u>
Net Position:						
Net investment in capital assets	35,502	35,757	-	-	35,502	35,757
Restricted for:						
Restricted for long-term emission-reduction projects	785,722	676,857	-	-	785,722	676,857
Unrestricted	(128,939)	(129,701)	-	-	(128,939)	(129,701)
Total net position	<u>\$ 692,285</u>	<u>\$ 582,913</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 692,285</u>	<u>\$ 582,913</u>

As noted earlier, net position may serve over time as a useful indicator of South Coast AQMD's financial position. At the close of the most recent fiscal year, South Coast AQMD's assets exceeded liabilities by \$692.6 million.

The largest portion of South Coast AQMD's net position, \$785.7 million, represents resources that are subject to external restrictions on how they may be used. The revenue in special revenue funds is restricted to expenditures for specific purposes. Approximately \$35.5 million of South Coast AQMD's net position reflect its investment in capital assets used by South Coast AQMD (e.g. land, buildings, equipment, and vehicles) less any related debt used to acquire those assets that is still outstanding. South Coast AQMD uses these capital assets in carrying out its mission of protecting public health while being sensitive to the economic needs of local businesses. Consequently, these assets are not available for future spending. Although South Coast AQMD's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. The debt service installment schedules for the 1995 and 2004 Pension Obligation Bonds will be fully paid by fiscal years 2022 and 2024, respectively.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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The remaining portion of South Coast AQMD's net position of governmental activities, a deficit of \$128.9 million, is unrestricted. The deficit is mainly due to the net pension liability. At the end of the current fiscal year, South Coast AQMD had a negative balance in the unrestricted categories of net position and positive fund balance in restricted and net investment in capital asset category.

The net position for governmental activities increased by \$109.4 million compared with the prior fiscal year. Most of the increase was due to revenues in long-term emission-reduction projects.

Program revenues increased by approximately \$111.7 million, 35.8% change from the prior year. These are largely due to increase of approximately \$84.9 million in state grant, \$9.3 million in other revenues, and \$6.4 million in interest revenue of special revenue funds. The increase of state grant is mainly due to the new funding of the incentive portion of Community Air Protection (AB 134) Fund. General revenue decreased by \$7.2 million, compared with the prior fiscal year, which is primarily attributed to a decrease in penalties and settlements.

Expenses increased by \$79.5 million largely due to a higher amount paid for fiscal year 2018-19 long-term emission reduction projects as compared to fiscal year 2017-18.

A condensed Schedule of Changes in Net Position for the fiscal year ending June 30, 2019 compared with the prior fiscal year can be found on the following page.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019**

**Changes in Net Position
(amounts expressed in thousands)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>TOTAL</u>	
	<u>FY 2018-19</u>	<u>FY 2017-18</u>	<u>FY 2018-19</u>	<u>FY 2017-18</u>	<u>FY 2018-19</u>	<u>FY 2017-18</u>
Revenues:						
Program Revenues:						
Fees and charges – stationary sources	\$ 101,804	\$ 100,355	\$ -	\$ -	\$ 101,804	\$ 100,355
Fees and charges – mobile sources	26,106	26,027	-	-	26,106	26,027
Operating grants and subventions	295,517	185,367	-	-	295,517	185,367
General Revenues:						
Grants and subventions – not restricted to specific programs	2,865	2,880	-	-	2,865	2,880
Interest	1,977	1,041	-	-	1,977	1,041
Penalties and settlements	7,197	14,316	-	-	7,197	14,316
Other revenues	1,422	1,154	-	-	1,422	1,154
Total revenues	<u>436,888</u>	<u>331,140</u>	<u>-</u>	<u>-</u>	<u>436,888</u>	<u>331,140</u>
Expenses:						
Advance clean air technology	11,521	9,271	-	-	11,521	9,271
Ensure compliance with clean air rules	52,353	50,528	-	-	52,353	50,528
Customer service and business assistance	11,638	9,743	-	-	11,638	9,743
Develop programs to achieve clean air	9,408	8,637	-	-	9,408	8,637
Develop rules to achieve clean air	14,276	10,013	-	-	14,276	10,013
Monitoring air quality	26,547	20,822	-	-	26,547	20,822
Timely review of permits	33,951	33,302	-	-	33,951	33,302
Policy support	1,028	667	-	-	1,028	667
Interest on long-term debt	3,605	3,732	-	-	3,605	3,732
Long-term emission reduction projects	163,188	101,304	-	-	163,188	101,304
Total expenses	<u>327,515</u>	<u>248,019</u>	<u>-</u>	<u>-</u>	<u>327,515</u>	<u>248,019</u>
Increase/(Decrease) in net position, before transfers	109,373	83,121	-	-	109,373	83,121
Transfers	-	1,253	-	(1,253)	-	-
Increase/(Decrease) in net position	109,676	84,374	-	(1,253)	109,676	83,121
Net position beginning, as previously reported	582,913	502,025	-	1,253	582,913	503,278
Restatement of net positions	-	(3,486)	-	-	-	(3,486)
Net position ending, as restated	<u>\$ 692,286</u>	<u>\$ 582,913</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 692,286</u>	<u>\$ 582,913</u>

Note: Net position beginning of fiscal year 2017-18 has been restated to reflect the changes related to the implementation of GASB Statement No. 75.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019**

Governmental Activities

The objective of the statement of activities is to report the full cost of providing government services for that year. The format also permits the reader to ascertain the extent to which each function is either self-financing or draws from the general funds of the government.

The Statement of Activities presents information showing how South Coast AQMD's net position changed during fiscal year 2019. All changes in net position are reported as soon as the underlying event occurs regardless of the timing of the cash flows.

Governmental activities of South Coast AQMD are predominantly supported by fees, grants, state subvention, penalties, and settlements. The penalties and settlements are one-time revenues which are over and above the regular revenues directly related to the programs. The governmental activities of South Coast AQMD are: Advance Clean Air Technology, Ensure Compliance with Clean Air Rules, Customer Service and Business Assistance, Develop Programs to Achieve Clean Air, Develop Rules to Achieve Clean Air, Monitoring Air Quality, Timely Review of Permits, Policy Support, and Long-Term Emission Reduction Projects.

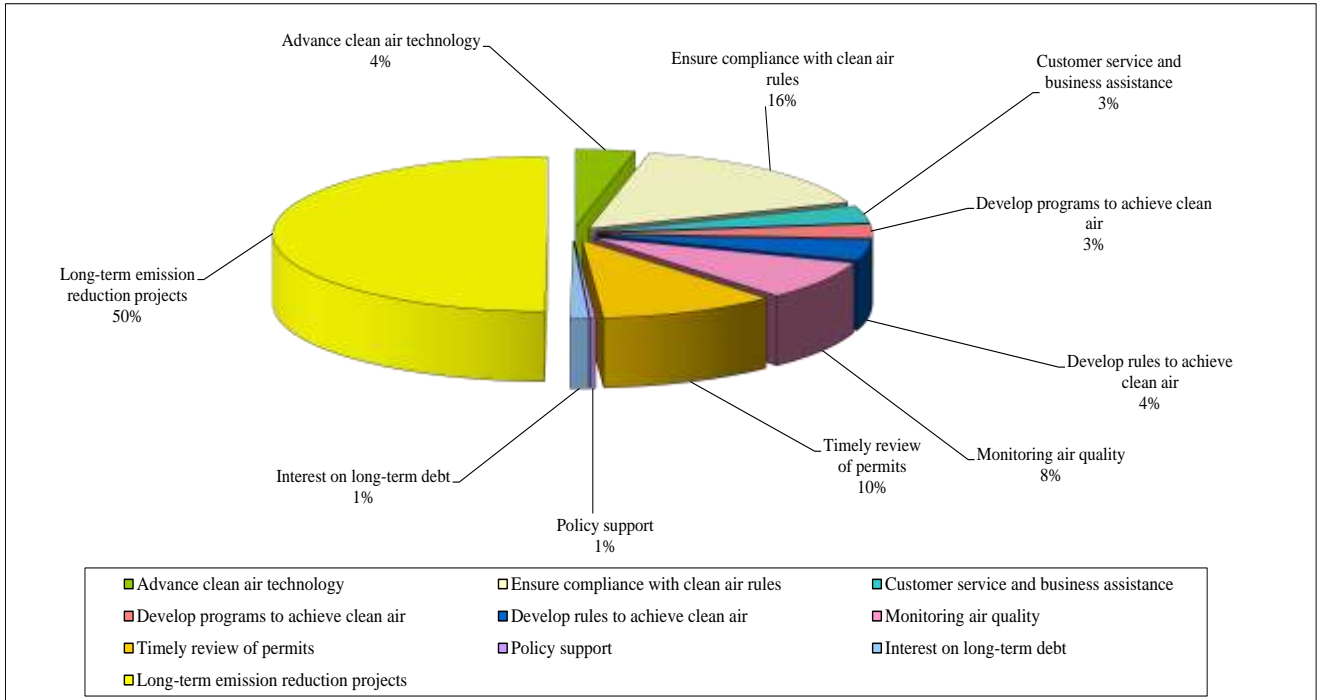
There was an increase in program revenues in the Operating Grants and Subvention Revenues Sources. The program revenues in this revenue category are made up of revenues from mostly restricted revenue derived from federal and state funds. Following is an explanation of the significant revenue variances from fiscal year 2017-18 to fiscal year 2018-19:

- **Community Air Protection AB 134 Fund** – Established in fiscal year 2017-18 to recognize the allocation of AB 617 Community Air Protection incentive funds (AB 134 revenue) awarded and received from CARB. These funds are intended to implement projects that are identified in approved AB 617 Community Emissions Reduction Plans and in other communities that are disproportionately impacted by air pollution. In fiscal year 2018-19, this fund recognized the first allocation of \$106.2 million in state grant revenue.

Business-type Activities

The Business-type Activities section reports transactions relating to the CNG fueling station. The CNG fueling station were closed in fiscal year 2017-18. Thus, no business-type activities were reported in this financial statements.

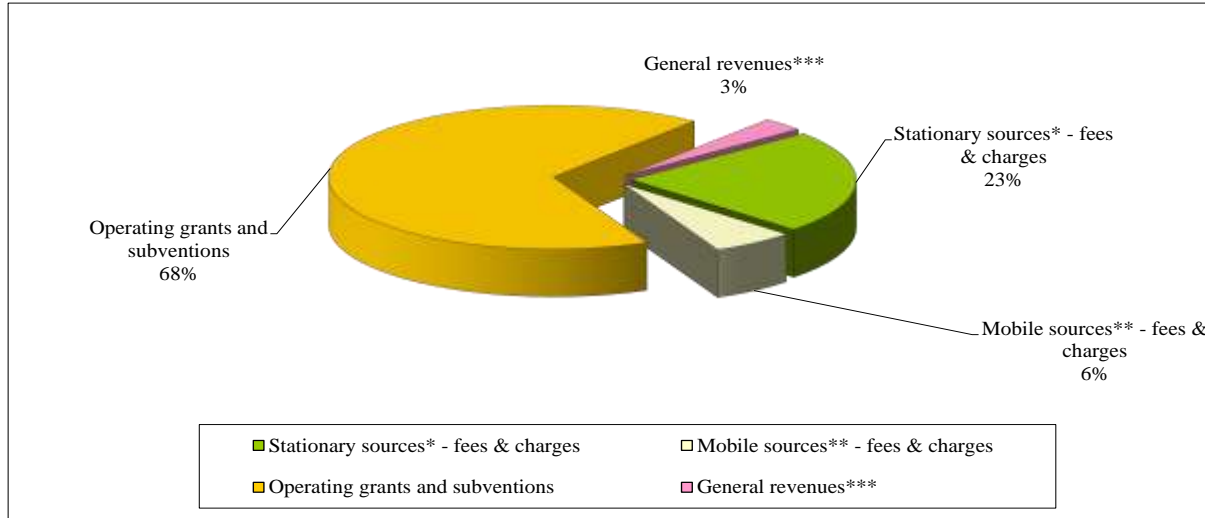
**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
EXPENSES BY ACTIVITY
Government Activities
FY 2018-19**



Activity	FY 18-19	FY 17-18	FY 16-17	FY 15-16	FY 14-15	FY 13-14
Advance clean air technology	\$ 11,520,547	\$ 9,271,026	\$ 7,825,599	\$ 7,119,417	\$ 5,539,607	\$ 6,212,087
Ensure compliance with clean air rules	52,353,479	50,528,522	49,316,129	45,622,680	43,252,162	48,813,991
Customer service and business assistance	11,637,664	9,743,294	9,260,504	8,337,319	6,124,811	8,332,770
Develop programs to achieve clean air	9,407,869	8,636,784	11,335,498	10,444,147	9,727,624	11,147,303
Develop rules to achieve clean air	14,275,590	10,013,098	7,604,041	7,566,089	7,161,179	7,514,210
Monitoring air quality	26,547,245	20,822,380	17,856,869	16,028,394	13,197,801	14,969,083
Timely review of permits	33,951,378	33,301,565	31,520,083	27,891,070	24,431,059	27,821,032
Policy support	1,028,495	667,046	885,773	511,705	331,652	1,204,588
Interest on long-term debt	3,605,251	3,731,589	3,906,955	3,884,990	4,031,178	4,102,888
Long-term emission reduction projects	163,187,839	101,304,229	101,008,426	87,079,799	210,229,182	154,939,035
Total	\$ 327,515,357	\$ 248,019,533	\$ 240,519,877	\$ 214,485,610	\$ 324,026,255	\$ 285,056,987

Source: FY 2018-19 CAFR Statement of Activities

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
REVENUES BY MAJOR SOURCE
Government Activities
FY 2018-19



Source	FY 18-19	FY 17-18	FY 16-17	FY 15-16	FY 14-15	FY 13-14
Stationary sources* - fees & charges	\$ 101,804,325	\$ 100,354,910	\$ 94,279,518	\$ 89,264,511	\$ 88,120,829	\$ 87,160,484
Mobile sources** - fees & charges	26,106,160	26,026,673	28,087,131	25,743,988	24,526,008	24,307,527
Operating grants and subventions	295,516,665	185,367,622	222,070,040	122,424,397	149,766,034	164,053,936
General revenues***	13,460,793	20,644,444	16,664,195	10,148,573	14,043,695	23,570,233
Total	\$ 436,887,943	\$ 332,393,649	\$ 361,100,884	\$ 247,581,469	\$ 276,456,566	\$ 299,092,180

* Stationary sources consist of refineries, power plants, manufacturing facilities and small businesses.

** Mobile sources are motorized vehicles that typically include automobiles, trucks, aircraft, ships, trains, and self-propelled construction equipment.

*** General Revenues include Penalties/Settlements, Interest, and dollars that are not restricted to specific stationary source.

Source: FY 2018-19 CAFR Statement of Activities

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
June 30, 2019**

The following schedule presents the cost of each South Coast AQMD program as well as each program’s net cost (total cost less revenues generated by the activities):

GOVERNMENTAL ACTIVITIES

**Net (Expense) Revenue
(amounts expressed in thousands)**

	<u>FY 2018-19</u>	
	<u>Total Cost of Program Activities</u>	<u>Net Cost of Program Activities</u>
Advance clean air technology	\$ 11,521	\$ (4,290)
Ensure compliance with clean air rule	52,353	(4,345)
Customer service and business assistance	11,638	(769)
Develop programs to achieve clean air	9,408	(486)
Develop rules to achieve clean air	14,276	(725)
Monitoring air quality	26,547	(1,191)
Timely review of permits	33,951	(1,344)
Policy support	1,028	(84)
Interest on long-term debt	3,605	(3,605)
Long-term emission reduction projects	163,188	112,751
Total	<u>\$ 327,515</u>	<u>\$ 95,912</u>

The program activities are described as follows:

- **Advance Clean Air Technology** – Identify technologies from anywhere in the world that may have application in reducing emissions from mobile and stationary sources in South Coast AQMD’s jurisdiction. Promote development and assess the use of clean fuels and low-emitting technologies. Implement and administer state- and federal-funded programs for retrofitting, re-powering, or replacing diesel engines with newer and cleaner engines and projects to reduce air pollution associated with freight movement along California’s trade corridors.
- **Ensure Compliance with Clean Air Rules** – Perform inspections, source tests, sample collection, the certification of Continuous Emission Monitoring Systems (CEMS), emissions audits, and respond to and resolve public complaints to ensure compliance with South Coast AQMD rules for existing major and small stationary sources of all pollutants.
- **Customer Service and Business Assistance** – Provide local government, business, and the public with access and input into the regulatory and policy processes of South Coast AQMD. Assist cities and others with AB 2766 projects. Interact with local, state and federal agencies and others to share air quality information, resolve jurisdictional questions, and implement joint programs. Implement comprehensive public information, legislative and customer service programs.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019**

- **Develop Programs to Achieve Clean Air** – Develop a regional Air Quality Management Plan (AQMP) to achieve federal and state ambient air quality standards and to meet all other requirements of the federal and California Clean Air Acts. Analyze air quality data and provide an estimate of pollutant emissions by source category. Develop pollutant control strategies and project future air quality using computer models and statistical analysis of alternative control scenarios.
- **Develop Rules to Achieve Clean Air** – Develop emission reduction regulations for sulfur dioxide, nitrogen dioxide, organic gases, particulate matter, toxics, and other pollutants to implement the regional AQMP, Tanner Air Toxics Process (AB 1807), National Emission Standards for Hazardous Air Pollutants (NESHAPS), and Prevention of Significant Deterioration (PSD) requirements.
- **Monitoring Air Quality** – Operate and maintain within South Coast AQMD's jurisdiction a network of air quality monitoring sites for ozone, nitrogen oxides, sulfur oxides, particulate matter, carbon monoxide and other pollutants to obtain data regarding public exposure to air contaminants. Analyze, summarize, and report air quality information generated from the monitoring sites. Prepare meteorological forecasts and models.
- **Timely Review of Permits** – Ensure timely processing of permits for new sources based on compliance with New Source Review and other applicable local, state and federal air quality rules and regulations.
- **Policy Support** – Provide support staff to the Governing Board, Board committees, and various advisory and other groups as well as ad hoc committees and Rule working groups. Monitor potential changes to state and federal legislation and budgets that may affect South Coast AQMD.
- **Interest on Long-Term Debt** – Identify the cost of borrowing on Pension Obligation Bonds to partially retire the Unfunded Actuarial Accrued Liability (UAAL) due to San Bernardino County Employees' Retirement Association (SBCERA).
- **Long-term Emission Reduction Projects** – Generate funding for long-term projects that reduce emissions in the South Coast Air Basin. Funding for special funds activities are recognized when received and projects carried out may extend over multiple fiscal years.

D. Financial Analysis of South Coast AQMD's Funds

As noted earlier, South Coast AQMD uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019**

Governmental Funds

The focus of South Coast AQMD's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing South Coast AQMD's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the fiscal year, South Coast AQMD's governmental funds reported combined ending fund balances of \$857.1 million, an increase of \$114.2 million in comparison with the prior year. Approximately 91.7% of these fund balances (\$786.1 million) constitutes the portion pertaining to special revenue funds. Expenditures under these funds are restricted for specific purposes. The long-term contractual commitments related to these special fund programs, such as replacement of diesel-fueled trucks, involve multiple-year spending.

- **The General Fund** is the operating fund of South Coast AQMD. At the end of the fiscal year, the total fund balance of the General Fund was \$71.0 million. The unassigned fund balance was \$52.5 million or 73.9% of the total fund balance; assigned was \$6.1 million or 8.6% of the total fund balance. The assigned amount represents South Coast AQMD's intended use of the financial resources in future periods. One measure of the General Fund's liquidity is the comparison of both assigned and unassigned fund balance to total expenditures. The assigned and unassigned fund balance represent 36.8% of total General Fund expenditures, while total fund balance represents 44.5% of the total General Fund expenditures. In the General Fund, the assigned and unassigned fund balance may serve as a useful measure of South Coast AQMD's net resources available for spending at the end of the fiscal year.

General Fund's revenues increased in fiscal year 2018-19 by \$4.0 million. This increase is primarily due to revenue increases from the state grants and annual renewal fees offsetting by decreased penalties and settlements.

Overall, General Fund's expenditures increased in fiscal year 2018-19 by \$10.8 million primarily due to higher salaries and employment benefits expenditures as compared to prior fiscal year. This is due primarily to increased cost associated with the three year labor agreement, increased in retirement plan contribution, and adding positions.

Fund balance changes in other major governmental funds are noted below:

- **Mobile Sources Air Pollution Reduction Fund** – The fund balance increased compared with the prior year by \$4.1 million due to revenues exceeding expenditures in fiscal year 2018-19. Many of the contracts executed in this

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019**

special revenue fund are multi-year and the projects are often long-term and expenditures can vary significantly from year to year.

- **Community Air Protection AB 134 Fund** – This fund was established to account for AB 617 Community Air Protection incentive funds. The fund balance increased by \$90.5 million due to revenues exceeding expenditures in fiscal year 2018-19. This fund recognized the first allocation of \$106.2 million in state grant revenue during the fiscal year 2018-19, and multi-year projects that are identified in approved AB 617 Community Emissions Reduction Plans were started for this new funding.
- **Carl Moyer Program (CMP) AB 923 Fund** – The fund balance decreased by \$20.8 million due to expenditures exceeding revenues in fiscal year 2018-19. Many of the contracts executed in this special revenue fund are multi-year and expenditures can vary significantly from year to year.
- **Prop 1B Goods Movement Fund** – This fund was established to account for voter approved transportation bond dollars. The fund balance decreased in fiscal year 2018-19 by \$22.6 million due to expenditures exceeding revenues in fiscal year 2018-19. No state grant received in fiscal year 2018-19. Many of the contracts executed in this special revenue fund are multi-year and expenditures can vary significantly from year to year.

E. General Fund Budgetary Highlights

Overall, the fiscal year 2018-19 adopted budget represented a \$12.8 million (8.5%) increase in expenditures over the fiscal year 2017-18 adopted budget. The fiscal year 2018-19 adopted budget increased due to adding 47 grant funded positions, cost increases associated with the three year labor agreement and an increase in retirement contribution rates. On a budgetary basis, actual fiscal year 2018-19 General Fund revenues/transfers in exceeded expenditures/transfers out by \$3.3 million.

South Coast AQMD adopts an annual operating budget for the General Fund. During budget preparation, South Coast AQMD estimates its revenues using realistic but conservative methods so as to budget its expenditure appropriations and activities in a prudent manner. As a result, South Coast AQMD adopts budget amendments during the fiscal year to reflect availability of additional revenues for expansion of existing programs and any budget transfers between major accounts.

The fiscal year 2018-19 amended budget compared to the adopted budget reflected an increase in appropriations of \$14.9 million. The changes to the budget were the result of Governing Board actions that allocated additional funding after the budget was

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019**

adopted. Also, changes can be attributed to Governing Board approved use of unassigned fund balance for program needs that were unknown at the time the budget was developed.

Additional funding was appropriated during fiscal year 2018-19 from the following:

EPA - \$1,938,000 for the following programs: Photochemical Assessment Monitoring Stations (PAMS), PM 2.5 Monitoring, Science to Achieve Results (STAR) research grant for low cost air monitoring sensors, the National Air Toxics Monitoring Program, Near Road NO₂ and enhanced particulate monitoring programs.

Clean Fuels Program Fund – \$305,000 to assist in conducting the fifth Multiple Air Toxics Exposure Study (MATES V).

Rule 1118 Mitigation Fund – \$1,326,000 to assist in conducting the fifth Multiple Air Toxics Exposure Study (MATES V).

Rule 1180 Special Revenue Fund – \$1,996,000 for the installation and operation of community air monitoring stations near refineries.

BP ARCO Settlement Projects Fund – \$352,000 to implement an air quality educational program in 100 high schools and for the purchase integrated filter-based samplers.

HEROS II Special Revenue Fund – \$90,000 for Enhanced Fleet Modernization Program (EFMP) web-based application.

CARB - \$2,073,000 of AB 617 funding to develop an air monitoring plan for the state and then select the highest priority locations for community air monitoring systems.

Designation for Permit Streamlining – \$1,079,000 for permitting system automation projects.

Unassigned Fund Balance – \$5,725,000 for specialized legal services, systems development, software licenses, two annual air quality events and the restoration of budget reductions that occurred during the Fiscal Year 2018-19 budget development.

For fiscal year 2018-19, actual revenues were below the final budget by \$4.9 million or 3.0% and expenditure savings were \$16.3 million or 10.1%.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Actual revenue was below the final budget primarily due to annual renewal fee revenue and mobile source/clean fuel revenue being lower than anticipated. The amounts estimated for clean fuels/mobile sources were lower due to the timing of the projects that are reimbursed.

The expenditure savings can be primarily attributed to salary savings, which was a result of an increase of 109 positions (47 at budget adoption and 62 mid-year) since the start of Fiscal Year 2018-19. Additional significant savings were achieved through prudent purchase decisions and postponing contract work and fixed asset purchases.

F. Capital Assets and Debt Administration

Capital Assets

South Coast AQMD's investment in capital assets is mostly for its governmental activities. The book value was \$35.5 million (net of accumulated depreciation of \$94.9 million) as of June 30, 2019. This investment in capital assets includes land, buildings, laboratory equipment, air monitoring stations, intangible assets (internally generated software) and South Coast AQMD fleet vehicles. Depreciation on capital assets is recognized in the Government-wide financial statements.

Additional information on the capital assets can be found in Note V under the Notes to the Basic Financial Statements section.

Long-Term Debt

At the end of the current fiscal year, South Coast AQMD had total long-term debt outstanding of \$34.4 million, including the current portion of \$5.5 million. The amount of \$19.3 million represents the Pension Obligation Bonds. The 1995 series issued in December 1995 (outstanding balance of \$1.4 million) and the 2004 series issued in June 2004 (outstanding balance of \$17.9 million) retired the Unfunded Actuarial Accrued Liability due to San Bernardino County Employees' Retirement Association as of June 30, 2004. Other long-term debt includes general liability claims and workers' compensation claims payable of \$1.4 million and compensated absences of \$13.7 million.

Additional information on South Coast AQMD's long-term debt can be found in Note VII under the Notes to the Basic Financial Statements section of this report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019**

G. Economic Factors and Next Year's Budget and Rates

The fiscal year 2019-20 expenditure budget decreased by 3.7% compared to the fiscal year 2018-19 amended budget. The budget reflects a decrease of \$6.6 million in expenditures from the fiscal year 2018-19 Amended Budget and an \$8.2 million increase from the fiscal year 2018-19 Adopted Budget. The increase in expenditures from the fiscal year 2018-19 Adopted Budget can be mainly attributed to the following: an increase of 63 FTEs for grant funded programs, increases in retirement contribution rates, and cost increases associated with recent labor agreements which expire in December 2020.

In fiscal year 2019-20 revenues are projected to increase by approximately \$5.3 million from the fiscal year 2018-19 adopted budget. The increase in revenue can be attributed to a 3.5% CPI fee increase in most stationary source fees along with an additional fee adjustment to permit processing and annual operating permit renewal fees of 10.66% for Title V facilities. Also, the increase in revenue can be attributed additional grant funding for the AB 617 Community Air Protection Program. Nevertheless, in recent years, South Coast AQMD's revenues have not kept pace with program costs mainly due to increases in retirement rates as the result of market losses to the retirement system's investments.

Moreover, since fiscal year 1991-92, the South Coast AQMD has reduced staffing and program costs despite increased program requirements. The fiscal year 2019-20 expenditure budget is \$170.9 million and includes 939 authorized positions. Compared to fiscal year 1991-92, this reflects a reduction of 19% in authorized positions. Program costs, however, will exceed the fiscal year 1991-92 budget by \$57.9 million (approximately 51%). Using inflation-adjusted dollars, however, this year's budget request is 12% less than the budget approved in fiscal year 1991-92.

H. Requests for Information

This financial report is designed to provide a general overview of South Coast AQMD's finances for readers of the financial statements. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Office, South Coast Air Quality Management District, 21865 Copley Drive, Diamond Bar, CA 91765-4182.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
STATEMENT OF NET POSITION
June 30, 2019

	Governmental Activities
ASSETS	
Current Assets:	
Cash and pooled cash	\$ 833,008,293
Investments	55,488,009
Interest receivable	4,450,205
Due from other governmental agencies	32,281,770
Accounts receivable, net	7,075,458
Inventories	64,226
Total current assets	932,367,961
Noncurrent Assets:	
Capital assets not being depreciated:	
Land	8,829,792
Capital assets, net of accumulated depreciation:	
Buildings and improvements	10,301,034
Intangibles (software)	7,282,065
Equipment, vehicles and furniture	9,088,711
Total noncurrent assets	35,501,602
TOTAL ASSETS	967,869,563
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflow of resources-pension	88,552,655
Deferred outflow of resources-OPEB	230,900
TOTAL DEFERRED OUTFLOWS OF RESOURCES	88,783,555
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued liabilities	\$ 39,583,461
Interest payable	2,767,832
Salaries and benefits payable	5,441,321
Unearned revenue	30,203,442
Long term debt - due within one year	5,450,182
Total current liabilities	83,446,238
Noncurrent liabilities - due in more than one year:	
Long term debt	28,965,170
Net pension liability	218,228,092
Net OPEB liability	3,180,000
Total noncurrent liabilities	250,373,262
TOTAL LIABILITIES	333,819,500
DEFERRED INFLOWS OF RESOURCES	
Deferred inflow of resources-pension	29,738,188
Deferred inflow of resources-OPEB	810,000
TOTAL DEFERRED INFLOWS OF RESOURCES	30,548,188
NET POSITION	
Net investment in capital assets	35,501,602
Restricted for:	
Long-term emission-reduction projects	785,722,419
Unrestricted	(128,938,591)
TOTAL NET POSITION	\$ 692,285,430

See accompanying notes to the basic financial statements.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019**

Functions/ Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Fees and Charges		Operating Grants and Subventions	
		Stationary Sources **	Mobile Sources		
Governmental Activities:					
Advance clean air technology	\$ 11,520,547	\$ -	\$ 7,020,716	\$ 209,630	\$ (4,290,201)
Ensure compliance with clean air rules	52,353,479	42,139,939	3,065,350	2,803,427	(4,344,763)
Customer service and business assistance	11,637,664	6,601,509	2,574,623	1,692,300	(769,232)
Develop programs to achieve clean air	9,407,869	4,179,013	2,807,536	1,935,629	(485,691)
Develop rules to achieve clean air	14,275,590	6,286,764	2,671,039	4,592,505	(725,282)
Monitoring air quality	26,547,245	10,265,265	7,721,807	7,369,832	(1,190,341)
Timely review of permits	33,951,378	31,632,712	-	974,529	(1,344,137)
Policy support	1,028,495	699,123	245,089	-	(84,283)
Interest on long-term debt	3,605,251	-	-	-	(3,605,251)
Long-term emission reduction projects *	163,187,839	-	-	275,938,813	112,750,974
Total governmental activities	\$ 327,515,357	\$ 101,804,325	\$ 26,106,160	\$ 295,516,665	95,911,793
General Revenues **:					
					2,864,992
					1,976,414
					7,196,194
					970
					1,422,223
					<u>13,460,793</u>
					109,372,586
					582,912,844
					<u>\$ 692,285,430</u>

* Long-term emission reduction projects consist of pass-through and/or one-time or limited duration funding sources that are restricted for specific programs such as Carl Moyer Program Fund, Clean Fuels Program Fund, Mobile Sources Air Pollution Reduction Fund and the Air Quality Investment Fund.

** General Revenue and excess Stationary Source Fees are used to offset a portion of the Permit Processing shortfall.

See accompanying notes to the basic financial statements.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2019**

<u>Assets</u>	General Fund	Mobile Sources Air Pollution Reduction Fund	Community Air Protection AB 134 Revenue Fund	CMP AB 923 Fund	Prop 1B Goods Movement Fund	Other Governmental Funds	Total
Cash and cash equivalents	\$ 73,089,069	\$ 81,326,859	\$ 92,759,708	\$ 145,939,765	\$ 105,707,668	\$ 334,185,224	\$ 833,008,293
Investments	15,133,211	15,141,919	-	-	-	25,212,879	55,488,009
Interest receivable	351,548	473,858	532,100	732,611	568,590	1,791,498	4,450,205
Due from other governmental agencies	9,017,206	2,900,231	-	4,833,719	-	15,530,614	32,281,770
Due from other funds	13,667,593	-	-	-	-	6,683,723	20,351,316
Accounts receivable, net	2,087,390	-	1,000,000	-	-	3,988,068	7,075,458
Inventories	64,226	-	-	-	-	-	64,226
Total assets	<u>113,410,243</u>	<u>99,842,867</u>	<u>94,291,808</u>	<u>151,506,095</u>	<u>106,276,258</u>	<u>387,392,006</u>	<u>952,719,277</u>
<u>Deferred Outflow of Resources:</u>							
Deferred outflow of resources	-	-	-	-	-	-	-
Combined assets and deferred outflow of resources	<u>113,410,243</u>	<u>99,842,867</u>	<u>94,291,808</u>	<u>151,506,095</u>	<u>106,276,258</u>	<u>387,392,006</u>	<u>952,719,277</u>
<u>Liabilities, Deferred Inflow of Resources and Fund Balances</u>							
<u>Liabilities:</u>							
Accounts payable and accrued liabilities	\$ 6,689,666	\$ 800,144	\$ 2,553,833	\$ 12,515,708	\$ 1,400,000	\$ 15,624,110	\$ 39,583,461
Salaries and benefits payable	5,441,321	-	-	-	-	-	5,441,321
Due to other funds	57,328	-	1,281,960	415,581	949,653	17,646,794	20,351,316
Unearned revenue	30,197,610	-	-	-	-	5,832	30,203,442
Total liabilities	<u>42,385,925</u>	<u>800,144</u>	<u>3,835,793</u>	<u>12,931,289</u>	<u>2,349,653</u>	<u>33,276,736</u>	<u>95,579,540</u>
<u>Deferred Inflow of Resources:</u>							
Deferred inflow of resources	-	-	-	-	-	-	-
<u>Fund Balances:</u>							
Nonspendable	64,226	-	-	-	-	-	64,226
Restricted	-	99,042,723	90,456,015	138,574,806	103,926,605	101,002,030	533,002,179
Committed	12,295,440	-	-	-	-	67,570,416	79,865,856
Assigned	6,149,673	-	-	-	-	185,542,824	191,692,497
Unassigned	52,514,979	-	-	-	-	-	52,514,979
Total fund balances	<u>71,024,318</u>	<u>99,042,723</u>	<u>90,456,015</u>	<u>138,574,806</u>	<u>103,926,605</u>	<u>354,115,270</u>	<u>857,139,737</u>
Combined liabilities, deferred inflow of resources and fund balances	<u>\$ 113,410,243</u>	<u>\$ 99,842,867</u>	<u>\$ 94,291,808</u>	<u>\$ 151,506,095</u>	<u>\$ 106,276,258</u>	<u>\$ 387,392,006</u>	<u>\$ 952,719,277</u>

See accompanying notes to the basic financial statements.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
June 30, 2019**

Total fund balances – total governmental funds \$ 857,139,737

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 Governmental Funds Balance Sheet. These capital assets net of accumulated depreciation are reported in the Statement of Net Position as capital assets of South Coast AQMD as a whole. 35,501,602

Deferred outflows of resources are not current financial resources and therefore are not reported in the Governmental Fund Balance Sheet. 88,783,555

Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in Governmental Funds Balance Sheet. (2,767,832)

Long-term liabilities and deferred inflows are not due and payable in the current period and accordingly are not reported as fund liabilities and deferred inflows. All liabilities and deferred inflows of resources, both current and long-term, are reported in the Statement of Net Position.

Net pension liability	(218,228,092)
Net OPEB liability	(3,180,000)
General liability	(42,500)
Workers' compensation	(1,362,509)
Compensated absences	(13,686,379)
Pension obligation bonds	(19,323,964)
Deferred inflows of resources related to pension and OPEB	(30,548,188)

Net position of governmental activities \$ 692,285,430

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

<u>Revenues:</u>	General Fund	Mobile Sources Air Pollution Reduction Fund	Community Air Protection AB 134 Fund	CMP AB 923 Fund	Prop 1B Goods Movement Fund	Other Governmental Funds	Total
Emission fees	\$ 19,542,168	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,542,168
Annual renewal fees	57,028,631	-	-	-	-	-	57,028,631
Area Sources	2,257,755	-	-	-	-	-	2,257,755
Permit processing fees	20,030,307	-	-	-	-	-	20,030,307
Mobile sources/clean fuels	22,221,268	16,668,783	-	27,365,725	-	9,815,914	76,071,690
Air Toxics "Hot Spots"	2,184,155	-	-	-	-	364	2,184,519
Transportation programs	977,223	-	-	-	-	-	977,223
State subvention	3,924,547	-	-	-	-	-	3,924,547
Federal grant	7,563,376	-	-	-	-	4,024,737	11,588,113
State grant	13,862,588	-	106,218,040	-	-	56,501,783	176,582,411
Interest revenue	1,976,414	2,169,260	1,539,304	3,149,718	2,316,428	6,908,202	18,059,326
Lease revenue	162,879	-	-	-	-	-	162,879
Source test/analysis fees	574,007	-	-	-	-	-	574,007
Hearing Board fees	187,308	-	-	-	-	-	187,308
Penalties and settlements	7,196,194	-	-	-	-	1,070,477	8,266,671
Subscriptions	970	-	-	-	-	-	970
Other revenues	1,259,342	-	2,000,000	-	-	36,190,078	39,449,420
Total revenues	<u>160,949,132</u>	<u>18,838,043</u>	<u>109,757,344</u>	<u>30,515,443</u>	<u>2,316,428</u>	<u>114,511,555</u>	<u>436,887,945</u>
<u>Expenditures:</u>							
Current:							
Salaries and employee benefits	124,376,220	-	-	-	-	-	124,376,220
Insurance	1,733,653	-	-	-	-	-	1,733,653
Rent	606,592	-	-	-	-	-	606,592
Supplies	3,779,066	-	-	-	-	-	3,779,066
Contract and special services	10,697,451	13,956,593	19,243,673	46,347,718	24,012,692	57,826,565	172,084,692
Maintenance	2,109,924	-	-	-	-	-	2,109,924
Travel and auto	1,141,882	-	-	-	-	-	1,141,882
Utilities	1,427,124	-	-	-	-	-	1,427,124
Communications	647,865	-	-	-	-	-	647,865
Uncollectible accounts	471,292	-	-	-	-	8,227	479,519
Other expenditures	1,318,302	782,986	-	-	-	9,385	2,110,673
Capital outlay	4,973,661	-	-	-	-	-	4,973,661
Debt service:							
Principal	2,553,110	-	-	-	-	1,000,000	3,553,110
Interest	3,637,290	-	-	-	-	-	3,637,290
Total expenditures	<u>159,473,432</u>	<u>14,739,579</u>	<u>19,243,673</u>	<u>46,347,718</u>	<u>24,012,692</u>	<u>58,844,177</u>	<u>322,661,271</u>
Excess (deficiency) of revenues over (under) expenditures before transfers	<u>1,475,700</u>	<u>4,098,464</u>	<u>90,513,671</u>	<u>(15,832,275)</u>	<u>(21,696,264)</u>	<u>55,667,378</u>	<u>114,226,674</u>
<u>Other Financing Sources (uses):</u>							
Transfers in	6,397,394	-	-	26,472	-	25,099,654	31,523,520
Transfers out	(2,904,582)	-	-	(5,000,000)	(949,653)	(22,669,285)	(31,523,520)
Total other financing sources (uses)	<u>3,492,812</u>	<u>-</u>	<u>-</u>	<u>(4,973,528)</u>	<u>(949,653)</u>	<u>2,430,369</u>	<u>-</u>
Net change in fund balance	<u>4,968,512</u>	<u>4,098,464</u>	<u>90,513,671</u>	<u>(20,805,803)</u>	<u>(22,645,917)</u>	<u>58,097,747</u>	<u>114,226,674</u>
Fund balances, July 1, 2018	<u>66,055,806</u>	<u>94,944,259</u>	<u>(57,656)</u>	<u>159,380,609</u>	<u>126,572,522</u>	<u>296,017,523</u>	<u>742,913,063</u>
Fund balances, June 30, 2019	<u>\$ 71,024,318</u>	<u>\$ 99,042,723</u>	<u>\$ 90,456,015</u>	<u>\$ 138,574,806</u>	<u>\$ 103,926,605</u>	<u>\$ 354,115,270</u>	<u>\$ 857,139,737</u>

See accompanying notes to the basic financial statements.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019**

Net change in fund balances – total governmental funds	\$ 114,226,674
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Government-wide Statement of Activities and Changes in Net Position, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital outlays recorded in the current period.	4,973,661
Depreciation and miscellaneous expenses on capital assets are reported in the Government-wide Statement of Activities and Changes in Net Position, but they do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.	(5,228,523)
Pension expense is reported in the Government-wide Statement of Activities and Changes in Net Position, but they do not require the use of current financial resources.	(37,741,245)
Pension contribution made by employer in current fiscal year reduce the net pension liability and do not require current resources.	30,295,487
OPEB expense is reported in the Government-wide Statement of Activities and Changes in Net Position, but they do not require the use of current financial resources.	(328,715)
OPEB contribution made by employer in current fiscal year reduce the net OPEB liability and do not require current resources.	230,900
Repayment of bond principal is an expenditure in the governmental funds. For South Coast AQMD as a whole, principal payments reduce the liabilities in the Government-wide Statement of Net Position and do not result in an expense in the Statement of Activities and Changes in Net Position.	3,553,110
Accrued interest expense on long-term debt is reported in the Government-wide Statement of Activities and Changes in Net Position, but it does not require the use of current financial resources. Therefore, accrued interest expense is not reported as an expenditure in governmental funds. The amount represents the change in accrued interest from the prior year.	32,039
Long-term compensated absences and general liability/workers' compensation claims are reported in the Government-wide Statement of Activities and Changes in Net Position, but they do not require the use of current financial resources. Therefore, they are not reported as expenditures in governmental funds. The following amounts represent the change from the prior year:	
Compensated absences	(330,793)
General and auto liability/workers' compensation claims	(310,009)
Change in net position of governmental activities	\$ 109,372,586

See accompanying notes to the basic financial statements.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2019**

<u>Assets</u>	<u>Agency Funds</u>	<u>Retirement Benefit Trust Fund</u>
Cash and cash equivalents	\$ 112,946	\$ 56,737
Interest receivable	75	8,073
Total assets	<u>\$ 113,021</u>	<u>64,810</u>
<u>Liabilities</u>		
Liabilities:		
Accounts payable and accrued liabilities	\$ <u>113,021</u>	<u>-</u>
Total liabilities	<u>\$ 113,021</u>	<u>-</u>
<u>Net Position</u>		
Net position held in trust for retirement benefit		<u>64,810</u>
Total net position		<u>\$ 64,810</u>
		-

See accompanying notes to the basic financial statements.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2019**

	<u>Retirement Benefit Trust Fund</u>
<u>Additions:</u>	
Interest revenue	\$ 30,235
Total additions	<u>30,235</u>
<u>Deductions:</u>	
Other expenditures	<u>-</u>
Total deductions	<u>-</u>
Change in net position	<u>30,235</u>
Net position held in trust for retirement benefits, July 1, 2018	<u>34,575</u>
Net position held in trust for retirement benefits, June 30, 2019	<u>\$ 64,810</u>

See accompanying notes to the basic financial statements.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Financial Reporting Entity

The South Coast Air Quality Management District (South Coast AQMD) was established pursuant to the Lewis Air Quality Management Act on February 1, 1977, commencing at Section 40400 of the Health and Safety Code of the State of California. South Coast AQMD encompasses all of Orange County and parts of Los Angeles, San Bernardino, and Riverside Counties. South Coast AQMD operates a network of air monitoring stations, analyzes air quality data and establishes maximum emission levels for stationary, commercial, and industrial facilities that are enforced through South Coast AQMD's permit system.

As defined by generally accepted accounting principles (GAAP) in the United States of America that are established by the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the primary government and its component units, which are legally separate organizations. The financial statements of South Coast AQMD are prepared in accordance with GAAP.

The accompanying financial statements present the financial activities of South Coast AQMD (primary government) and its blended component unit, South Coast Air Quality Management District Building Corporation (Corporation), an entity for which South Coast AQMD is considered to be financially accountable. Legally separate from South Coast AQMD and as a tax-exempt entity, the Corporation is reported as a governmental fund.

The Corporation was incorporated as a nonprofit corporation under the laws of the State of California on September 21, 1978. The purpose of the Corporation is to finance the acquisition and improvement of a building complex/headquarters of South Coast AQMD. South Coast AQMD Governing Board approves the appointment of the Corporation's Board of Directors. South Coast AQMD has had significant transactions with the Corporation for the construction and improvement of South Coast AQMD's headquarters facility. It is legally separate from South Coast AQMD and a tax-exempt entity under Section 501(c)(4) of the Internal Revenue Code.

Separate financial statements for the Corporation may be obtained from South Coast AQMD's Finance Office located at 21865 Copley Drive, Diamond Bar, California 91765.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The basic financial statements of South Coast AQMD are composed of the following:

- Government-wide financial statements
- Governmental fund financial statements
- Notes to the basic financial statements

Government-wide Financial Statements

The government-wide financial statements (Statement of Net Position and Statement of Activities) present summaries of governmental and business-type activities of South Coast AQMD as a whole, excluding fiduciary activities. These statements are presented using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all of South Coast AQMD's assets and liabilities including capital assets and long-term liabilities are included in the accompanying Statement of Net Position. Revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements rather than reporting them as expenditures. Proceeds of long-term debt are also recorded in the government-wide financial statements as a liability, rather than as another financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

The Statement of Activities demonstrates the degree to which the direct expenses of a given functional activity are offset by program revenues directly related to the functional activity. Direct expenses are those that are clearly identifiable with a specific functional activity.

The types of transactions reported as program revenues are reported in three categories: 1) fees and charges including stationary source fees from permitted facilities and mobile source fees from motor vehicle registrations; 2) operating grants and subventions that are in support of air pollution program activities; and 3) long-term emission reduction projects which include capital grants and contributions which are mostly restricted. Program expenses are subtracted from program revenues to present the net cost of each functional activity. Interest income and other miscellaneous items not properly included among program revenues are reported as general revenues.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

South Coast AQMD's functional activities are broken down into the following ten categories:

- Advance clean air technology
- Ensure compliance with clean air rules
- Customer service and business assistance
- Develop programs to achieve clean air
- Develop rules to achieve clean air
- Monitoring air quality
- Timely review of permits
- Policy support
- Interest on long-term debt, and
- Long-term emission reduction projects

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

Fund financial statements for the primary government's governmental and fiduciary funds are presented after the government-wide financial statements.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. The funds designated as major funds are determined by a mathematical calculation consistent with GASB Statement No. 34.

South Coast AQMD has presented all major funds that met those qualifications. These major funds are Mobile Sources Air Pollution Reduction Fund, Community Air Protection AB 134 Fund, Carl Moyer Program (CMP) AB 923 Special Revenue Fund, and Prop 1B Goods Movement Fund, in addition to the General Fund.

A reconciliation of the Fund Financial Statements to the Government-wide Financial Statements is provided to explain the differences as a result of the integrated approach of GASB Statement No. 34 reporting.

All governmental funds are accounted for on a spending or current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are generally included in the Balance Sheets. The Statement of Revenues, Expenditures, and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Revenues are recognized in the accounting period in which

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

they become measurable and available to finance expenditures of the current period. They 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, South Coast AQMD considers revenues to be available if they are collected generally within 90 days after year-end to be available to finance the expenditures accrued for the reporting period. The primary revenue sources which have been treated as susceptible to accrual by South Coast AQMD are as follows: emissions flat fees, permit fees, air toxics “Hot Spots” fees, and source test/analysis fees from stationary sources; clean fuels revenues from stationary sources; federal and state grants under grants and subventions and interest under general revenues. All other revenue items are recorded when received in cash. Expenditures are recognized in the accounting period in which the related fund liability is incurred, if measurable, except for debt service expenditures, as well as expenditures related to compensated absences, which are recognized when payment is due.

Amounts expended to acquire capital assets are recorded as capital outlay expenditures in the year that resources were expended rather than recording them as fund assets. The proceeds of long-term debt are recorded as other financing sources rather than as fund liability. Amounts paid to reduce long-term indebtedness are reported as debt service expenditures.

Fiduciary Fund Financial Statements

Fiduciary Fund financial statements include a Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. These funds represent agency funds which are custodial in nature (assets equal liabilities) and do not involve the recording of revenues and expenses or the measurement of results of operations. The reporting focus is upon net position and changes in net position. Fiduciary funds also include the Retirement Benefits Trust Fund for LACERA OPEB (see fund type in Note 1C). These funds are accounted for in the accrual basis of accounting.

C. Fund Types and Major Funds

As noted earlier, the funds designated as major funds are determined in accordance with GASB Statement No. 34.

South Coast AQMD reports the following major governmental funds:

General Fund – This is the primary operating fund of South Coast AQMD and is used to record transactions relating to its general business operations. It is also used to account for all revenues and expenditures that are not required to be accounted for in another fund.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

Special Revenue Funds – These funds are used to record transactions applicable to specific revenue sources that are legally restricted to expenditures for specific purposes. The following are South Coast AQMD’s major special revenue funds:

- Mobile Sources Air Pollution Reduction Fund – Used to account for 30% of the revenue received by South Coast AQMD from the motor vehicle registration fees under the provisions of Sections 44243 and 44244 of the California Health and Safety Code. This money is used to provide grants to fund projects for the purpose of reducing air pollution from motor vehicles within the justification of the South Coast AQMD. Total projects to date amount to over \$441 million and over 14,100 tons of emissions reduced. This special fund was established in fiscal year 1992.
- Community Air Protection AB 134 Fund – Established in fiscal year 2018 to recognize the first allocation of AB 617 Community Air Protection incentive funds (AB 134 revenue) from CARB. This fund will also be used to recognize additional Community Air Protection incentive funds awarded and received by CARB. These funds are intended to implement projects that are identified in approved AB 617 Community Emissions Reduction Plans and in other communities that are disproportionately impacted by air pollution. Requirements for expenditure of these funds will be specified in the grant agreements provided by CARB.
- Carl Moyer Program (CMP) AB 923 Fund - Established in fiscal year 2008 to provide additional funding for the Carl Moyer Program using revenue received from new tire and DMV motor vehicle registration fees. AB 923 expanded the Carl Moyer incentive program to include agricultural sources of air pollution as well as cars and light-duty trucks. The program is intended to fund Moyer-eligible projects that will reduce nitrogen oxide, hydrocarbon, and particulate matter emissions. About \$4 million per year in AB 923 funds are used to meet the South Coast AQMD’s match requirement for the Carl Moyer Program.
- Prop 1B Goods Movement Fund - Established in fiscal year 2008 to account for voter approved transportation bond dollars. A portion of these funds (up to 55%) are targeted for the LA/Inland Empire trade corridor. CARB has awarded the South Coast AQMD with various grants under this program to implement eligible projects that will reduce NOx and PM emissions from the movement of freight or “goods” along the LA/Inland Empire and other trade.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

South Coast AQMD reports the following fiduciary fund types:

- Agency Funds - Used to account for funds due to others that are not accounted for in the other funds and acts as a temporary custodian.
- 1) Accounting Agency Fund - Used to account for unidentified payments that require additional research before final disposition.
- 2) 457 Plan Administration Revenue Sharing Fund - Used to account for funds that, the 457 plan administrator, transfers to South Coast AQMD as part of a revenue-sharing agreement. After applicable expenses are paid, residual funds are returned to the 457 plan administrator to be distributed among participants based on an approved formula.
- Retirement Benefit Trust Fund - Used to account for resources to be transferred to Los Angeles County Employees Retirement Association (LACERA) defined benefit Other Post Employment Benefit (OPEB) irrevocable trust. Note X contains more information about South Coast AQMD's OPEB plans.

D. Assets, Liabilities and Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash, Pooled Cash, and Investments

Cash includes amounts to conduct daily operations of South Coast AQMD in demand deposits with the Los Angeles County Treasurer and various financial institutions. South Coast AQMD deposits virtually all of its cash with the Treasurer of the County of Los Angeles. South Coast AQMD's deposits, along with funds from other local agencies such as the county government, other school districts, and special districts, make up a pool, which the County Treasurer manages for investment purposes. Earnings from the pooled investments are allocated to participating funds based on average investments in the pool during the allocation period.

All South Coast AQMD-directed investments are to diversify South Coast AQMD's investments and are in compliance with South Coast AQMD's investment policy and Los Angeles County Treasury investment guidelines. The guidelines limit specific investments to United States Agency securities. The South Coast AQMD securities portfolio is held by the County Treasurer. Interest earned on investments is recorded as revenue of the fund from which the investment was made. All South Coast AQMD investments are stated at fair value based on quoted market prices.

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2. Capital Assets and Depreciation

Under GASB Statement No. 34, all capital assets, whether owned by governmental activities or business-type activities are recorded and depreciated in the government-wide financial statements. No long-term capital assets or depreciation are shown in the governmental funds financial statements.

Capital assets, which include land, equipment, vehicles, furniture, buildings and improvements, software and other intangible assets are reported at cost unless obtained by donation in which case the assets are recorded at the acquisition value at the date of receipt. Capital asset purchases with values of at least \$5,000 and with an expected useful life of three years or more are capitalized.

The costs of normal maintenance and repairs that do not add to the value of the capital asset or materially extend capital assets lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Assets disposed of or no longer required for its existing use are removed from the records at actual or estimated cost.

Depreciation is charged as an expense against operations, and accumulated depreciation is reported on the respective balance sheet. Property, plant, equipment, vehicles and furniture of South Coast AQMD are depreciated using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	15-30
Equipment, vehicles and furniture	5-7
Software and Systems	3-5

3. Inventories

Inventories as determined by annual physical counts are valued at cost using the first-in/first-out (FIFO) method. They consist principally of office, computer, cleaning and laboratory supplies. The cost is recorded as an expense as inventory items are consumed.

4. Compensated Absences

Regular full-time employees accumulate earned but unused vacation time, sick leave, compensatory time, and other leave time. Certain restrictions apply with respect to the accumulation of leave time and its payment at termination. All vacation, sick leave, compensatory time, and other leave time are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignation and retirement.

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5. Self-Insurance

South Coast AQMD is self-insured for general, automobile, and workers' compensation liabilities (See note VIII).

6. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

8. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense related to pensions, information about the fiduciary net position of the San Bernardino County Employees' Retirement Association (SBCERA) and Los Angeles County Employees' Retirement Association (LACERA) and additions to/deductions from SBCERA's fiduciary net position have been determined on the same basis as they are reported by SBCERA and LACERA. For this purpose, employer and employee contributions are recognized in the period the related salaries are earned and become measurable pursuant to formal commitments, statutory or contractual requirements, benefit payments (including refunds of employee contributions) are recognized

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when due and payable in accordance with the benefit terms, and investments are reported at fair value.

9. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the LACERA's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value, which are derived from quoted market prices.

10. Net Position and Fund Balance Classifications

Net position represents the difference between assets and deferred outflow of resources, and liabilities and deferred inflow of resources on the government-wide financial statements. Net position is classified in the following categories:

Net Investment in Capital Assets

This category groups all capital assets, including infrastructure and intangibles, 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 this category.

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 enabling legislation.

Unrestricted Net Position

This category represents the residual net position of South Coast AQMD in excess of what can properly be classified in one of the other two categories mentioned above.

Fund Balance Classifications

The governmental fund financial statements present fund balances based on classifications that comprise hierarchy that is based primarily on the extent to which South Coast AQMD is bound to honor constraints on the specific purposes for which amounts can be spent.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
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The fund balance classifications used in the governmental fund financial statements are as follows:

Nonspendable – amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be spent only for specific purposes determined by a formal action of the government’s highest level of decision-making authority. The Governing Board, as the highest level of decision-making authority, has the ability to commit fund balances through the adoption of a resolution. These committed amounts cannot be used for any other purpose unless the Governing Board removes or modifies the use through the adoption of a subsequent resolution.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. South Coast AQMD’s adopted policy requires the Board to assign amounts to specific purposes.

Unassigned – this classification includes the residual fund balance for the General Fund. It also includes the negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting assigned fund balance amounts.

When both restricted and unrestricted resources are available for use, it is South Coast AQMD’s policy to use restricted resources first and then unrestricted resources as they are needed. When using unrestricted fund balance amounts, South Coast AQMD’s Governing Board approved policy is to use committed amounts first, followed by assigned and then unassigned.

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The following schedule shows the details of the fund balances as of June 30, 2019:

Major Governmental Funds

	<u>General Fund</u>	<u>Mobile Sources Air Pollution Reduction Fund</u>	<u>Community Air Protection AB134 Revenue Fund</u>	<u>CMP AB923 Fund</u>	<u>Prop 1B Goods Movement Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Fund Balance							
Nonspendable:							
Inventory	\$ 64,226	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 64,226
Total nonspendable	<u>64,226</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,226</u>
Restricted:							
Long term emission reduction projects	-	99,042,723	90,456,015	138,574,806	103,926,605	101,002,030	533,002,179
Total restricted	<u>-</u>	<u>99,042,723</u>	<u>90,456,015</u>	<u>138,574,806</u>	<u>103,926,605</u>	<u>101,002,030</u>	<u>533,002,179</u>
Committed:							
Advance clean air technology	652,430	-	-	-	-	-	652,430
Ensure compliance with clean air rules	2,253,456	-	-	-	-	-	2,253,456
Customer service and business assistance	986,684	-	-	-	-	-	986,684
Develop programs to achieve clean air	847,003	-	-	-	-	-	847,003
Develop rules to achieve clean air	1,152,244	-	-	-	-	-	1,152,244
Monitoring air quality	4,495,140	-	-	-	-	-	4,495,140
Timely review of permits	1,283,191	-	-	-	-	-	1,283,191
Policy support	625,292	-	-	-	-	-	625,292
Long term emission reduction projects	-	-	-	-	-	67,570,416	67,570,416
Total committed	<u>12,295,440</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,570,416</u>	<u>79,865,856</u>
Assigned:							
Long term emission reduction projects	-	-	-	-	-	185,542,824	185,542,824
For self insurance	2,000,000	-	-	-	-	-	2,000,000
For unemployment claims	80,000	-	-	-	-	-	80,000
For permit streamlining	234,159	-	-	-	-	-	234,159
For enhanced compliance activity	883,018	-	-	-	-	-	883,018
For OPEB obligations	2,952,496	-	-	-	-	-	2,952,496
Total assigned	<u>6,149,673</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>185,542,824</u>	<u>191,692,497</u>
Unassigned:							
General Purpose	52,514,979	-	-	-	-	-	52,514,979
Long term emission reduction projects	-	-	-	-	-	-	-
Total unassigned	<u>52,514,979</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,514,979</u>
Total fund balances	\$ 71,024,318	\$ 99,042,723	\$ 90,456,015	\$ 138,574,806	\$ 103,926,605	\$ 354,115,270	\$ 857,139,737

See accompanying notes to the basic financial statements.

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E. Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Adoption of New GASB Pronouncements

GASB Statement No. 83, Certain Asset Retirement Obligations

This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). The provisions of ARO apply when there is a legally enforceable liability associated with the retirement of a tangible capital asset (representing a permanent removal from service). A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement is effective for reporting periods beginning after June 15, 2018. This Statement did not have an impact on South Coast AQMD's financial statements.

GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements

The objective of this Statement is to improve the information that is disclosed in notes to the government financial statements related to debt, including direct borrowings and direct placements, and requires additional essential information related to debt be disclosed in notes to financial statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. South Coast AQMD adopted this statement in fiscal year 2019, which did not have an impact on the financial statements.

II. CASH, POOLED CASH AND INVESTMENTS

The following is a summary of the cash, pooled cash, and investments for the primary government (including fiduciary funds) at June 30, 2019:

	<u>Primary Government</u>
Cash on hand	\$ 821,427
Cash in bank	322,883
Pooled cash	832,033,666
Investments	<u>55,488,009</u>
Cash, pooled cash, and investments	<u><u>\$ 888,665,985</u></u>

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CASH

At June 30, 2019, the carrying amount of South Coast AQMD's bank deposits was \$322,883 and the bank balance was \$334,943. The entire amount was covered by Federal Deposit Insurance Corporation (FDIC). Management believes that South Coast AQMD is not exposed to any significant credit risk related to cash in bank. Cash on hand consists of cash and checks not deposited as of June 30, 2019.

POOLED CASH

South Coast AQMD's pooled cash and investments are held in the Los Angeles County Pooled Surplus Investment Fund Portfolio (PSI), the Los Angeles County Specific Purpose Investment Portfolio (SPI), and the State of California Local Agency Investment Fund (LAIF). Pooled cash and investments are held in accordance with California Government Code, South Coast AQMD Investment Policy, Los Angeles County Treasurer Investment Policy and LAIF Policies, Goals, and Objectives.

Los Angeles County Pooled Surplus Investment Fund Portfolio (PSI)

South Coast AQMD is a voluntary participant in the Los Angeles County Pooled Surplus Investment Fund Portfolio (PSI), an external investment pool managed by the Los Angeles County Treasurer who reports on a monthly basis to its Board of Supervisors. Its Treasury Oversight Committee reviews and monitors its investment policy. The investment policy is governed by applicable California Government Code. Investments held are stated at fair value. The fair value of pooled cash is determined monthly and is based on current market prices.

Los Angeles County Specific Purpose Investment Portfolio (SPI)

The Los Angeles County Specific Purpose Investment Portfolio (SPI) is managed by the Los Angeles County Treasurer and is used to purchase specific investments for South Coast AQMD. In accordance with California Government Code, South Coast AQMD adopts an investment policy annually that, among other things, authorizes types and concentrations of investments and maximum investment terms. On June 30, 2019, SPI are reported at fair value.

The South Coast AQMD Investment Policy authorizes South Coast AQMD to invest in:

- U.S. Treasuries
- Federal agencies and U.S. government sponsored enterprises
- Los Angeles County Pooled Surplus Investment Portfolio
- State of California Local Agency Investment Fund
- Obligation of State of California or any other local agency within the state - permitted obligations will include bonds payable solely out of revenues from a revenue producing property owned, controlled or operated by the state or any local

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agency, or by a department, board, agency or authority of the state or local agency. Obligations of the State of California or other local agencies within the state must be rated in a rating category of “A” or its equivalent, or higher by a Nationally Recognized Statistical Rating Organizations (NRSRO).

- Shares of money market mutual funds – shall be limited to ratings of “AAA” by two (2) NRSROs or managed by an investment advisor registered with the Securities Exchange Commission with not less than five-years’ experience and with assets under management in excess of \$500 million and such investment may not represent more than 10% of the total assets in the money market fund.
- Bankers’ acceptances – with maximum maturities of 180 days must be issued by national or state-chartered banks or a state-licensed branch of a foreign bank. Eligible banker’s acceptance should have the highest rankings or the highest letter and number rating as provided for by the NRSRO.
- Negotiable certificates of deposit – with maximum maturities of five (5) years must be issued by national or state-chartered banks, a federal or state-licensed branch of a foreign bank, savings associations and state or federal credit unions. Negotiable CDs must be rated in a rating category of “A” or its equivalent by at least one (1) NRSRO.
- Commercial paper – Commercial paper of “prime” quality of the highest ranking or of the highest letter and number rating as provided for by a NRSRO. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph a or paragraph b; and may not represent more than 10% of the outstanding paper of the issuing corporation. Maximum maturities are 270 days.
 - a. The entity meets the following criteria:
 - i. Is organized and operating in the United States as a general corporation.
 - ii. Have total assets in excess of one billion dollars (\$1,000,000,000).
 - iii. Has debt other than commercial paper, if any, that is rated in a rating category of “A” or the equivalent by a NRSRO.
 - b. The entity meets the following criteria:
 - i. Is organized within the United States as a special purpose corporation, trust, or limited liability company.
 - ii. Has program-wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond.
 - iii. Has commercial paper that is rated in a rating category of “A-1”, or the equivalent or higher, by at least two (2) NRSROs.
- Medium term maturity corporate securities – with maximum maturities of five (5) years shall be rated in a rating category of “A” or its equivalent or higher by a NRSRO.
- Mortgage securities or asset-backed securities – with maximum maturities of five (5) years shall be rated “AA” or its equivalent or better by a nationally recognized

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rating service and issued by an issuer having a rating in the category of “A” or its equivalent, or higher by a NRSRO for its long-term debt.

- Repurchase agreements – with maximum maturity of 30 days and must be collateralized by the U.S. Treasuries or Agencies with a market value of 102% for collateral marked to market daily, entered into with broker-dealer which is a recognized primary dealer and evidenced by a broker-dealer master purchase agreement signed by County Treasurer and approved by South Coast AQMD.
- Reverse purchase agreements – are not allowed except as part of investments in the County of Los Angeles Pooled Surplus Investment Portfolio and the State of California Local Agency Investment Fund.
- Variable and floating rate securities – with the maximum security of five (5) years are instruments that have a coupon or interest rate that is adjusted periodically due to changes in a base or benchmark rate. Investments in floating rate securities must utilize commercially available U.S. denominated indices such as U.S. Treasury bills or Federal Funds. Investments in floating rate securities whose reset is calculated using more than one of the above indices are not permitted, i.e. dual index notes. Variable and Floating Rate Securities that are priced based on a single common index are not considered derivative securities.
- Obligations of Supranational Institutions – permitted obligations will include U.S. dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by any of the supranational institutions identified in California Government Code Section 53601(q), which are eligible for purchase and sale within the U.S. Obligations of supranational institutions must be rated in a rating category of “AA” or its equivalent, or higher by a NRSRO.

State of California Local Agency Investment Fund (LAIF)

South Coast AQMD is a voluntary participant in the State of California Local Agency Investment Fund (LAIF), an external investment pool that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California.

LAIF is part of the Pooled Money Investment Account (PMIA) and has oversight provided by the Pooled Money Investment Board (PMIB) and an in-house Investment Committee. The PMIB Board members are the State Treasurer, Director of Finance and the State Controller. Additionally, LAIF has oversight by the Local Investment Advisory Board, which consists of five members, as designated by statute. The Chairman is the State Treasurer, who appoints the other four members to two-year terms.

The fair value of South Coast AQMD’s investment in this pool is reported in the accompanying financial statements at amounts based upon South Coast AQMD’s pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation

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to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records of LAIF, which are recorded on an amortized cost basis.

The following table summarizes South Coast AQMD's cash and pooled cash and maturities at June 30, 2019:

	Investment Maturities			
	Fair Value	<1 Year	1-2 Years	2-3 Years
Cash:				
On hand	\$ 821,427	\$ -	\$ -	\$ -
In bank	322,883	-	-	-
Total cash	<u>1,144,310</u>	<u>-</u>	<u>-</u>	<u>-</u>
Pooled cash:				
Los Angeles County				
Pooled Surplus Investment (PSI)	793,226,186	405,417,904	387,808,282	-
Local Agency				
Investment Fund (LAIF)	38,807,480	38,807,480	-	-
Total pooled cash	<u>832,033,666</u>	<u>444,225,384</u>	<u>387,808,282</u>	<u>-</u>
Total cash and pooled cash investments	<u>\$ 833,177,976</u>	<u>\$ 444,225,384</u>	<u>\$ 387,808,282</u>	<u>\$ -</u>

INVESTMENTS

South Coast AQMD's investments are comprised of the following as of June 30, 2018:

	Level 1	Level 2	Level 3
Negotiable certificates of deposits	\$ 55,488,009	-	-
Total investments	<u>\$ 55,488,009</u>	<u>-</u>	<u>-</u>

South Coast AQMD categorized its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 is significant unobservable inputs.

South Coast AQMD has investments in Federal Farm Credit Banks (FFCB) in the Los Angeles County SPI which are classified as Level 1 as fair market value is determined by observables, unadjusted quoted market price in active or highly liquid and transparent market.

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Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment is, the greater the sensitivity of its fair value to changes in interest rates. As a means of limiting its exposure to declines in fair value, the South Coast AQMD Investment Policy limits its investment portfolio of SPI with the County of Los Angeles to maturities of less than five years at time of purchase and the weighted average maturity of the SPI portfolio may not exceed three years.

Credit Risk

Credit risk is the risk of default or the inability of an issuer of an investment to fulfill its obligation to the holder of the investment. South Coast AQMD mitigates its credit risk in the SPI portfolio generally by following its three primary investment objectives, in order of safety, liquidity, and yield. South Coast AQMD's Investment Policy further requires only permitted investments with specific credit quality requirements. The Los Angeles County PSI the State of California LAIF, and the United States Treasury Securities are both unrated as to credit quality. The investments that are represented by SPI are held by the Los Angeles County Treasurer in South Coast AQMD's name and consist of negotiable certificates of deposits with credit ratings of A-1+ (Standard and Poors).

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a investments in a single issuer. South Coast AQMD's Investment Policy mitigates concentration of credit risk through diversification requirements so that no one type of issuer or issue will have a disproportionate impact on the portfolio. The investments that are represented by SPI consist of negotiable certificates deposit.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, South Coast AQMD will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Custodial credit risk for investments is the risk that South Coast AQMD will not be able to recover the value of its investment securities that are in the possession of an outside party. South Coast AQMD's deposits are fully insured by the FDIC, pooled cash with the Los Angeles County PSI and the State of California LAIF are not subject to custodial credit risk, and the investments that are represented by SPI are held by the Los Angeles County Treasurer in the name of South Coast AQMD.

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**III. DUE FROM OTHER GOVERNMENT AGENCIES AND ACCOUNTS
RECEIVABLE**

Due from other government agencies at June 30, 2019 consists of the following:

California Air Resources Board (CARB)	\$ 4,095,507
California Energy Commission (CEC)	2,763,076
Department of Energy	143,380
Department of Homeland Security (DHS)	449,754
Department of Motor Vehicles AB 2766, SB 1928, AB 923	16,906,539
Environmental Protection Agency (EPA)	
DERA Bus Administration	84,122
Section 105 Air Grant	5,292,071
STAR Grant	109,083
NEAR Road Monitoring	25,805
National Air Toxics Trend Station (NATTS)	226,208
Section 103 PM 2.5 Grant	797,199
Section 103 Community Scale Air Toxics Grant	101,776
TAS Grant Administration	<u>1,287,250</u>
Total	<u>\$ 32,281,770</u>

Accounts Receivable consists of the following at June 30, 2019:

Air Toxics "Hot Spots", Emission Fees, Permits, Annuals and Source Testing	\$ 4,036,732
Miscellaneous Receivables	<u>4,506,450</u>
Subtotal	8,543,182
Less: Allowance for Doubtful Accounts	<u>(1,467,724)</u>
Total	<u>\$ 7,075,458</u>

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IV. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Due to/from other funds:

<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	\$ 13,667,593	Air Toxics Fund	\$ 3,103,115
		Advanced Technology, Outreach & Education Fund	102,638
		Air Quality Investment Fund	478,623
		Clean Fuels Program Fund	4,731,200
		Carl Moyer Fund (old CM, Prop 40, SB1107)	1,625,708
		State BUG Program Fund	20,734
		Rule 1118 Mitigation Fund	233,819
		HEROS II Special Revenue Fund	450,696
		AB 1318 Mitigation Fees Fund	37,966
		GHG Reduction Projects Special Revenue Fund	209,944
		Air Filtration Fund	25,956
		Community Air Protection AB 134 Fund	1,281,960
		Carl Moyer Program AB 923 Special Revenue Fund	415,581
		Prop 1B Funding – Goods Movement	949,653
	<u>\$ 13,667,593</u>		<u>\$ 13,667,593</u>
Clean Fuels Program Fund	\$ 6,626,395	Advanced Technology, Outreach & Education Fund	\$ 500,000
		Advanced Technology Goods Movement Fund	1,688,895
		GHG Reduction Projects Special Revenue Fund	4,400,000
		Air Filtration Fund	37,500
	<u>\$ 6,626,395</u>		<u>\$ 6,626,395</u>
BP ARCO Settlement Projects Fund	\$ 57,328	General Fund	\$ 57,328
	<u>\$ 57,328</u>		<u>\$ 57,328</u>
Total Receivables	<u>\$ 20,351,316</u>	Total Payables	<u>\$ 20,351,316</u>

The outstanding balances between funds result mainly from the time lag between the date that: (1) interfund reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

<u>Fund Transferred From</u>	<u>Fund Transferred To</u>			<u>Total</u>
	<u>General Fund</u>	<u>Carl Moyer Program AB 923</u>	<u>Other Governmental Funds</u>	
General Fund	\$ -	\$ -	\$ 2,904,582	\$ 2,904,582
Carl Moyer Program AB 923 Fund	-	-	5,000,000	5,000,000
Prop 1B Funding-Goods Movement	949,653	-	-	949,653
Other Governmental Fund	5,447,741	26,472	17,195,072	22,669,285
	<u>\$ 6,397,394</u>	<u>\$ 26,472</u>	<u>\$ 25,099,654</u>	<u>\$ 31,523,520</u>

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South Coast AQMD's Governing Board approved the following:

- Transfer of \$2,904,582 from the General Fund to the Health Effects Research Fund to fund a number of research projects at local universities and research institutions.
- Transfer of \$5,000,000 from the Carl Moyer Program AB 923 Special Revenue Fund to the Voucher Incentive Program Fund to continue funding truck replacement projects on a first-come, first-served basis.
- Transfer of \$294,207 from the BP ARCO Settlement Project Fund to the General Fund for Purchase of Kids Making Sense Kits.
- Transfer of \$57,772 from the BP ARCO Settlement Projects Fund to the General Fund for up to 25 integrated filter-based samplers.
- Transfer of \$266,656 from the Rule 1180 Special Revenue Fund to the General Fund for Rule 1180 air monitoring planning and implementation.
- Transfer of \$4,000,000 from the Clean Fuels Program Fund to the GHG Reduction Projects Special Revenue Fund for the South Coast AQMD's project cost-share.
- Transfer of \$8,730,072 from the Clean Fuels Program Fund to the Advanced Technology Goods Movement Fund for South Coast AQMD's project cost-share.
- Transfer total of \$90,000 from the HEROS II Special Revenue Fund to the General Fund, \$65,000 for additional functionality for the in-house web-based application and \$25,000 for website maintenance for the Enhanced Fleet Modernization Program.
- Transfer of \$25,000 from the Clean Fuels Program Fund to the Natural Gas Vehicle Partnership Fund for memberships of California Natural Gas Vehicle Partnership.
- Transfer of \$165,248 from the Clean Fuels Program Fund to the General Fund to support the MATES V Program.
- Transfer of \$4,440,000 from the State Emissions Mitigation Fund to the Advanced Technology Goods Movement Fund to develop and demonstrate zero emission trucks and EV infrastructure.
- Transfer of \$1,559,790 from the Rule 1118 Mitigation Fund to the General Fund to support the MATES V program.
- Transfer of \$26,472 from Voucher Incentive Program Fund to the Carl Moyer Program AB923 Special Revenue Fund for administrative expenses.

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V. CAPITAL ASSETS

In compliance with GASB Statement No. 34 reporting, South Coast AQMD has reported all capital assets in the Government-wide Statement of Net Position. Capital asset activities for the year ended June 30, 2019 were as follows:

	Balance June 30, 2018	Increase	Decrease	Balance June 30, 2019
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 8,829,792	\$ -	\$ -	\$ 8,829,792
Total capital assets not being depreciated	<u>8,829,792</u>	<u>-</u>	<u>-</u>	<u>8,829,792</u>
Capital Assets being depreciated:				
Buildings and improvements	78,601,764	65,844	-	78,667,608
Intangibles (software)	7,801,298	2,072,870	-	9,874,168
Equipment, vehicles and furniture	31,094,535	2,834,946	(848,016)	33,081,465
Total capital assets being depreciated	<u>117,497,597</u>	<u>4,973,660</u>	<u>(848,016)</u>	<u>121,623,241</u>
Governmental Activities:				
Less Accumulated Depreciation for:				
Buildings and improvements	(65,728,196)	(2,638,378)	-	(68,366,574)
Intangibles (software)	(2,027,521)	(564,582)	-	(2,592,103)
Equipment, vehicles and furniture	(22,815,207)	(1,986,177)	808,630	(23,992,754)
Total accumulated depreciation	<u>(90,570,924)</u>	<u>(5,189,137)</u>	<u>808,630</u>	<u>(94,951,431)</u>
Net capital assets being depreciated	26,926,673	(215,477)	(39,386)	26,671,810
Net capital assets, governmental activities	<u>\$ 35,756,465</u>	<u>\$ (215,477)</u>	<u>\$ (39,386)</u>	<u>\$ 35,501,602</u>

For the year ended June 30, 2019, the depreciation expense of \$5,189,137 was charged to South Coast AQMD's functions/programs in the governmental activities as follows:

Advance clean air technology	\$ 242,415
Ensure compliance with clean air rules	1,620,429
Customer service and business assistance	380,802
Develop programs to achieve clean air	227,558
Develop rules to achieve clean air	276,314
Monitoring air quality	1,671,054
Timely review of permits	697,393
Policy support	<u>73,172</u>
Total depreciation expense	<u>\$5,189,137</u>

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VI. DEFERRED OUTFLOWS/DEFERRED INFLOWS OF RESOURCES, PENSION, AND OPEB

The following is a summary of deferred outflows of resources and deferred inflows of resources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Deferred outflows of resources – Pension (SBCERA) (see note IX for details)	\$ 88,519,655	\$ -
Deferred outflows of resources – Pension (LACERA) (see note IX for details)	33,000	-
Deferred inflows of resources – Pension (SBCERA) (see note IX for details)	-	29,738,188
Deferred outflows of resources – OPEB (LACERA) (see note X for details)	230,900	-
Deferred inflows of resources – OPEB (LACERA) (see note X for details)	-	810,000
Total	<u>\$ 88,783,555</u>	<u>\$ 30,548,188</u>

The following is a summary of pension and OPEB Balances:

	<u>SBCERA</u>	<u>LACERA</u>	<u>Total</u>
Pension:			
Net Pension liability	\$ 218,228,092	\$ -	\$ 218,228,092
Pension expense	37,732,945	8,300	37,741,245
Pension contributions made in fiscal year 2018-19	30,295,487	-	30,295,487
OPEB:			
Net OPEB liability	-	3,180,000	3,180,000
OPEB expense	-	328,715	328,715
OPEB contributions made in fiscal year 2018-19	-	230,900	230,900

VII. LONG-TERM DEBT

The following is a summary of long-term obligation transactions of South Coast AQMD for the year ended June 30, 2019:

	<u>Balance July 1, 2018</u>	<u>Addition</u>	<u>Reduction</u>	<u>Balance June 30, 2019</u>	<u>Amounts Due Within One Year</u>	<u>Amounts Due in More Than One Year</u>
Governmental Activities:						
Claims payable:						
General liability	\$ 135,000	\$ 22,500	\$ 115,000	\$ 42,500	\$ 42,500	\$ -
Workers' compensation	960,000	3,533,743	3,131,234	1,362,509	230,970	1,131,539
Compensated absences	13,355,586	1,771,924	1,441,131	13,686,379	1,490,072	12,196,307
Pension Obligation Bonds	<u>22,877,074</u>	<u>-</u>	<u>3,553,110</u>	<u>19,323,964</u>	<u>3,686,640</u>	<u>15,637,324</u>
Total	<u>\$ 37,327,660</u>	<u>\$ 5,328,167</u>	<u>\$ 8,240,475</u>	<u>\$ 34,415,352</u>	<u>\$ 5,450,182</u>	<u>\$ 28,965,170</u>

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In prior years, claims payable and compensated absences have been liquidated primarily by the General Fund.

1995 Pension Obligation Bonds

On December 1, 1995, South Coast AQMD, jointly with the County of San Bernardino, issued bonds to retire the Unfunded Actuarial Accrued Liability (UAAL) due to San Bernardino County Employees' Retirement Association (SBCERA). South Coast AQMD issued a \$34,261,896 aggregate principal amount to refund its portion of the obligation to SBCERA. The interest rates range from 5.68% to 7.72% with maturity date of August 1, 2021. The purpose of this refunding was to lower the cost to South Coast AQMD through the issuance of bonds at rates that are lower than those assessed by SBCERA and to restructure its debt service from an ascending to a level-debt-service schedule. At the time of refunding these changes were expected to result in estimated total gross debt service savings of \$20,151,420 through June 30, 2022. During the fiscal year ended June 30, 2019, \$553,110 in principal and \$2,511,890 in interest were paid on the bonds. The principal balance outstanding at June 30, 2019 amounted to \$1,428,964.

The annual payment requirements under the 1995 pension bond obligation are as follows:

Year Ending				
<u>June 30</u>		<u>Principal</u>		<u>Interest</u>
2020	\$	511,640	\$	2,553,360
2021		475,443		2,589,557
2022		<u>441,881</u>		<u>2,623,119</u>
Total	\$	<u>1,428,964</u>	\$	<u>7,766,036</u>
			\$	<u>3,065,000</u>
				<u>3,065,000</u>
			\$	<u>9,195,000</u>

Series 2004 Pension Obligation Bonds

On June 29, 2004, South Coast AQMD issued and sold taxable pension obligation bonds to retire the Unfunded Actuarial Accrued Liability (UAAL) due to the SBCERA. At the time of issuance, it was estimated that the issuance and sale of \$47,030,000 was expected to result in estimated total gross debt service savings of \$22.4 million through August 1, 2023.

The Series 2004 Pension Obligation Bonds are payable on a parity with the 1995 Pension Obligation Bonds. South Coast AQMD may, from time to time, enter into supplemental indentures without the consent of the Bond Owners of the 1995 Bonds or Series 2004 Bonds for the purpose of providing for the issuance of additional series of Pension Obligation Bonds or to refund any other evidences of indebtedness of South Coast AQMD arising pursuant to the Retirement Law. The interest rates range from 4.75% to 5.93% with maturity date of August 1, 2023. During the fiscal

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year ended June 30, 2019, \$3,000,000 in principal and \$1,125,400 in interest were paid on the bonds. The principal balance outstanding at June 30, 2019 amounted to \$17,895,000.

The annual payment requirements under pension bond obligation, Series 2004, are as follows:

Year Ending				
<u>June 30</u>		<u>Principal</u>		<u>Interest</u>
				<u>Total</u>
2020	\$	3,175,000	\$	950,622
2021		3,365,000		763,549
2022		3,565,000		563,242
2023		3,780,000		348,736
2024		<u>4,010,000</u>		<u>118,897</u>
Total	\$	<u>17,895,000</u>	\$	<u>2,745,046</u>

Allocation of Interest Expenses

Total interest expenses on long-term debt for the year ended June 30, 2019 amounted to \$3,605,251. These interest expenses on long-term debt are not meaningfully associated with individual functional activities. Hence, this is considered an indirect expense and should be reported in the Statement of Activities as a separate line.

VIII. RISK MANAGEMENT

South Coast AQMD's risk management program is responsible for purchasing insurance when prudent and cost-effective, self-insuring other exposures to loss when feasible.

South Coast AQMD carries \$200 million of all-risk property insurance, with limits of \$100 million on business interruption and \$25 million on earthquake and flood coverage. The limits of liability for general claims is \$10 million. This coverage is supplemented by excess liability policies for boilers & machinery to a limit of \$100 million, and bodily injury/property damage/public officials' errors and emissions/employment practices liability/personal injury to \$15 million. Self-insured retention levels for excess liability is \$250,000. South Coast AQMD maintains \$25 million excess workers' compensation insurance for losses over \$750,000. In addition, South Coast AQMD maintains \$1 million automobile liability/physical damage coverage for hybrid and alternate fuel vehicles used for purposes other than fleet services. South Coast AQMD also maintains policies to protect against some criminal conduct and cyber-attacks.

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As of June 30, 2019, \$42,500 and \$1,362,509, respectively, had been reserved for general liability claims and workers' compensation.

An appropriate amount has been recorded in the General Fund's financial statements to the extent that South Coast AQMD anticipates that these amounts will be paid from current resources. While the ultimate amount of losses incurred through June 30, 2019 is dependent on future development based upon information from the independent claims' administrator and others involved with the administration of the programs, South Coast AQMD management believes that the aggregate accrual is adequate to cover such losses.

No significant reduction in insurance coverage occurred during the last three fiscal years. Also, during this period, no claim settlement exceeded insurance coverage.

The following represents changes in the aggregate liabilities for claims of South Coast AQMD's general liability and workers' compensation for the years ended June 30, 2018 and 2019:

	General Liability	Workers' Compensation	Totals
Claims payable, July 1, 2017	\$ 208,571	\$ 1,594,870	\$ 1,803,441
Current year claims and changes in estimates	(68,871)	667,901	599,030
Claims payments	(4,700)	(1,302,771)	(1,307,471)
Claims payable, June 30, 2018	<u>\$ 135,000</u>	<u>\$ 960,000</u>	<u>\$ 1,095,000</u>
Claims payable, July 1, 2018	\$ 135,000	\$ 960,000	\$ 1,095,000
Current year claims and changes in estimates	22,500	3,533,743	3,556,243
Claims payments	(115,000)	(3,131,234)	(3,246,234)
Claims payable, June 30, 2019	<u>\$ 42,500</u>	<u>\$ 1,362,509</u>	<u>\$ 1,405,009</u>

IX. DEFINED BENEFIT PENSION PLANS

San Bernardino County Employees' Retirement Association

Plan description

South Coast AQMD participates in the San Bernardino County Employees' Retirement Association (SBCERA) pension plan - a cost-sharing multiple-employer defined benefit pension plan (the Plan). SBCERA administers the Plan which provides benefits for two membership classifications, General and Safety, and those benefits are tiered based upon date of SBCERA membership. South Coast AQMD only has general membership. Generally, those who become members prior to

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January 1, 2013 are Tier 1 members. All other members are Tier 2. An employee who is appointed to a regular position, whose service is greater than fifty percent of the full standard of hours required are members of SBCERA, and are provided with pension benefits pursuant to Plan requirements.

The Plan operates under the provisions of the California County Employees' Retirement Law of 1937 (CERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by SBCERA's Board of Retirement (Board). The Plan's authority to establish and amend the benefit terms are set by the CERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the County of San Bernardino Board of Supervisors and/or the SBCERA Board. SBCERA is a tax qualified plan under Section 401(a) of the Internal Revenue Code.

SBCERA is a legally separate entity from South Coast AQMD, not a component unit, and there is no financial interdependency with the County of San Bernardino. For these reasons, the South Coast AQMD's comprehensive annual financial report excludes the SBCERA pension plan as of June 30, 2019. SBCERA publishes its own comprehensive annual financial report that includes its financial statements and required supplementary information, that can be obtained by writing SBCERA at, 348 W. Hospitality Lane, Third Floor, San Bernardino, CA 92415-0014 or visiting the website at: www.SBCERA.org.

Benefits Provided

SBCERA provides retirement, disability, death and survivor benefits. The CERL and PEPRA establish benefit terms. Retirement benefits are calculated on the basis of age, average final compensation and service credit as follows:

	General – Tier 1	General – Tier 2
Final Average Compensation	Highest 12 months	Highest 36 months
Normal Retirement Age	Age 55	Age 55
Early Retirement: Years of service required and/or age eligible for	Age 70 any years	Age 70 any years
	10 years age 50	5 years age 52
	30 years any age	N/A
Benefit percent per year of service for normal retirement age	At normal retirement age, 2% per year of final average compensation for every year of service credit	At age 67, 2.5% per year of final average compensation for every year of service credit
Benefit adjustments	Reduced before age 55, increased after 55 up to age 65	Reduced before age 67
Final Average Compensation Limitation	Internal Revenue Code section 401(a)(17)	Government Code section 7522.10

An automatic cost of living adjustment is provided to benefit recipients based on changes in the local region Consumer Price Index (CPI) up to a maximum of 2% per

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year. Any increase greater than 2% is banked and may be used in years where the CPI is less than 2%. There is a one-time 7% increase at retirement for members hired before August 19, 1975. The Plan also provides disability and death benefits to eligible members and their beneficiaries, respectively. For retired members, the death benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to benefits based on the members years of service or if the death was caused by employment. General members are also eligible for survivor benefits which are payable upon a member's death.

Contributions

Participating employers and active members are required by statute to contribute a percentage of covered salary to the Plan. This requirement is pursuant to Government Code sections 31453.5 and 31454, for participating employers and Government Code sections 31621.6, 31639.25 and 7522.30 for active members. The contribution requirements are established and may be amended by the SBCERA Board pursuant to Article 1 of the CERL, which is consistent with the Plan's actuarial funding policy. The contribution rates are adopted yearly, based on an annual actuarial valuation, conducted by an independent actuary, that considers mortality, service (including age at entry into the Plan, if applicable, and tier), and compensation experience of the members and beneficiaries, and also includes an evaluation of the Plan's assets and liabilities. Participating employers may pay a portion of the active members' contributions through negotiations and bargaining agreements.

Employee contribution rates for the fiscal year ended June 30, 2019 ranged between 9.13% and 15.50% for Tier 1 General members, 30 year General member are not required to pay any employee contribution. For Tier 2 General members, the contribution is 8.39%.

Employer contribution rates for the year ended June 30, 2019 are as follows:

	<u>Employer Contribution Rates</u>		<u>Paid by Employer for Employee</u>	
	<u>Tier 1 Members</u>	<u>Tier 2 Members</u>	<u>Tier 1 Members</u>	<u>Tier 2 Members</u>
Actuarially Determined Required Contribution Percentages	Total	Total	Total	Total
South Coast AQMD members	40.34%	36.89%	0.00%-5.00%	0.00%

The required employer contributions and the amount paid to SBCERA by the South Coast AQMD for the year ended June 30, 2019 were \$30,295,488. The South Coast AQMD's employer contributions were equal to the required employer contributions for the year ended June 30, 2019.

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Pension Liability

At June 30, 2019, South Coast AQMD reported a net pension liability of \$218,228,092 for its proportionate share of the SBCERA's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The SBCERA's publicly available financial report provides details on the change in the net pension liability.

The South Coast AQMD's proportion of the net pension liability was based on the South Coast AQMD's contributions received by SBCERA during the measurement period for employer payroll paid dates from July 1, 2017 through June 30, 2018, relative to the total employer contributions received from all of SBCERA's participating employers. At June 30, 2018, the South Coast AQMD's proportion was 8.613%, which was an increase of 0.49% from its proportion measured as of June 30, 2017.

Pension Expense and Deferred Outflows/Inflows of Resources

For the fiscal year ended June 30, 2019, the South Coast AQMD recognized pension expense of \$37,732,945 for its proportionate share of SBCERA's pension expense. At June 30, 2019, the South Coast AQMD reported its proportionate share of deferred outflows of resources and deferred inflows of resources related to pensions, from the following sources:

	Deferred Outflows of Resources*	Deferred Inflows of Resources*
Changes in proportion and differences between South Coast AQMD contributions and proportionate share of contributions	\$ 12,538,745	\$ 10,296,984
Changes in actuarial assumptions	44,259,290	-
Net difference between projected and actual earnings on pension plan investments	-	3,973,146
Differences between expected and actual experience	1,426,133	15,468,058
South Coast AQMD contributions paid to SBCERA subsequent to the measurement date	30,295,487	-
Total	\$ 88,519,655	\$ 29,738,188

*See note VI for summary

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The \$30,295,487 reported as deferred outflows of resources related to pensions resulting from South Coast AQMD's contributions made to SBCERA subsequent to the measurement date but before the reporting period ended June 30, 2019. The contribution will be recognized as a reduction of the net pension liability in the subsequent fiscal year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to SBCERA pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2020	\$ 11,464,947
2021	10,468,283
2022	(2,430,801)
2023	6,409,359
2024	2,474,916
Thereafter	99,276

Actuarial Assumptions and Methods

The significant actuarial assumptions and methods used to measure the total pension liability are as follows:

Actuarial valuation date	June 30, 2018
Actuarial experience study	3-year period ending June 30, 2016
Actuarial cost method	Entry age actuarial cost method
Actuarial assumptions:	
Investment rate of return ⁽¹⁾	7.25%
Inflation	3.00%
Projected Salary increases ⁽²⁾	General: 4.5% to 14.50%
Cost of living adjustments	Contingent upon consumer price index with a 2.00% maximum
Administrative Expenses	0.70% of payroll

⁽¹⁾ Includes inflation at 3.00% and is net of pension investment expenses.

⁽²⁾ Includes inflation at 3.00% plus real across-the-board salary increase of 0.50% plus merit and promotional increases vary by service.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the three year period of July 1, 2013 – June 30, 2016. Same assumptions are used in the June 30, 2018 and 2017 actuarial valuation.

For General employees, mortality rate is based on the Headcount-Weighted RP 2014 Healthy Annuitant Mortality Table set forward one year for males, projected generationally with the two-dimensional mortality MP-2016 projection scale.

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Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments is 7.25%. SBCERA’s actuary prepares an analysis of the long-term expected rate of return on a triennial basis using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocations (approved by the SBCERA Board) and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumptions are summarized in the following table:

SBCERA’s Long-Term Expected Real Rate of Return

		As of June 30, 2018 Valuation Date	
Asset Class	Investment Classification	Target Allocation(1)	Long-Term Expected Real Rate of Return (Arithmetic)
Large Cap U.S. Equity	Domestic Common and Preferred Stock	8.00%	5.61%
Small Cap U.S. Equity	Domestic Common and Preferred Stock	2.00%	6.37%
Developed International Equity	Foreign Common and Preferred Stock	6.00%	6.96%
Emerging Market Equity	Foreign Common and Preferred Stock	6.00%	9.28%
U.S. Core Fixed Income	U.S. Government and Agency/Corporate Bonds	2.00%	1.06%
High Yield/Credit Strategies	Domestic Bonds/Foreign Bonds	13.00%	3.65%
Global Core Fixed Income	Foreign Bonds	1.00%	0.07%
Emerging Market Debt	Emerging Market Debt	6.00%	3.85%
Real Estate	Real Estate	9.00%	4.37%
International Credit	Foreign Alternatives	11.00%	6.75%
Absolute Return	Domestic Alternatives/Foreign Alternatives	13.00%	3.56%
Real Assets	Domestic Alternatives/Foreign Alternatives	5.00%	6.35%
Long/Short Equity	Domestic Alternatives/Foreign Alternatives	0.00%	0.00%
Private Equity	Domestic Alternatives/Foreign Alternative	16.00%	8.47%
Cash & Equivalents	Short-Term Cash Investment Funds	2.00%	(0.17)%
Total		<u>100.00%</u>	

(1) For actuarial purposes, target allocations only change once every three years based on the triennial actuarial experience study.

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made based on the actuarially determined rates based on the SBCERA Board’s funding policy, which establishes the contractually required rate based on statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of

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return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis

The following table presents the South Coast AQMD's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the South Coast AQMD's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate.

**Sensitivity of Net Pension Liability to Changes in the Discount Rate
As of June 30, 2019**

	1% Decrease <u>(6.25%)</u>	Current Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
South Coast AQMD's proportionate share of the net pension liability	\$342,591,348	\$218,228,092	\$116,219,842

Pension Plan Fiduciary Net Position

Detailed information about the SBCERA's fiduciary net position is available in a separately issued SBCERA comprehensive annual financial report. That report may be obtained on the Internet at www.SBCERA.org; by writing to SBCERA at 348 W. Hospitality Lane, Third Floor, San Bernardino, CA 92415; or by calling (909) 885-7980 or (877) 722-3721.

Payables to the Pension Plan

The amount payable to SBCERA at June 30, 2019 for the legally required contribution is \$2,877,721.

Los Angeles County Employees' Retirement Association

Plan Description

South Coast AQMD participates in the Los Angeles County Employees Retirement Association Pension Plan (the plan). (LACERA operates as a cost-sharing multiple-employer defined benefit plan.) As of June 30, 2019, South Coast AQMD had no active members in this plan. For South Coast AQMD, LACERA is a closed plan which means no new members will be added to the plan. The Los Angeles County Employees' Retirement Association (LACERA) was established on January 1, 1938. It is governed by the California Constitution; the County Employees Retirement Law of 1937 (CERL); and the regulations, procedures, and policies adopted by LACERA's Board of Retirement and Board of Investments. The Los Angeles County (County) Board of Supervisors may also adopt resolutions, as permitted by CERL, which may affect the benefits of LACERA members.

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Benefits Provided

Vesting occurs when a member accumulates five years' creditable service under contributory plans or accumulates 10 years of creditable service under the general service non-contributory plan. Benefits are based upon 12 or 36 months' average compensation, depending on the plan, as well as age at retirement and length of service as of the retirement date, according to applicable statutory formula. Vested members who terminate employment before retirement age are considered terminated vested (deferred) members. Service-connected disability benefits may be granted regardless of length of service consideration. Five years of service are required for nonservice-connected disability eligibility according to applicable statutory formula. Members of the non-contributory plan, who are covered under separate long-term disability provisions not administered by LACERA, are not eligible for disability benefits provided by LACERA.

Contributions

Members and employers contribute to LACERA based on rates recommended by an independent consulting actuary and adopted by the Board of Investments and the Los Angeles County Board of Supervisors. Contributory plan members are required to contribute between approximately 5 percent and 13 percent of their annual covered salary. Member and employer contributions received from the outside districts are considered part of LACERA's pension plan as a whole.

Participating employers are required to contribute the remaining amounts necessary to finance the coverage of their employees (members) through monthly or annual prefunded contributions at actuarially determined rates. Rates for the contributory plan tiers for members who entered the Plan prior to January 1, 2013 are based upon age at entry to the Plan and plan type enrollment.

Net Pension Liability

At June 30, 2019, the proportionate share of South Coast AQMD's Net Pension Liability was 0%. Updated procedures were used to roll-forward the total pension liability to the measurement dates of June 30, 2018.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019**

Pension Expense and Deferred Outflows/Inflows of Resources

For the fiscal year ended June 30, 2019, South Coast AQMD recognized pension expense of \$8,300 for its proportionate share of LACERA’s pension expense. At June 30, 2019, South Coast AQMD reported its proportionate share of deferred outflows of resources and deferred inflows of resources related to pensions, from the following sources:

	Deferred Outflows of Resources*	Deferred Inflows of Resources*
Changes in proportion and differences between South Coast AQMD contributions and proportionate share of contributions	\$ 33,000	\$ -
Total	\$ 33,000	\$ -

*See note VI for summary

Amounts reported as deferred outflows of resources and deferred inflows of resources related to LACERA pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2020	\$8,000
2021	8,000
2022	5,000
2023	5,000
2024	1,000
Thereafter	6,000

Actuarial Assumptions and Methods

The actuarial assumptions used in the June 30, 2017 actuarial valuation were based on the results of the actuarial experience study for the period July 1, 2013 to June 30, 2016. LACERA’s actuary performs an experience study every three years.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019**

<u>Description</u>	<u>Method</u>
Valuation Timing	Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	
Level Percent or level dollar	Level percent
Closed, Open, or layered periods	Layered
Amortization Period for each layer	30 years
Amortization Growth Rate	3.25%
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	2.75%
Investment Rate of Return	7.38%
Cost of Living Adjustments	As noted in the June 30, 2017 actuarial valuation, with one modification: STAR COLA benefits are assumed to be substantively automatic at the 80% purchasing power level until the STAR reserve is projected to be insufficient to pay further STAR benefits.

The allocation of investment assets within the LACERA Defined Benefit Pension Plan (Plan) investment portfolio is approved by the Board of Investments, as outlined in the LACERA Investment Policy statement. The following table displays the Board of Investments approved asset allocation targets for the fiscal year ended June 30, 2018.

**LACERA's Target Allocation and Long-Term Expected Rate of Return
For the Year Ended June 30, 2018**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Rate of Return (Geometric)</u>
Global Equity	43.40%	5.70%
Fixed Income	26.60%	2.60%
Real Estate	11.00%	4.60%
Private Equity	10.00%	6.90%
Commodities	2.80%	1.60%
Hedge Funds	4.20%	3.10%
Other Opportunities	0.00%	4.50%
Cash	2.00%	-0.20%

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019**

Discount Rate

The investment rate of return assumption used for actuarial funding was 7.25% for the fiscal year ended June 30, 2018.

GASB 67 requires determination that the Plan’s fiduciary net position is projected to be sufficient to make projected benefit payments. The discount rate used to measure the total pension liability was 7.38%. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rate and that South Coast AQMD contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Pension Plan’s Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Pension Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis

The following presents the net pension liability, calculated using the discount rate of 7.38%, as well as South Coast AQMD’s proportionate share of what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.38%) or 1 percentage point higher (8.38%) than the current rate (7.38%):

**Sensitivity of Net Pension Liability to Changes in the Discount Rate
As of June 30, 2019**

	1.00% Decrease <u>(6.38%)</u>	Current Discount Rate <u>(7.38%)</u>	1.00% Increase <u>(8.38%)</u>
South Coast AQMD’s proportionate share of the net pension liability	\$0	\$0	\$0

Pension Plan Fiduciary Net Position

Detailed information about the LACERA's fiduciary net position is available in a separately issued LACERA comprehensive annual financial report. That report may be obtained on the Internet at www.LACERA.com; by writing to LACERA at 300 N. Lake Avenue, Suite 650, Pasadena, CA 91101; or by calling (626) 564-6000.

Payables to the Pension Plan

The amount payable to LACERA at June 30, 2019 for the legally required contribution amount is \$0.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019**

X. OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description

SBCERA does not provide any post-employment benefits to South Coast AQMD retirees. LACERA, however, in addition to providing pension benefits, essentially provides a comprehensive health care benefits program to its retirees that include several medical, dental, vision, and death benefits. LACERA administers a cost-sharing multiple-employer defined benefit Other Post-Employment Benefits (OPEB) on behalf of Los Angeles County and its participating agencies. South Coast AQMD is one of the participating agencies.

South Coast AQMD is subject under the April 20, 1982 agreement between the Los Angeles County and LACERA (County Agreement). In April 1982, the Los Angeles County adopted an ordinance pursuant to the County Employees Retirement Law of 1937 (CERL) that provided for a retiree health insurance program and death/burial benefits for retired employees and their eligible dependents. In 1982, the Los Angeles County and LACERA entered into an agreement whereby LACERA would administer the program subject to the terms and conditions of the agreement. In 1994, the Los Angeles County amended the agreement to continue to support LACERA's retiree insurance benefits program, regardless of the status of the active member insurance. In 2018, this agreement was further updated to specify the sharing of expenses between South Coast AQMD and LA County for South Coast AQMD retirees who also had LA County service credit.

LACERA is a closed plan to employees who were hired after December 31, 1979. Currently, there are 48 retirees covered by the benefit terms under the OPEB.

LACERA is a legally separate entity from South Coast AQMD, not a component unit, and there is no financial interdependency with the Los Angeles County. For these reasons, the South Coast AQMD's comprehensive annual financial report excludes the LACERA OPEB as of June 30, 2018. LACERA publishes its own comprehensive annual financial report that includes its financial statements and required supplementary information, which can be obtained by writing LACERA at 300 N. Lake, Pasadena, CA 91101 or visiting the website at: www.LACERA.com.

Benefits Provided

LACERA OPEB program offers members choice of medical plan as well as dental /vision plans. Medical and dental/vision are provided through third-party insurance carriers with the participant's cost for medical and dental/vision insurance varying according to the years of retirement service credit, the plan selected, and the number of persons covered. There is a one-time lump-sum \$5,000 death/burial benefit payable to the designated beneficiary upon the death of a retiree.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Contributions

South Coast AQMD and/or Los Angeles County and each retired employee participating in the OPEB contributes a portion of the total cost per month of the premium for the plan in which the retiree is enrolled according to the terms of the Retiree Health Care Program under the County Agreement. The portion of the premium to be paid by South Coast AQMD and/or the Los Angeles County is calculated based on the years of retirement service credit under the terms of the County Agreement, as they may change from time to time. LACERA subsidizes the retiree's cost starting at 10 years of service credit and up to a maximum of 100% for a member with 25 years of service credit with the County. LACERA, at its own discretion, may increase the premium to cover additional expenses.

Net OPEB Liability

At June 30, 2019, the net OPEB liability for its proportionate share of the collective net OPEB liability amounted to \$3,180,000. South Coast AQMD's proportion of the collective total OPEB liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions and was projected forward to the measurement date. At June 30, 2018, the South Coast AQMD's proportion was 0.01286%, which was a decrease of 0.00049% from its proportion of 0.01335% measured at June 30, 2017.

OPEB Expense and Deferred Outflows/Inflows of Resources

For the fiscal year ended June 30, 2019, the South Coast AQMD recognized OPEB expense of \$328,715. As of June 30, 2019, South Coast AQMD's reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources*	Deferred Inflows of Resources*
Differences between projected and actual plan investment earnings	\$ -	\$ 7,000
Differences between expected and actual economic experience	-	158,000
Changes of assumptions	-	395,000
Changes in proportion	-	250,000
South Coast AQMD contributions paid to LACERA subsequent to the measurement date	230,900	-
Total	\$ 230,900	\$ 810,000

*See note VI for summary

The \$230,900 reported as deferred outflows of resources related to OPEB resulting from South Coast AQMD's contributions made to LACERA subsequent to the measurement date but before the reporting period ended June 30, 2019. The contribution will be recognized as a reduction of the net OPEB liability in the

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019**

subsequent fiscal year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in the OPEB expense as follows:

<u>Year ended June 30:</u>	
2020	\$(107,000)
2021	(107,000)
2022	(107,000)
2023	(106,000)
2024	(105,000)
Thereafter	(276,000)

Actuarial Assumptions and Methods

The significant actuarial assumptions and methods used to measure the total OPEB's liability are as follows:

Actuarial Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry age normal, level percent of pay
Inflation	2.75%
Salary Increases	3.25%
Investment Rate of Return	6.30%, net of OPEB plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy and Disabled Annuitant mortality tables, and including projection for expected future mortality improvement using the MP-2014 Ultimate Projection Scale.

Healthcare Cost Trend Rates:

	FY 2018 to <u>FY 2019</u>	FY 2019 to <u>FY 2020</u>	<u>Ultimate</u>
LACERA Medical Under 65	5.80%	6.30%	4.50%
LACERA Medical Over 65	6.00%	6.00%	4.50%
Part B Premiums	9.25%	1.85%	4.35%
Dental/Vision	0.00%	3.00%	3.70%
Weighted-average Trend	5.85%	5.42%	4.47%

The OPEB liability figures include the Excise Tax. This is based on the requirements of the Affordable Care Act (ACA) and the Consolidated Appropriations Act of 2016.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2013 to June 30, 2016.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

Long-term Expected Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target of asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table. The asset class return assumptions are presented on a real basis, after the effects of inflation, and all assumptions incorporate a base inflation rate assumption of 2.75%. The Expected Geometric Nominal Return (30 years) as of June 30, 2018 was 6.3%.

Asset Class	Target Allocations	Weighted Average Long-Term Expected Real Rate of Return (After Expected 2.75% Inflation Rate) (Geometric)
Growth – Global Equity	50.0%	4.7%
Credit – High Yield Bonds	6.0%	2.6%
Credit – Bank Loans	10.0%	2.2%
Credit – EM Local Currency Bonds	4.0%	2.6%
Risk Reduction & Mitigation – Cash Equivalents	2.0%	0.1%
Risk Reduction & Mitigation – Investment Grade Bonds	8.0%	0.8%
Inflation Hedges – TIPS	6.0%	0.5%
Inflation Hedges – Real Estate (REITs)	10.0%	3.9%
Inflation Hedges – Commodities	4.0%	1.8%

Discount Rate

The discount rate used to measure the total OPEB liability was 5.11%. The discount rate was developed using a depletion date projection, which included the following assumptions:

- The employers contribute the amount necessary to pay the current year benefits and the planned contribution amounts to the OPEB Trust from the Los Angeles County June 22, 2015 plan.
- Benefit payments are projected based on the actuarial assumptions and the current plan provisions.
- Members are assumed to terminate, retire, become disabled, and so forth according to the actuarial assumptions used for the July 1, 2017 OPEB valuation.
- All cash flows are assumed to occur on average halfway through the year.
- The long-term expected rate of return on plan investment is 6.30 percent as of June 30, 2018.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019**

- The 20-year tax-exempt municipal bond index rate is 3.87 percent as of June 30, 2018.
- The funding policy used to determine actuarially determined contributions did not change. GASB 74 report includes the ACA Excise Tax in the liabilities. The funding policy includes Excise Tax for the purposes of these GASB 74 calculations.
- The plan provisions do not change except if any material future changes have been agreed upon as of the measurement date.

Sensitivity of the South Coast AQMD’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the South Coast AQMD’s proportionate share of the net OPEB liability as well as what the South Coast AQMD’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.11%) or 1-percentage-point higher (6.11%) than the current rate:

	1% Decrease (4.11%)	Current Discount Rate (5.11%)	1% Increase (6.11%)
South Coast AQMD’s proportionate share of net OPEB liability	\$3,810,000	\$3,180,000	\$2,683,000

Sensitivity of the South Coast AQMD’s Proportionate Share of the Net OPEB Liability to Changes in Healthcare Cost Trend Rates

The following presents the South Coast AQMD’s proportionate share of the net OPEB liability, calculated using the healthcare cost trend rates as reported on the July 1, 2017 OPEB Actuarial Valuation Health Cost Trend Assumptions with Excise Tax table, as well as what the net OPEB liability would be if it were calculated using the healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rates:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
South Coast AQMD’s proportionate share of net OPEB liability	\$2,593,000	\$3,180,000	\$3,959,000

OPEB Plan Fiduciary Net Position

Detail information about the LACERA’s fiduciary net position is available in a separately issued LACERA comprehensive annual financial report. That report may be obtained on the internet at www.LACERA.com; by writing to LACERA at 300 N. Lake, Pasadena, CA 91101; or by calling (626) 564-6000.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

Payable to the OPEB Plan

At June 30, 2019, the amount payable to LACERA for the legally required contribution is \$18,867.

XI. DEFERRED COMPENSATION PLAN

South Coast AQMD offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits them to defer a portion of their salary until future years. These funds are not available to employees until termination, retirement, death or unforeseen emergency.

The deferred compensation plan monies are invested in various investment funds as selected by the participating employees. All amounts of compensation deferred under the plan and all income attributed to those amounts are held in trust for the exclusive benefit of plan participants and their beneficiaries.

Effective January 1, 1999, federal legislation requires the Section 457 plan assets to be placed in trust for the exclusive use of the plan participants and their beneficiaries. South Coast AQMD's deferred compensation administrator, Hartford Life Insurance Co., qualifies as the plan trustee to meet the federal requirements. In accordance with GASB Statement No. 32, South Coast AQMD no longer reports the plan assets and liabilities in its financial statements. As of June 30, 2019, investments with a fair value of \$185,646,422 are held in a trust.

XII. HEALTH REIMBURSEMENT ARRANGEMENT PLAN

On December 4, 2009, South Coast AQMD's Governing Board approved the establishment of a Health Reimbursement Arrangement (HRA) plan for South Coast AQMD employees. This allows active employees to save on a tax-free basis for their future post-retirement health care costs. The Hartford serves as South Coast AQMD's HRA service provider. Currently, both South Coast AQMD and the SBCERA do not offer a health reimbursement program nor post-retirement health care to help the employees afford health care in retirement.

Initially, the program was made available to non-represented employees with the understanding that it could be expanded to cover represented employees, based on their approval. In compliance with the rules establishing the HRA, each defined group covered by the plan is required to establish its own criteria on what earnings would be contributed. As of June 30, 2019, Executive Officer, General Counsel and Designated Deputies were the eligible employee classifications that were set up and approved by South Coast AQMD. Contributions are 100% vacation and sick leave payouts at termination and/or compensation payout at termination per existing leave payment policy. Eligibility shall commence upon termination of employment on account of retirement (whether through disability or service).

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019**

XIII. COMMITMENTS

Guaranteed Loans

The Air Quality Assistance Fund (AQAF) was originally established to comply with state legislation which required South Coast AQMD to allocate a portion of the funds it receives as penalties and settlements from violators of air pollution regulations and to provide financing assistance to small businesses that require financing in order to comply with South Coast AQMD requirements. This legislation was repealed on January 1, 1999. In June 2000, the Governing Board authorized staff to continue to use the funds to assist small businesses with an improved program for greater participation. Financing assistance includes guaranteeing or otherwise reducing the financial risks of lenders in providing financial assistance to small businesses. The funds are not used for direct loans to small businesses.

In June 2001, South Coast AQMD entered into an agreement with the California Pollution Control Financing Authority (CPCFA) to be an “independent contributor” to the California Capital Access Program (CalCAP). South Coast AQMD transferred \$100,000 to the CPCFA to cover borrower fees on any qualified small business CalCAP loans for air quality-related equipment or processes.

In October 2007, the Governing Board authorized the transfer of \$1 million to the Dry Cleaners Financial Incentives Grant Program to supplement the existing incentive grant programs. This incentive program assists dry cleaners in making early transitions from perchloroethylene (perc) to alternative cleaning technologies. AQAF’s fund balance amounted to \$1,646,942 at fiscal year ended June 30, 2019.

Operating Leases

Rental expense for non-cancelable operating leases was \$323,344 for the year ended June 30, 2019. Future minimum lease payments under non-cancelable operating leases of South Coast AQMD total as follows:

Year Ending June 30:	Amount
2020	\$266,594
2021	235,321
2022	<u>93,489</u>
Total	<u>\$595,404</u>

The lease for the office equipment expires in December 2021 while the lease of the South Bay satellite office expires in September 2021.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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XIV. PENDING LITIGATION

A number of other lawsuits and claims are pending against South Coast AQMD for alleged damages to persons and property and for other alleged liabilities arising out of its normal operations. South Coast AQMD's management believes that any liability that may arise from the ultimate resolution of such legal actions will not have a material adverse impact on the financial position as of June 30, 2019.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
GENERAL FUND - BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS) SCHEDULE
For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Emission fees	\$ 19,729,280	\$ 19,729,280	\$ 19,542,162	\$ (187,118)
Annual renewal fees	58,470,930	58,470,930	57,028,631	(1,442,299)
Area Sources	2,274,800	2,274,800	2,257,755	(17,045)
Permit processing fees	19,856,640	19,856,640	19,986,603	129,963
Mobile sources/clean fuels	30,625,320	30,630,044	25,128,935	(5,501,109)
Air toxics "Hot Spots"	2,849,590	2,849,590	2,184,155	(665,435)
Transportation programs	951,280	951,280	977,223	25,943
State subvention	3,939,080	3,939,080	3,924,547	(14,533)
Federal grant	4,874,450	6,812,885	7,563,375	750,490
Interest revenue	1,116,070	1,116,070	1,976,414	860,344
Lease revenue	166,980	166,980	162,879	(4,101)
Source test/analysis fees	781,700	781,700	574,007	(207,693)
Hearing Board fees	258,500	258,500	187,308	(71,192)
Penalties and settlements	5,000,000	5,000,000	7,196,194	2,196,194
Other revenues	8,919,231	12,994,361	12,258,935	(735,426)
Total revenues	\$ 159,813,851	\$ 165,832,140	\$ 160,949,123	\$ (4,883,017)
Expenditures:				
Current:				
Salaries and employee benefits	\$ 132,868,320	\$ 134,591,535	\$ 124,376,218	\$ 10,215,317
Insurance	1,317,400	1,768,773	1,717,991	50,782
Rent	761,071	1,083,196	600,179	483,017
Supplies	1,901,399	3,588,958	3,044,491	544,467
Contract and special services	10,523,187	14,030,168	12,672,248	1,357,920
Maintenance	2,367,143	3,302,727	1,924,046	1,378,681
Travel and auto	940,445	1,294,239	1,141,882	152,357
Utilities	1,959,620	1,633,915	1,413,921	219,994
Communications	717,800	790,862	632,568	158,294
Uncollectible accounts	-	-	471,292	(471,292)
Other expenditures	1,996,016	2,941,500	2,330,993	610,507
Capital outlay	1,088,300	6,310,825	4,669,722	1,641,103
Debt service:				
Principal	2,553,110	2,553,110	2,553,110	-
Interest	3,637,290	3,637,290	3,637,290	-
Total expenditures	\$ 162,631,101	\$ 177,527,098	\$ 161,185,951	\$ 16,341,147
Excess (deficiency) of revenues over (under) expenditures	\$ (2,817,250)	\$ (11,694,958)	\$ (236,828)	\$ 11,458,130
Other Financing Sources (Uses)				
Transfers in	\$ 2,817,250	\$ 4,890,420	\$ 6,397,393	\$ 1,506,973
Transfers out	-	2,904,582	2,904,582	-
Total other financing sources	\$ 2,817,250	\$ 1,985,838	\$ 3,492,811	\$ 1,506,973
Net change in budgetary fund balances	\$ -	\$ (9,709,120)	\$ 3,255,983	\$ 12,965,103

See accompanying notes to required supplementary information and independent auditor's report.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

Schedule of South Coast AQMD's Proportionate Share of the Net Pension Liability Last 10 Fiscal Years*

	Measurement Date**					
	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
<u>SBCERA Pension Plan</u>						
South Coast AQMD's proportion of the net pension liability	8.61%	8.12%	8.09%	7.79%	6.45%	7.88%
South Coast AQMD's proportionate share of the net pension liability	\$ 218,228,092	\$ 214,076,570	\$ 199,589,723	\$ 151,441,343	\$ 109,655,281	\$ 156,371,863
South Coast AQMD's covered payroll	\$ 73,329,109	\$ 71,657,793	\$ 71,247,083	\$ 68,088,547	\$ 75,623,191	\$ 77,748,408
South Coast AQMD's proportionate share of the net pension liability as a percentage of its covered payroll	297.60%	298.75%	280.14%	222.42%	145.00%	201.13%
SBCERA's fiduciary net position as a percentage of the total pension liability	75.85%	74.94%	74.10%	79.33%	83.74%	76.28%

	Measurement Date**					
	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
<u>LACERA Pension Plan</u>						
South Coast AQMD's proportion of the net pension liability	0%	0%	0%	0%	0%	0%
South Coast AQMD's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
South Coast AQMD's covered payroll	\$ 48,839	\$ 60,610	\$ 59,557	\$ 59,193	\$ 57,884	\$ 58,597
South Coast AQMD's proportionate share of the net pension liability as a percentage of its covered payroll	0%	0%	0%	0%	0%	0%
LACERA's fiduciary net position as a percentage of the total pension liability	0%	0%	0%	0%	0%	0%

* Data for FY's ended June 30, 2009 through 2012 is not available in comparable format.

** GASB Statement No. 68 requires this information to be presented as of the measurement date of the net pension liability, which is not the current fiscal year end.

See accompanying notes to required supplementary information and independent auditor's report.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

Schedule of South Coast AQMD's Contributions - Pensions Last 10 Fiscal Years*

	Reporting Date**					
	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
<u>SBCERA Pension Plan</u>						
Contractually required contribution	\$ 30,295,487	\$ 25,332,734	\$ 23,319,256	\$ 21,089,956	\$ 19,384,858	\$ 18,060,910
Contributions in relation to the contractually required contributions	30,295,487	25,332,734	23,319,256	21,089,956	19,384,858	18,060,910
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
South Coast AQMD's covered payroll***	\$ 76,475,127	\$ 73,329,109	\$ 71,657,793	\$ 71,247,083	\$ 68,088,547	\$ 75,623,191
Contributions as a percentage of covered payroll	39.61%	34.55%	32.54%	29.60%	28.47%	23.89%
	Reporting Date**					
	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
<u>LACERA Pension Plan</u>						
Contractually required contribution	\$ -	\$ 8,300	\$ 11,000	\$ 13,000	\$ 14,000	\$ 14,000
Contributions in relation to the contractually required contributions	-	8,300	11,000	13,000	14,000	14,000
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
South Coast AQMD's covered payroll***	\$ -	\$ 48,839	\$ 60,610	\$ 59,557	\$ 59,193	\$ 57,844
Contributions as a percentage of covered payroll	0.00%	16.99%	18.15%	21.83%	23.65%	24.20%

* Data for FY's ended June 30, 2010 through 2013 is not available in comparable format.

** GASB Statement No. 68 requires this information to be presented as of the most recent fiscal year end.

*** Covered payroll is different from that shown in previously issued reports due to updated information.

See accompanying notes to required supplementary information and independent auditor's report.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

Schedule of South Coast AQMD's Proportionate Share of the Net OPEB Liability Last 10 Fiscal Years*

	Measurement Date**		
	June 30, 2018	June 30, 2017	June 30, 2016
<u>LACERA OPEB Plan</u>			
South Coast AQMD's proportion of the collective net OPEB liability	0.01286%	0.01335%	0.01396%
South Coast AQMD's proportionate share of the collective net OPEB liability	\$3,180,000	\$3,534,000	\$3,721,000
South Coast AQMD's covered-employee payroll	\$48,839	\$60,610	\$59,557
South Coast AQMD's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	6511.19%	5830.72%	6247.80%
LACERA's fiduciary net position as a percentage of the total OPEB liability	0%	0%	0%

* Historical information is required only for measurement periods for which GASB 75 is applicable. Future year's information will be displayed up to 10 years as information becomes available.

** GASB Statement No. 75 requires this information to be presented as of the measurement date of the net OPEB liability, which is not the current fiscal year end.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

Schedule of South Coast AQMD's Contributions - OPEB Last 10 Fiscal Years*

<u>LACERA OPEB Plan</u>	Reporting Date**		
	June 30, 2019	June 30, 2018	June 30, 2017
Contractually required contribution	\$ 229,019	\$ 232,715	\$ 234,967
Contributions in relation to the contractually required contributions	(229,019)	(232,715)	(234,967)
Contributions deficiency (excess)	\$ -	\$ -	\$ -
South Coast AQMD's covered employee payroll	\$ -	\$ 48,839	\$ 60,610
Contributions as a percentage of covered payroll	0.00%	476.49%	387.67%

* Historical information is required only for measurement periods for which GASB 75 is applicable. Future year's information will be displayed up to 10 years as information becomes available.

** GASB Statement No. 75 requires this information to be presented as of the most recent fiscal year-end.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2019**

NOTE 1 – BUDGETS AND BUDGETARY ACCOUNTING

South Coast AQMD has a comprehensive annual budget process which establishes goals and objectives and monitors expenditures associated with meeting those goals and objectives.

Up to and including the budget adoption hearing by South Coast AQMD's Governing Board, the public and the business community have several opportunities to participate in the budget process. These opportunities include: Budget Advisory Committee meetings made up of business and environmental representatives, a public workshop, a Governing Board workshop and a public hearing.

Following input from the public, Budget Advisory Committee, and Governing Board, the draft budget for fiscal year 2018-19 was prepared and subsequently adopted at the May 2018 meeting of the Governing Board. The fiscal year 2018-19 Adopted Budget and the final fee schedules became effective on July 1, 2018.

South Coast AQMD's annual budget is adopted for the General Fund at the Major Object levels of Salaries and Employee Benefits, Services and Supplies, Capital Outlays, and Building Remodeling. The Governing Board has delegated expenditure authority to the Executive Officer for all budgeted expenditures of \$75,000 or less within a major object. All appropriations to the budget and transfers between major objects must be approved by the Governing Board. Transfers within a major object are delegated to the Executive Officer. Monthly expenditure reports are issued to each Office. The Governing Board receives a General Fund Budget status report on a quarterly basis.

South Coast AQMD presents a comparison of annual budget to actual results for the General Fund. The budgeted expenditure amounts represent the adopted budget adjusted for Governing Board approved supplemental appropriations. The budgeted revenue amounts represent the adopted budget modified for Governing Board approved adjustments which were based upon new or additional revenue sources. Supplemental expenditure appropriations of \$17,800,579 and revenue adjustments of \$8,091,459 were approved by the Governing Board in fiscal year 2018-19.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2019**

NOTE 2 – GENERAL FUND BUDGETARY BASIS RECONCILIATION

The General Fund Budgetary Basis under Required Supplementary Information presents comparisons of the legally adopted budget with actual data on a budgetary basis. Accounting principles applied for purposes of developing expenditures data on a budgetary basis differ from those used to present financial statements in conformity with Generally Accepted Accounting Principles (GAAP). The basis of budgeting that differs from GAAP is modified accrual basis plus encumbrances. The following is a reconciliation of differences for the fiscal year ended June 30, 2019:

Expenditures and encumbrances (budgetary basis) June 30, 2019	\$161,185,951
Add: payments on encumbrances open at July 1, 2018	6,720,504
Less: encumbrances open at June 30, 2019	<u>(8,433,023)</u>
Expenditures (GAAP basis), June 30, 2019	<u>\$159,473,432</u>

A reconciliation of revenue is not presented since budgetary practices and GAAP do not differ with respect to revenue.

NOTE 3 – USE OF BUDGETARY FUND BALANCE

When the fiscal year 2018-19 budget was adopted the Governing Board approved a budget that was balance. Mid-year adjustments appropriated \$1,079,226 from Assigned Fund Balance and a net of \$8,629,894 from Unassigned Fund Balance which resulted in a negative net change in budgetary fund balance of \$9,709,120.

NOTE 4 – FACTORS AFFECTING PENSION TRENDS SOUTH COAST AQMD’S PROPORTION

As of the June 30, 2018 measurement date, South Coast AQMD’s proportionate share of SBCERA’s total net pension liability increased from 8.12% to 8.61%. The increase is primarily due to an increase in South Coast AQMD’s staffing levels and associated SBCERA-eligible compensation (“pensionable compensation” and “compensation earnable”) as compared against the net increase in total SBCERA-eligible compensation from all other SBCERA employers, resulting in an increase in proportionate share of net pension liability.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
OTHER SUPPLEMENTARY INFORMATION
June 30, 2019**

Non-major Governmental Funds

Special Revenue Funds:

- Air Toxics Fund - Used to account for fees received from industrial toxic air emitters. These funds are spent on planning and performing health risk evaluations for the purpose of developing a toxic emissions inventory for the South Coast Air Basin.
- Advanced Technology, Outreach and Education Fund - Used to account for monies contributed by companies in lieu of paying fines for violating South Coast AQMD rules. Contributed amounts must be used to pay costs associated with South Coast AQMD-sponsored research and development in cleaner burning fuels and other advanced technologies and public outreach and education related to advanced technology and air pollution and its impacts.
- Air Quality Assistance Fund - Used to account for funds set aside for the purpose of underwriting, guaranteeing, or otherwise participating in the provision of financial assistance to small businesses as required by Section 40448.7 of the California Health and Safety Code. (This legislation was repealed by its own terms January 1, 1999). In June 2000, the Governing Board authorized staff to revise the program to increase participation of small businesses. Certain revisions, including participation in the California Capital Access Program (CalCAP) to assist small businesses, were implemented in June 2001.
- Air Quality Improvement Fund - Used to account for 40% of the revenue received by the South Coast AQMD from motor vehicle registration fees under the provisions of Sections 44243 and 44244 of the California Health and Safety Code. This money is distributed on a quarterly basis to cities and counties within the South Coast Air Basin to implement programs to reduce air pollution from motor vehicles.
- Air Quality Investment Fund – To account for revenue from employers with 250 or more employees at a worksite who are subject to Rule 2202. This revenue is used to purchase emissions reductions credits to meet the required target. To date, \$47.9 million in projects have been awarded to purchase over 34,071 tons of emission reductions. Starting April 2017, this fund was used to process rebates for South Coast AQMD’s Residential Electric Lawn Mower Rebate Program. By the end of 2018, \$182,050 rebates were processed. As of June 30, 2019, a total of 1,113 lawn mowers were exchanged with total emission reductions of 2.69 tons & \$233,950 total fund spent.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
OTHER SUPPLEMENTARY INFORMATION
June 30, 2019

RECLAIM AQIP - Established in fiscal year 2001 to separately account for the generation of NO_x (Oxides of Nitrogen) credits at stationary and mobile sources for use by certain small or new RECLAIM (Regional Clean Air Incentives Market) participants. AQIP stands for Air Quality Investment Program.

- RECLAIM and Executive Order Mitigation - Established in fiscal year 2001 to account for mitigation fee payments made by power generators in lieu of emission offsets. Proceeds are used to generate RECLAIM Trading Credits (RTCs) to offset excess emissions.
- Rule 1121 Mitigation Fee Program - Established in fiscal year 2004 to issue program announcements for projects under the Rule 1121 Mitigation Fee Program. Under Rule 1121 - Control of Nitrogen Oxides (NO_x) from Residential Type, Natural Gas Fired Water Heaters, emission mitigation fees are collected from water heater manufacturers to fund stationary and mobile source emission reduction projects targeted at offsetting NO_x emission.
- Clean Fuels Program Fund - Established as a special revenue fund in fiscal year 2000 to account for contract activities and revenues of the Clean Fuels Program. These are activities associated with implementing Clean Fuels stationary source and mobile source research, development, demonstration and deployment projects approved by the Governing Board. Since 1988, the Clean Fuels Program has provided funds for 1,414 projects totaling \$230 million.
- Carl Moyer Program Fund – Established in fiscal year 1999 to account for activities related to the administration of state funds set aside for the replacement of diesel-powered vehicles with cleaner-technology vehicles. It has funded over 6,708 vehicles totaling over \$467 million. It provides incentive funds for the replacement or repower of older diesel engines in on- and off-road vehicles such as refuse haulers, heavy duty trucks, transit and school buses, construction equipment, and marine vessels.
- Lower-Emission School Bus Fund – Established in fiscal year 2001 to administer state funds set aside in the South Coast Air Basin for the replacement and retrofit of high-emitting diesel-fueled school buses. Between fiscal years 2000 and 2017, \$280 million of Lower Emissions School Bus funds were spent on the replacement of school buses, and the retrofit of newer diesel buses with PM traps. In total, nearly 1600 old buses were replaced by brand new, primarily CNG school buses, and nearly 3,400 newer diesel school buses were retrofitted with PM traps.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
OTHER SUPPLEMENTARY INFORMATION
June 30, 2019

- Zero Emission Vehicle Incentive Program - Established in fiscal year 2001 to administer the State funds set aside for the implementation of the Zero Emission Vehicle (ZEV) Incentive Program.
- AES Settlement Projects Fund - Established in fiscal year 2001 for the purpose of accounting for the one-time penalty settlement with AES Corporation for air pollution violations.
- Rule 1309.1 Priority Reserve Fund - Established in fiscal year 2001 to account for mitigation fees paid for Particulate Matter ≤ 10 microns (PM₁₀) credits. Due to the state energy crisis in 2001, Rule 1309.1 was amended to allow new electric generating facilities temporary access to South Coast AQMD's Priority Reserve Account to offset their PM₁₀ emission increases provided that they meet specific criteria and pay appropriate mitigation fees.
- CARB ERC Bank Fund - Established in fiscal year 2001 to account for the proceeds from the issuance of the Emission Reduction Credits (ERCs) to natural gas turbine power plant peaker units. CARB established the ERC Bank for peaker power plants that need emission offsets to add new or expanded capacity. Proceeds from the issuance of these ERCs will fund emission reduction programs where the new or expanded facility is located.
- LADWP Settlement Fund - Established in fiscal year 2001 for the purpose of accounting for the monies received from the Los Angeles Department of Water and Power as part of the settlement agreement.
- State-Emissions Mitigation Fund - Established during fiscal year 2002 to account for the funds received from California Air Resources Board (CARB) to fund CARB selected projects on emission reductions within the South Coast Air Basin. This is in response to the Governor's statewide program to mitigate excess emissions from peaker power generation units to alleviate the power crisis in California.
- Natural Gas Vehicle Partnership Fund - Established during fiscal year 2002 for creation of the Natural Gas Vehicle Partnership to facilitate the advancement of natural gas vehicle technology and deployment. The contributions received from participating members are accounted for in this fund as well as the expenditures for activities and projects selected by the Partnership.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
OTHER SUPPLEMENTARY INFORMATION
June 30, 2019

- State Backup Generators (BUG) Program Fund - Established in fiscal year 2003 to account for the funds received from CARB's Diesel-Fueled Electrical Backup Generator Emissions Mitigation Program. This program funds emission related projects as part of an ongoing effort to expeditiously reduce public exposure to air toxics and other pollutants.
- Dry Cleaners Financial Incentives Grant Program - Established in fiscal year 2003 to provide financial incentives to dry cleaners to purchase non-toxic alternative dry cleaning equipment.
- Rule 1173 Mitigation Fee Fund - Established in fiscal year 2004 to account for Rule 1173 mitigation fee payments to be used in funding air quality projects which directly benefit the community surrounding the facility. Amendments in December 2002 to Rule 1173 for Refineries and Chemical Plants established a mitigation fee payment provision relating to the release of Volatile Organic Compound (VOC) from an atmospheric Pressure Relief Device (PRD).
- Communities for Better Environment (CBE)/Our Children's Earth (OCE) Settlement Agreement Fund - Established in FY 2004 as part of the settlement agreement to fund P_{M10} (Particulate Matter ≤ 10 microns) and/or N_{Ox} (Oxides of Nitrogen) reduction projects in disproportionately impacted areas.
- BP ARCO Settlement Projects Fund - Established in fiscal year 2005 to account for the \$25 million civil penalties received in 2005 as part of the settlement with BP ARCO for air pollution violations.
- Health Effects Research Fund - The Health Effects Research Fund was established in fiscal year 2008 to receive 20% of all penalty/settlement monies in excess of \$4 million recognized annually in South Coast AQMD's General Fund beginning in fiscal year 2009, subject to annual Board approval.
- CEQA Green House Gas Mitigation Fund - This fund was established in fiscal year 2009 under Rule 2702 for Green House Gas (GHG) emission reductions. It received \$1.5 million from Chevron Products Company to offset Green House Gas emission as part of its Product Reliability and Optimization (PRO+) Project Mitigation Monitoring Plan.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
OTHER SUPPLEMENTARY INFORMATION
June 30, 2019

- TraPac School Air Filtration Fund - This fund was established in fiscal year 2011 and received \$6,000,000 from City of Los Angeles towards installation and maintenance of air filtration systems for schools in the Wilmington area that were impacted by the expansion of the TraPac Container Terminal Project.
- Emission Reduction and Outreach Fund - This fund was established in fiscal year 2010 due to a \$1,000,000 Supplemental Environmental Project Settlement. These funds are used to enhance compliance of emission reduction policies by providing source education and consumer education.
- Rule 1118 Mitigation Fund - Established in fiscal year 2010 to account for mitigation fees from petroleum refineries that exceed sulfur dioxide emission thresholds from flares and future Rule 1118 mitigation fees and to track the projects funded through these fees.
- HEROS II Fund - Established in fiscal year 2011, this fund is used to track funds received and expenditures for South Coast AQMD's vehicle scrap and replacement program. This voluntary program reduces emissions from high-emitting light and medium-duty vehicles in South Coast AQMD.
- EL Monte Park Project Settlement Fund - Established in fiscal year 2011 for the purpose of accounting for the monies received from Gregg Industries bankruptcy estate as part of a settlement agreement to finance the construction of park improvements in the City of El Monte.
- AB 1318 Mitigation Fees Fund - Created in fiscal year 2011 to account for revenue of \$53.3 million from a mitigation fee payment for the transfer of emission credits under AB 1318.
- Voucher Incentive Program (VIP) Fund - Established in fiscal year 2012 due to transfer of funds from the Carl Moyer Multidistrict funds originally recorded in Carl Moyer Program Fund, to separately administer the On-Road Heavy-Duty Vehicle Voucher Incentive Program.
- Advanced Technology Goods Movement Fund - Established in fiscal year 2012 to administer funds received through an agreement with Port of Los Angeles and Port of Long Beach to fund projects consistent with the development and demonstration of zero emissions goods movement technologies, including the demonstration of Linear Synchronous Motor (LSM) technology to move cargo containers and the development of two discrete hybrid electric drive systems for heavy-duty vehicles.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
OTHER SUPPLEMENTARY INFORMATION
June 30, 2019

- Rule 1470 Risk Reduction Fund – Established in fiscal year 2012 to help fund control equipment costs for public agencies, such as cities, counties, and schools, required to install control equipment on new emergency standby engines in order to comply with Rule 1470.
- Hydrogen Fueling Infrastructure Network Fund – Established in fiscal year 2014 to receive state and federal grant revenue earmarked for hydrogen infrastructure upgrades to support the expected role out of fuel cell cars in the next few years. In fiscal year 2014, the South Coast AQMD received an award for \$6.69 million from the California Energy Commission (CEC) to upgrade and refurbish existing hydrogen stations in the South Coast Air Basin. Three stations in Burbank, LAX and Torrance were funded for upgrade through this grant. Work on the Torrance station was completed in August 2017 and work on the LAX station was completed in December 2018. Construction on the Burbank station was completed in January 2019, with some remaining work for the station to transition to open retail status.
- Rule 1420.1 Special Revenue Fund – Established in fiscal year 2014 to account for monies received from Exide Technologies and Quemetco to finance the Multi-Metals continuous emission monitoring system (CEMS) and continuous Multi-Metals Ambient Air Monitoring Demonstration Programs.
- BP/South Coast AQMD Public Benefits Oversight Fund – Established to receive remaining unspent \$177,802 from the 2005 BP Settlement Agreement public benefits payments. Funds will continue to be expended through the approval of the BP/South Coast AQMD Public Benefits Oversight Committee.
- Rule 1304.1 Special Revenue Fund – Established in fiscal year 2016 to track the deposit of fees paid and the withdrawal of funds for approved projects, pursuant to Rule 1304.1 – Electrical Generating Facility Fee for Use of Offset Exemption.
- Green House Gas (GHG) Reduction Projects Special Revenue Fund – Established in fiscal year 2016 to account for the projects funded by CARB’s Low Carbon Transportation Green House Gas Reduction Fund Investments.
- ExxonMobil Settlement Projects Special Revenue Fund – Established in fiscal year 2016 for the purpose of accounting for the monies received pursuant to a settlement agreement with ExxonMobil for Supplemental Environmental Project (SEP).

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
OTHER SUPPLEMENTARY INFORMATION
June 30, 2019

- LADWP Variance Special Revenue Fund – Established in fiscal year 2017 to receive environmental fees from the Los Angeles Department of Water and Power as part of an South Coast AQMD Hearing Board variance. The variance allowed LADWP to burn diesel to 1) recommission and test the turbines, and 2) subsequently to operate them on diesel fuel, only if the natural gas supply to LADWP was curtailed by SoCal Gas.
- Air Filtration Special Revenue Fund – Established in fiscal year 2017, a Supplemental Environmental Project (SEP) agreement was executed between CARB and the Burlington Northern Santa Fe Railway Company (BANSF) to install air filtration systems at schools in an Environmental Justice community in the South Coast region.
- SoCal Gas Settlement Special Revenue Fund – Established in fiscal year 2017 to execute a contract with KORE Infrastructure Inc in an amount not to exceed \$1 million from the SoCal Gas Settlement Special Revenue Fund to cost-share the commercial field test project.
- Rule 1180 Special Revenue Fund – Established in fiscal year 2018 to account for the Rule 1180 initial and final payments for implementation of the community air monitoring stations near petroleum refineries.

Capital Projects Fund

- Infrastructure Improvement Fund – Established in fiscal year 2013 to separately account for large-scale and/or multi-year infrastructure improvement projects.

Debt Service Fund - Established in 2009 to replace the terminated Guaranteed Investment Contract with the Municipal Bond Insurance Association (MBIA, Inc.) due to changes in financial markets. This is used for the defeasance of a portion of South Coast AQMD's debt service on Pension Obligation Bonds.

Component Unit – South Coast AQMD Building Corporation – Established in fiscal year 1978 for the acquisition and improvement of South Coast AQMD headquarters. The South Coast AQMD Building Corporation is a legally separate entity, but for financial statement purposes, it is shown as a blended component unit in the governmental funds.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2019**

<u>Assets</u>	Special Revenue				
	Air Toxics Fund	Advanced Technology Outreach & Education Fund	Air Quality Assistance Fund	Air Quality Improvement Fund	Air Quality Investment Fund
Cash and cash equivalents	\$ 5,030,383	\$ 1,272,381	\$ 1,637,752	\$ 2,112,252	\$ 62,416,173
Investments	-	-	-	-	20,141,919
Interest receivable	22,768	6,696	9,190	13,926	359,356
Due from other governmental agencies	-	204,851	-	3,866,975	-
Due from other funds	-	-	-	-	-
Accounts receivable, net	784,216	-	-	-	5,102
Total assets	\$ 5,837,367	\$ 1,483,928	\$ 1,646,942	\$ 5,993,153	\$ 82,922,550
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 405,182	\$ 194,375	\$ -	\$ 5,922,134	\$ 47,904
Due to other funds	3,103,115	602,638	-	-	478,623
Unearned revenue	785	-	-	-	5,047
Total liabilities	3,509,082	797,013	-	5,922,134	531,574
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	-	686,915	-	71,019	-
Committed	464,500	-	-	-	6,733,425
Assigned	1,863,785	-	1,646,942	-	75,657,551
Unassigned	-	-	-	-	-
Total fund balances	2,328,285	686,915	1,646,942	71,019	82,390,976
Total liabilities and fund balances	\$ 5,837,367	\$ 1,483,928	\$ 1,646,942	\$ 5,993,153	\$ 82,922,550

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2019**

<u>Assets</u>	Special Revenue				
	Clean Fuels Program Fund	Carl Moyer Program Fund	Lower-Emission School Bus Fund	Zero Emission Vehicle Incentive Fund	AES Settlement Projects Fund
Cash and cash equivalents	\$ 53,766,956	\$ 66,018,054	\$ 8,778,472	\$ 690,518	\$ 900,675
Investments	-	-	-	-	-
Interest receivable	235,568	365,291	47,713	3,683	4,804
Due from other governmental agencies	6,632,022	-	52,000	-	-
Due from other funds	6,626,395	-	-	-	-
Accounts receivable, net	143,750	-	-	-	-
Total assets	\$ 67,404,691	\$ 66,383,345	\$ 8,878,185	\$ 694,201	\$ 905,479
 <u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 2,921,142	\$ 2,376,635	\$ -	\$ -	\$ 10,000
Due to other funds	4,731,200	1,625,708	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	7,652,342	4,002,343	-	-	10,000
 Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	-	62,381,002	8,878,185	694,201	-
Committed	21,935,844	-	-	-	1,200
Assigned	37,816,505	-	-	-	894,279
Unassigned	-	-	-	-	-
Total fund balances	59,752,349	62,381,002	8,878,185	694,201	895,479
Total liabilities and fund balances	\$ 67,404,691	\$ 66,383,345	\$ 8,878,185	\$ 694,201	\$ 905,479

Continued

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2019**

<u>Assets</u>	Special Revenue				
	Rule 1309.1 Priority Reserve Fund	CARB ERC Bank Fund	LADWP Settlement Fund	State-Emissions Mitigation Fund	Natural Gas Vehicle Partner Fund
Cash and cash equivalents	\$ 5,188,612	\$ 615,144	\$ 409,929	\$ 106,374	\$ 404,419
Investments	-	-	-	-	-
Interest receivable	30,030	3,281	2,186	605	2,184
Due from other governmental agencies	-	-	-	-	-
Due from other funds	-	-	-	-	-
Accounts receivable, net	-	-	-	-	55,000
Total assets	\$ 5,218,642	\$ 618,425	\$ 412,115	\$ 106,979	\$ 461,603
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	-
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	-	-	-	-	-
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	106,979	-
Committed	662,490	-	-	-	-
Assigned	4,556,152	618,425	412,115	-	461,603
Unassigned	-	-	-	-	-
Total fund balances	5,218,642	618,425	412,115	106,979	461,603
Total liabilities and fund balances	\$ 5,218,642	\$ 618,425	\$ 412,115	\$ 106,979	\$ 461,603

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2019**

<u>Assets</u>	<u>Special Revenue</u>				
	<u>State BUG Program Fund</u>	<u>Dry Cleaners Financial Incentives Grant Program Fund</u>	<u>Rule 1173 Mitigation Fee Fund</u>	<u>CBE / OCE Settlement Agreement Fund</u>	<u>BP ARCO Settlements Project Fund</u>
Cash and cash equivalents	\$ 365,894	\$ 473,861	\$ 2,853,263	\$ 223,320	\$ 10,983,578
Investments	-	-	-	-	-
Interest receivable	1,951	2,531	15,216	-	59,779
Due from other governmental agencies	-	-	-	-	-
Due from other funds	-	-	-	-	57,328
Accounts receivable, net	-	-	-	-	-
Total assets	\$ 367,845	\$ 476,392	\$ 2,868,479	\$ 223,320	\$ 11,100,685
 <u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ 83,246
Due to other funds	20,734	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	20,734	-	-	-	83,246
 Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	347,111	-	-	-	-
Committed	-	-	-	-	942,941
Assigned	-	476,392	2,868,479	223,320	10,074,498
Unassigned	-	-	-	-	-
Total fund balances	347,111	476,392	2,868,479	223,320	11,017,439
Total liabilities and fund balances	\$ 367,845	\$ 476,392	\$ 2,868,479	\$ 223,320	\$ 11,100,685

Continued

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2019**

<u>Assets</u>	<u>Special Revenue</u>				
	<u>Health Effects Research Fund</u>	<u>CEQA Green House Gas Mitigation Fund</u>	<u>TraPac School Air Filtration Fund</u>	<u>Emission Reduction and Outreach Fund</u>	<u>Rule 1118 Mitigation Fund</u>
Cash and cash equivalents	\$ 3,849,097	\$ 129,129	\$ 1,382,526	\$ 932	\$ 22,700,106
Investments	-	-	-	-	-
Interest receivable	16,821	689	7,373	5	117,945
Due from other governmental agencies	-	-	-	-	-
Due from other funds	-	-	-	-	-
Accounts receivable, net	-	-	-	-	-
Total assets	\$ 3,865,918	\$ 129,818	\$ 1,389,899	\$ 937	\$ 22,818,051
 <u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	-
Due to other funds	-	-	-	-	233,819
Unearned revenue	-	-	-	-	-
Total liabilities	-	-	-	-	233,819
 Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	-	-	1,389,899	-	-
Committed	-	-	-	-	-
Assigned	3,865,918	129,818	-	937	22,584,232
Unassigned	-	-	-	-	-
Total fund balances	3,865,918	129,818	1,389,899	937	22,584,232
Total liabilities and fund balances	\$ 3,865,918	\$ 129,818	\$ 1,389,899	\$ 937	\$ 22,818,051

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2019**

<u>Assets</u>	<u>Special Revenue</u>				
	<u>HEROS II Fund</u>	<u>El Monte Park Project Settlement Fund</u>	<u>AB 1318 Mitigation Fees Fund</u>	<u>Voucher Incentive Program (VIP) Fund</u>	<u>Advanced Technology Goods Movement Fund</u>
Cash and cash equivalents	\$ 4,761,047	\$ 905,279	\$ 13,618,694	\$ 4,087,438	\$ 18,429,612
Investments	-	-	5,070,960	-	-
Interest receivable	36,691	4,855	73,847	20,139	100,940
Due from other governmental agencies	-	-	-	-	643,380
Due from other funds	-	-	-	-	-
Accounts receivable, net	-	-	-	-	3,000,000
Total assets	\$ 4,797,738	\$ 910,134	\$ 18,763,501	\$ 4,107,577	\$ 22,173,932
 <u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 1,059,629	\$ -	\$ -	\$ 110,000	\$ 659,219
Due to other funds	450,696	-	37,966	-	1,688,895
Unearned revenue	-	-	-	-	-
Total liabilities	1,510,325	-	37,966	110,000	2,348,114
 Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	3,287,413	-	-	3,997,577	-
Committed	-	896,569	15,555,091	-	14,017,330
Assigned	-	13,565	3,170,444	-	5,808,488
Unassigned	-	-	-	-	-
Total fund balances	3,287,413	910,134	18,725,535	3,997,577	19,825,818
Total liabilities and fund balances	\$ 4,797,738	\$ 910,134	\$ 18,763,501	\$ 4,107,577	\$ 22,173,932

Continued

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2019**

<u>Assets</u>	Special Revenue				
	Rule 1470 Risk Reduction Fund	Hydrogen Fueling Infrastructure Fund	Rule 1420.1 Special Revenue Fund	BP/SCAQMD Public Benefits Oversight Fund	Rule 1304.1 Special Revenue Fund
Cash and cash equivalents	\$ 2,478,432	\$ 288,666	\$ 92,953	\$ 149,080	\$ 7,676,430
Investments	-	-	-	-	-
Interest receivable	13,262	14,118	496	795	40,939
Due from other governmental agencies	-	-	-	-	-
Due from other funds	-	-	-	-	-
Accounts receivable, net	-	-	-	-	-
 Total assets	 <u>\$ 2,491,694</u>	 <u>\$ 302,784</u>	 <u>\$ 93,449</u>	 <u>\$ 149,875</u>	 <u>\$ 7,717,369</u>
 <u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	-
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	-
 Total liabilities	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>
 Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	-	302,784	93,449	149,875	7,717,369
Committed	-	-	-	-	-
Assigned	2,491,694	-	-	-	-
Unassigned	-	-	-	-	-
 Total fund balances	 <u>2,491,694</u>	 <u>302,784</u>	 <u>93,449</u>	 <u>149,875</u>	 <u>7,717,369</u>
 Total liabilities and fund balances	 <u>\$ 2,491,694</u>	 <u>\$ 302,784</u>	 <u>\$ 93,449</u>	 <u>\$ 149,875</u>	 <u>\$ 7,717,369</u>

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2019**

<u>Assets</u>	Special Revenue				
	GHG Reduction Projects Special Revenue Fund	ExxonMobil Settlement Projects Special Revenue Fund	LADWP Variance Special Revenue Fund	Air Filtration Fund	SoCal Gas Settlement Special Revenue Fund
Cash and cash equivalents	\$ 10,280,985	\$ 2,557,773	\$ 1,557,057	\$ 1,767,575	\$ 1,212,057
Investments	-	-	-	-	-
Interest receivable	53,738	13,766	8,304	12,133	6,464
Due from other governmental agencies	4,131,386	-	-	-	-
Due from other funds	-	-	-	-	-
Accounts receivable, net	-	-	-	-	-
Total assets	\$ 14,466,109	\$ 2,571,539	\$ 1,565,361	\$ 1,779,708	\$ 1,218,521
 <u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 1,830,284	\$ -	\$ -	\$ -	-
Due to other funds	4,609,944	-	-	63,456	-
Unearned revenue	-	-	-	-	-
Total liabilities	6,440,228	-	-	63,456	-
 Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	8,025,881	-	-	-	-
Committed	-	2,442,050	-	1,450,331	175,000
Assigned	-	129,489	1,565,361	265,921	1,043,521
Unassigned	-	-	-	-	-
Total fund balances	8,025,881	2,571,539	1,565,361	1,716,252	1,218,521
Total liabilities and fund balances	\$ 14,466,109	\$ 2,571,539	\$ 1,565,361	\$ 1,779,708	\$ 1,218,521

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See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2019**

<u>Assets</u>	<u>Special Revenue</u>		<u>Capital Project</u>		<u>Total</u>
	Rule 1180 Special Revenue Fund	Infrastructure Improvement Fund	Debt Service Fund	SCAQMD Building Corporation	
Cash and cash equivalents	\$ 6,933,132	\$ 3,739,294	\$ 1,149,919	\$ 190,001	\$ 334,185,224
Investments	-	-	-	-	25,212,879
Interest receivable	35,275	20,005	6,140	-	1,791,498
Due from other governmental agencies	-	-	-	-	15,530,614
Due from other funds	-	-	-	-	6,683,723
Accounts receivable, net	-	-	-	-	3,988,068
Total assets	\$ 6,968,407	\$ 3,759,299	\$ 1,156,059	\$ 190,001	\$ 387,392,006
 <u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 4,360	\$ 15,624,110
Due to other funds	-	-	-	-	17,646,794
Unearned revenue	-	-	-	-	5,832
Total liabilities	-	-	-	4,360	33,276,736
 Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	1,716,312	-	1,156,059	-	101,002,030
Committed	-	2,293,645	-	-	67,570,416
Assigned	5,252,095	1,465,654	-	185,641	185,542,824
Unassigned	-	-	-	-	-
Total fund balances	6,968,407	3,759,299	1,156,059	185,641	354,115,270
Total liabilities and fund balances	\$ 6,968,407	\$ 3,759,299	\$ 1,156,059	\$ 190,001	\$ 387,392,006

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019**

	Special Revenue				
	Air Toxics Fund	Advanced Technology Outreach & Education Fund	Air Quality Assistance Fund	Air Quality Improvement Fund	Air Quality Investment Fund
Revenues:					
Emission fees	\$ -	\$ -	\$ -	\$ -	\$ -
Mobile sources/clean fuels	-	-	-	-	-
Air Toxics "Hot Spots"	364	-	-	-	-
Federal grant	-	356,526	-	-	-
State grant	-	-	-	-	-
Interest revenue	70,829	24,669	34,631	55,723	1,442,944
Penalties and settlements	-	-	-	-	-
Other revenues	-	-	-	-	23,862,982
Total revenues	71,193	381,195	34,631	55,723	25,305,926
Expenditures:					
Salaries and employee benefits	-	-	-	-	-
Insurance	-	-	-	-	-
Rent	-	-	-	-	-
Supplies	-	-	-	-	-
Contract and special services	19,688	356,526	-	-	415,144
Maintenance	-	-	-	-	-
Travel and auto	-	-	-	-	-
Utilities	-	-	-	-	-
Communications	-	-	-	-	-
Uncollectible accounts	8,227	-	-	-	-
Other expenditures	5,019	-	-	-	-
Capital outlay	-	-	-	-	-
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	32,934	356,526	-	-	415,144
Excess (deficiency) of revenues over (under) expenditures before transfers	38,259	24,669	34,631	55,723	24,890,782
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	(918,743)	-	-	-	(490,373)
Total other financing sources (uses)	(918,743)	-	-	-	(490,373)
Net change in fund balances	(880,484)	24,669	34,631	55,723	24,400,409
Fund balances, July 1, 2018	3,208,769	662,246	1,612,311	15,296	57,990,567
Fund balances, June 30, 2019	\$ 2,328,285	\$ 686,915	\$ 1,646,942	\$ 71,019	\$ 82,390,976

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See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019**

	Special Revenue				
	Clean Fuels Program Fund	Carl Moyer Program Fund	Lower-Emission School Bus Fund	Zero Emission Vehicle Incentive Fund	AES Settlement Projects Fund
	Fund	Fund	Fund	Fund	Fund
Revenues:					
Emission fees	\$ -	\$ -	\$ -	\$ -	\$ -
Mobile sources/clean fuels	9,815,914	-	-	-	-
Air Toxics "Hot Spots"	-	-	-	-	-
Federal grant	2,696,444	-	52,000	-	-
State grant	3,177,612	33,513,072	-	-	-
Interest revenue	1,078,145	1,151,372	181,194	13,971	18,286
Penalties and settlements	-	-	-	-	-
Other revenues	414,107	-	-	-	-
Total revenues	17,182,222	34,664,444	233,194	13,971	18,286
Expenditures:					
Salaries and employee benefits	-	-	-	-	-
Insurance	-	-	-	-	-
Rent	-	-	-	-	-
Supplies	-	-	-	-	-
Contract and special services	9,523,583	15,345,599	180,040	-	10,000
Maintenance	-	-	-	-	-
Travel and auto	-	-	-	-	-
Utilities	-	-	-	-	-
Communications	-	-	-	-	-
Uncollectible accounts	-	-	-	-	-
Other expenditures	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	9,523,583	15,345,599	180,040	-	10,000
Excess (deficiency) of revenues over (under) expenditures before transfers	7,658,639	19,318,845	53,154	13,971	8,286
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	(13,222,732)	-	-	-	-
Total other financing sources (uses)	(13,222,732)	-	-	-	-
Net change in fund balances	(5,564,093)	19,318,845	53,154	13,971	8,286
Fund balances, July 1, 2018	65,352,322	43,062,157	8,825,031	680,230	887,193
Fund balances, June 30, 2019	\$ 59,788,229	\$ 62,381,002	\$ 8,878,185	\$ 694,201	\$ 895,479

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 NON-MAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2019**

	Special Revenue				
	Rule 1309.1 Priority Reserve Fund	CARB ERC Bank Fund	LADWP Settlement Fund	State-Emissions Mitigation Fund	Natural Gas Vehicle Partner Fund
Revenues:					
Emission fees	\$ -	\$ -	\$ -	\$ -	\$ -
Mobile sources/clean fuels	-	-	-	-	-
Air Toxics "Hot Spots"	-	-	-	-	-
Federal grant	-	-	-	-	-
State grant	-	-	-	-	-
Interest revenue	118,098	12,446	8,294	7,783	8,666
Penalties and settlements	-	-	-	-	-
Other revenues	-	-	-	-	57,500
Total revenues	118,098	12,446	8,294	7,783	66,166
Expenditures:					
Salaries and employee benefits	-	-	-	-	-
Insurance	-	-	-	-	-
Rent	-	-	-	-	-
Supplies	-	-	-	-	-
Contract and special services	871,717	-	-	-	76,500
Maintenance	-	-	-	-	-
Travel and auto	-	-	-	-	-
Utilities	-	-	-	-	-
Communications	-	-	-	-	-
Uncollectible accounts	-	-	-	-	-
Other expenditures	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	871,717	-	-	-	76,500
Excess (deficiency) of revenues over (under) expenditures before transfers	(753,619)	12,446	8,294	7,783	(10,334)
Other financing sources (uses)					
Transfers in	-	-	-	-	25,000
Transfers out	-	-	-	(4,440,000)	-
Total other financing sources (uses)	-	-	-	(4,440,000)	25,000
Net change in fund balances	(753,619)	12,446	8,294	(4,432,217)	14,666
Fund balances, July 1, 2018	5,972,261	605,979	403,821	4,539,196	446,937
Fund balances, June 30, 2019	<u>\$ 5,218,642</u>	<u>\$ 618,425</u>	<u>\$ 412,115</u>	<u>\$ 106,979</u>	<u>\$ 461,603</u>

Continued

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019**

	Special Revenue				
	State BUG Program Fund	Dry Cleaners Financial Incentives Grant Program Fund	Rule 1173 Mitigation Fee Fund	CBE/OCE Settlement Agreement Fund	BP ARCO Settlements Project Fund
Revenues:					
Emission fees	\$ -	\$ -	\$ -	\$ -	\$ -
Mobile sources/clean fuels	-	-	-	-	-
Air Toxics "Hot Spots"	-	-	-	-	-
Federal grant	-	-	-	-	-
State grant	-	-	-	-	-
Interest revenue	7,403	9,805	57,728	-	234,799
Penalties and settlements	-	-	-	-	-
Other revenues	-	-	-	-	17,700
Total revenues	7,403	9,805	57,728	-	252,499
Expenditures:					
Salaries and employee benefits	-	-	-	-	-
Insurance	-	-	-	-	-
Rent	-	-	-	-	-
Supplies	-	-	-	-	-
Contract and special services	-	10,000	-	-	734,642
Maintenance	-	-	-	-	-
Travel and auto	-	-	-	-	-
Utilities	-	-	-	-	-
Communications	-	-	-	-	-
Uncollectible accounts	-	-	-	-	-
Other expenditures	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	-	10,000	-	-	734,642
Excess (deficiency) of revenues over (under) expenditures before transfers	7,403	(195)	57,728	-	(482,143)
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	(20,734)	-	-	-	(351,979)
Total other financing sources (uses)	(20,734)	-	-	-	(351,979)
Net change in fund balances	(13,331)	(195)	57,728	-	(834,122)
Fund balances, July 1, 2018	360,442	476,587	2,810,751	223,320	11,851,561
Fund balances, June 30, 2019	\$ 347,111	\$ 476,392	\$ 2,868,479	\$ 223,320	\$ 11,017,439

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019**

	Special Revenue				
	Health Effects Research Fund	CEQA Green House Gas Mitigation Fund	TraPac School Air Filtration Fund	Emission Reduction and Outreach Fund	Rule 1118 Mitigation Fund
Revenues:					
Emission fees	\$ -	\$ -	\$ -	\$ -	\$ -
Mobile sources/clean fuels	-	-	-	-	-
Air Toxics "Hot Spots"	-	-	-	-	-
Federal grant	-	-	-	-	-
State grant	-	-	-	-	-
Interest revenue	39,581	2,613	27,973	15	438,723
Penalties and settlements	-	-	-	-	-
Other revenues	-	-	-	-	2,579,370
Total revenues	39,581	2,613	27,973	15	3,018,093
Expenditures:					
Salaries and employee benefits	-	-	-	-	-
Insurance	-	-	-	-	-
Rent	-	-	-	-	-
Supplies	-	-	-	-	-
Contract and special services	-	-	-	-	-
Maintenance	-	-	-	-	-
Travel and auto	-	-	-	-	-
Utilities	-	-	-	-	-
Communications	-	-	-	-	-
Uncollectible accounts	-	-	-	-	-
Other expenditures	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures before transfers	39,581	2,613	27,973	15	3,018,093
Other financing sources (uses)					
Transfers in	2,904,582	-	-	-	-
Transfers out	-	-	-	-	(1,559,790)
Total other financing sources (uses)	2,904,582	-	-	-	(1,559,790)
Net change in fund balances	2,944,163	2,613	27,973	15	1,458,303
Fund balances, July 1, 2018	921,755	127,205	1,361,926	922	21,125,929
Fund balances, June 30, 2019	<u>\$ 3,865,918</u>	<u>\$ 129,818</u>	<u>\$ 1,389,899</u>	<u>\$ 937</u>	<u>\$ 22,584,232</u>

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See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019**

	Special Revenue				
	HEROS II Fund	El Monte Park Project Settlement Fund	AB 1318 Mitigation Fees Fund	Voucher Incentive Program (VIP) Fund	Advanced Technology Goods Movement Fund
Revenues:					
Emission fees	\$ -	\$ -	\$ -	\$ -	\$ -
Mobile sources/clean fuels	-	-	-	-	-
Air Toxics "Hot Spots"	-	-	-	-	-
Federal grant	-	-	-	-	919,767
State grant	12,250,000	-	-	-	1,435,594
Interest revenue	145,553	18,491	490,442	44,790	373,054
Penalties and settlements	-	-	-	-	-
Other revenues	218,875	-	71,064	-	2,283,495
Total revenues	12,614,428	18,491	561,506	44,790	5,011,910
Expenditures:					
Salaries and employee benefits	-	-	-	-	-
Insurance	-	-	-	-	-
Rent	-	-	-	-	-
Supplies	-	-	-	-	-
Contract and special services	15,730,990	8,237	1,035,379	2,765,000	1,661,713
Maintenance	-	-	-	-	-
Travel and auto	-	-	-	-	-
Utilities	-	-	-	-	-
Communications	-	-	-	-	-
Uncollectible accounts	-	-	-	-	-
Other expenditures	6	-	-	-	-
Capital outlay	-	-	-	-	-
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	15,730,996	8,237	1,035,379	2,765,000	1,661,713
Excess (deficiency) of revenues over (under) expenditures before transfers	(3,116,568)	10,254	(473,873)	(2,720,210)	3,350,197
Other financing sources (uses)					
Transfers in	-	-	-	5,000,000	13,170,072
Transfers out	(1,097,940)	-	(37,966)	(26,472)	-
Total other financing sources (uses)	(1,097,940)	-	(37,966)	4,973,528	13,170,072
Net change in fund balances	(4,214,508)	10,254	(511,839)	2,253,318	16,520,269
Fund balances, July 1, 2018	7,501,921	899,880	19,237,374	1,744,259	3,305,549
Fund balances, June 30, 2019	\$ 3,287,413	\$ 910,134	\$ 18,725,535	\$ 3,997,577	\$ 19,825,818

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019**

	Special Revenue				
	Rule 1470 Risk Reduction Fund	Hydrogen Fueling Infrastructure Fund	Rule 1420.1 Special Revenue Fund	BP/SCAQMD Public Benefits Oversight Fund	Rule 1304.1 Special Revenue Fund
Revenues:					
Emission fees	\$ -	\$ -	\$ -	\$ -	\$ -
Mobile sources/clean fuels	-	-	-	-	-
Air Toxics "Hot Spots"	-	-	-	-	-
Federal grant	-	-	-	-	-
State grant	-	-	-	-	-
Interest revenue	50,947	67,703	1,881	3,014	155,318
Penalties and settlements	-	-	-	-	-
Other revenues	-	-	-	-	-
Total revenues	50,947	67,703	1,881	3,014	155,318
Expenditures:					
Salaries and employee benefits	-	-	-	-	-
Insurance	-	-	-	-	-
Rent	-	-	-	-	-
Supplies	-	-	-	-	-
Contract and special services	54,701	2,669,000	-	-	-
Maintenance	-	-	-	-	-
Travel and auto	-	-	-	-	-
Utilities	-	-	-	-	-
Communications	-	-	-	-	-
Uncollectible accounts	-	-	-	-	-
Other expenditures	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	54,701	2,669,000	-	-	-
Excess (deficiency) of revenues over (under) expenditures before transfers	(3,754)	(2,601,297)	1,881	3,014	155,318
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balances	(3,754)	(2,601,297)	1,881	3,014	155,318
Fund balances, July 1, 2018	2,495,448	2,904,081	91,568	146,861	7,562,051
Fund balances, June 30, 2019	\$ 2,491,694	\$ 302,784	\$ 93,449	\$ 149,875	\$ 7,717,369

Continued

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019**

	Special Revenue				
	GHG Reduction Projects Special Revenue Fund	ExxonMobil Settlement Projects Special Revenue Fund	LADWP Variance Special Revenue Fund	Air Filtration Fund	SoCal Gas Settlement Special Revenue Fund
Revenues:					
Emission fees	\$ -	\$ -	\$ -	\$ -	\$ -
Mobile sources/clean fuels	-	-	-	-	-
Air Toxics "Hot Spots"	-	-	-	-	-
Federal grant	-	-	-	-	-
State grant	6,125,505	-	-	-	-
Interest revenue	165,586	55,711	31,503	46,749	24,524
Penalties and settlements	-	-	-	1,070,477	-
Other revenues	1,250,000	-	-	-	-
Total revenues	7,541,091	55,711	31,503	1,117,226	24,524
Expenditures:					
Salaries and employee benefits	-	-	-	-	-
Insurance	-	-	-	-	-
Rent	-	-	-	-	-
Supplies	-	-	-	-	-
Contract and special services	5,012,918	328,950	-	984,588	-
Maintenance	-	-	-	-	-
Travel and auto	-	-	-	-	-
Utilities	-	-	-	-	-
Communications	-	-	-	-	-
Uncollectible accounts	-	-	-	-	-
Other expenditures	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	5,012,918	328,950	-	984,588	-
Excess (deficiency) of revenues over (under) expenditures before transfers	2,528,173	(273,239)	31,503	132,638	24,524
Other financing sources (uses)					
Transfers in	4,000,000	-	-	-	-
Transfers out	(209,944)	-	-	(25,956)	-
Total other financing sources (uses)	3,790,056	-	-	(25,956)	-
Net change in fund balances	6,318,229	(273,239)	31,503	106,682	24,524
Fund balances, July 1, 2018	1,671,772	2,844,778	1,533,858	1,609,570	1,193,997
Fund balances, June 30, 2019	<u>\$ 7,990,001</u>	<u>\$ 2,571,539</u>	<u>\$ 1,565,361</u>	<u>\$ 1,716,252</u>	<u>\$ 1,218,521</u>

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019**

	<u>Special Revenue</u>	<u>Capital Project</u>			
SoCal Gas Settlement Special Revenue Fund	Rule 1180 Special Revenue Fund	Infrastructure Improvement Fund	Debt Service Fund	SCAQMD Building Corporation	<u>Total</u>
Revenues:					
- Emission fees	\$ -	\$ -	\$ -	\$ -	-
- Mobile sources/clean fuels	-	-	-	-	9,815,914
- Air Toxics "Hot Spots"	-	-	-	-	364
- Federal grant	-	-	-	-	4,024,737
- State grant	-	-	-	-	56,501,783
24,524 Interest revenue	83,766	76,191	24,176	3,112	6,908,202
- Penalties and settlements	-	-	-	-	1,070,477
- Other revenues	<u>5,434,985</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,190,078</u>
24,524 Total revenues	<u>5,518,751</u>	<u>76,191</u>	<u>24,176</u>	<u>3,112</u>	<u>114,511,555</u>
Expenditures:					
- Salaries and employee benefits	-	-	-	-	-
- Insurance	-	-	-	-	-
- Rent	-	-	-	-	-
- Supplies	-	-	-	-	-
- Contract and special services	-	31,650	-	-	57,826,565
- Maintenance	-	-	-	-	-
- Travel and auto	-	-	-	-	-
- Utilities	-	-	-	-	-
- Communications	-	-	-	-	-
- Uncollectible accounts	-	-	-	-	8,227
- Other expenditures	-	-	-	4,360	9,385
- Capital outlay	-	-	-	-	-
Debt Service					
- Principal	-	-	1,000,000	-	1,000,000
- Interest	-	-	-	-	-
- Total expenditures	<u>-</u>	<u>31,650</u>	<u>1,000,000</u>	<u>4,360</u>	<u>58,844,177</u>
Excess (deficiency) of revenues over (under) expenditures before transfers					
24,524	<u>5,518,751</u>	<u>44,541</u>	<u>(975,824)</u>	<u>(1,248)</u>	<u>55,667,378</u>
Other financing sources (uses)					
- Transfers in	-	-	-	-	25,099,654
- Transfers out	<u>(266,656)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(22,669,285)</u>
- Total other financing sources (uses)	<u>(266,656)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,430,369</u>
24,524 Net change in fund balances	<u>5,252,095</u>	<u>44,541</u>	<u>(975,824)</u>	<u>(1,248)</u>	<u>58,097,747</u>
1,193,997 Fund balances, July 1, 2018	<u>1,716,312</u>	<u>3,714,758</u>	<u>2,131,883</u>	<u>186,889</u>	<u>296,017,523</u>
1,218,521 Fund balances, June 30, 2019	<u>\$ 6,968,407</u>	<u>\$ 3,759,299</u>	<u>\$ 1,156,059</u>	<u>\$ 185,641</u>	<u>\$ 354,115,270</u>

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended June 30, 2019**

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2019</u>
<u>Accounting agency fund</u>				
<u>Assets</u>				
Cash and cash equivalents	\$ 138,352	\$ 673,481	\$ 705,643	\$ 106,190
Total assets	<u>\$ 138,352</u>	<u>\$ 673,481</u>	<u>\$ 705,643</u>	<u>\$ 106,190</u>
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 138,352	\$ 673,481	\$ 705,643	\$ 106,190
Total liabilities	<u>\$ 138,352</u>	<u>\$ 673,481</u>	<u>\$ 705,643</u>	<u>\$ 106,190</u>
 <u>457 Plan Admin Revenue Sharing Fund</u>				
<u>Assets</u>				
Cash and cash equivalents	\$ 15,071	\$ 29,185	\$ 37,500	\$ 6,756
Interest receivable	221	75	221	75
Total assets	<u>\$ 15,292</u>	<u>\$ 29,260</u>	<u>\$ 37,721</u>	<u>\$ 6,831</u>
<u>Liabilities</u>				
Accounts payable and accrued liabilities	15,292	\$ 29,039	\$ 37,500	\$ 6,831
Total liabilities	<u>\$ 15,292</u>	<u>\$ 29,039</u>	<u>\$ 37,500</u>	<u>\$ 6,831</u>
 <u>Total all agency funds</u>				
<u>Assets</u>				
Cash and cash equivalents	\$ 153,423	\$ 702,666	\$ 743,143	\$ 112,946
Interest receivable	221	75	221	75
Total assets	<u>\$ 153,644</u>	<u>\$ 702,741</u>	<u>\$ 743,364</u>	<u>\$ 113,021</u>
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 153,644	\$ 702,520	\$ 743,143	\$ 113,021
Total liabilities	<u>\$ 153,644</u>	<u>\$ 702,520</u>	<u>\$ 743,143</u>	<u>\$ 113,021</u>

See independent auditor's report.

STATISTICAL SECTION

This part of South Coast AQMD's comprehensive annual financial report represents detailed information as a context for understanding what the information in the financial statements, note disclosure, and required supplementary information says about South Coast AQMD's overall financial health.

Contents

Financial Trends

Four schedules contain information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader understand the concentration of South Coast AQMD's largest emission-based fee payers.

Debt Capacity

This schedule presents information to help the reader assess the affordability of South Coast AQMD's current levels of outstanding debt. Please see footnote under Schedule 7.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which South Coast AQMD's financial activities take place.

Operating Information

These schedules contain data to help the reader understand how the information in South Coast AQMD's financial report relates to the services South Coast AQMD provides and the activities it performs.

Source: Unless otherwise noted, the information in these schedules was derived from South Coast AQMD's comprehensive annual financial reports for the relevant year.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
Schedule 1
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental Activities:										
Net investment in capital assets	\$ 19,695,092	\$ 22,777,709	\$ 25,696,728	\$ 39,667,137	\$ 38,509,847	\$ 36,957,165	\$ 36,178,389	\$ 36,127,300	\$ 35,756,464	\$ 35,501,602
Restricted for pension assets	-	-	1,361,315	3,031,890	4,437,818	-	-	-	-	-
Restricted for debt service	-	-	-	-	-	-	-	-	-	-
Restricted for long-term emission-reduction projects	411,358,339	465,789,699	527,549,463	530,540,932	536,617,440	468,946,402	498,119,549	607,438,908	676,857,257	785,722,419
Unrestricted	50,318,195	34,536,706	29,529,812	21,554,913	29,264,960	(157,555,673)	(152,854,184)	(141,541,447)	(129,700,877)	(128,938,591)
Total governmental activities net position	<u>\$ 481,371,626</u>	<u>\$ 523,104,114</u>	<u>\$ 584,137,318</u>	<u>\$ 594,794,872</u>	<u>\$ 608,830,065</u>	<u>\$ 348,347,894</u>	<u>\$ 381,443,754</u>	<u>\$ 502,024,761</u>	<u>\$ 582,912,844</u>	<u>\$ 692,285,430</u>
Business-type Activities:										
Net investment in capital assets	\$ 4,052	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	242,921	370,087	525,078	746,994	875,849	1,123,954	1,235,284	1,253,178	-	-
Total business-type activities net position	<u>\$ 246,973</u>	<u>\$ 370,087</u>	<u>\$ 525,078</u>	<u>\$ 746,994</u>	<u>\$ 875,849</u>	<u>\$ 1,123,954</u>	<u>\$ 1,235,284</u>	<u>\$ 1,253,178</u>	<u>\$ -</u>	<u>\$ -</u>
Primary Government:										
Net investment in capital assets	\$ 19,699,144	\$ 22,777,709	\$ 25,696,728	\$ 39,667,137	\$ 38,509,847	\$ 36,957,165	\$ 36,178,389	\$ 36,127,300	\$ 35,756,464	\$ 35,501,602
Restricted for pension asset	-	-	1,361,315	3,031,890	4,437,818	-	-	-	-	-
Restricted for debt service	-	-	-	-	-	-	-	-	-	-
Restricted for long-term emission-reduction projects	411,358,339	465,789,699	527,549,463	530,540,932	536,617,440	468,946,402	498,119,549	607,438,908	676,857,257	785,722,419
Unrestricted	50,561,116	34,906,793	30,054,890	22,301,907	30,140,809	(156,431,719)	(151,618,900)	(140,288,269)	(129,700,877)	(128,938,591)
Total primary government net position	<u>\$ 481,618,599</u>	<u>\$ 523,474,201</u>	<u>\$ 584,662,396</u>	<u>\$ 595,541,866</u>	<u>\$ 609,705,914</u>	<u>\$ 349,471,848</u>	<u>\$ 382,679,038</u>	<u>\$ 503,277,939</u>	<u>\$ 582,912,844</u>	<u>\$ 692,285,430</u>

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
Schedule 2
Changes in Net Position – Last Ten Fiscal Years
(accrual basis of accounting)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental Activities:										
Advance clean air technology	\$ 6,512,144	\$ 6,398,859	\$ 6,672,977	\$ 6,857,959	\$ 6,212,087	\$ 5,539,607	\$ 7,119,417	\$ 7,825,599	\$ 9,271,026	\$ 11,520,547
Ensure compliance with clean air rules	46,154,574	46,877,017	47,026,449	47,417,956	48,813,991	43,252,162	45,622,680	49,316,129	50,528,522	52,353,479
Customer service and business assistance	7,682,897	7,578,813	7,729,015	8,169,587	8,332,770	6,124,811	8,337,319	9,260,504	9,743,294	11,637,664
Develop programs to achieve clean air	10,861,040	11,780,948	12,130,832	12,317,470	11,147,303	9,727,624	10,444,147	11,335,498	8,636,784	9,407,869
Develop rules to achieve clean air	8,436,415	8,826,846	7,286,149	7,269,414	7,514,210	7,161,179	7,566,089	7,604,041	10,013,098	14,275,590
Monitoring air quality	14,239,509	15,093,093	15,930,225	14,265,601	14,969,083	13,197,801	16,028,394	17,856,869	20,822,380	26,547,245
Timely review of permits	28,530,507	28,045,891	27,241,449	28,621,527	27,821,032	24,431,059	27,891,070	31,520,083	33,301,565	33,951,378
Policy support	1,760,038	1,792,208	1,483,613	1,306,054	1,204,588	331,652	511,705	885,773	667,046	1,028,495
Interest on long-term debt	3,871,465	3,277,933	4,691,658	4,605,963	4,102,888	4,031,178	3,884,990	3,906,955	3,731,589	3,605,251
Long-term emission reduction projects	150,362,508	161,904,680	137,800,260	155,998,253	154,939,035	210,229,182	87,079,799	101,008,426	101,304,229	163,187,839
Total government'l activities expenses	<u>\$ 278,411,097</u>	<u>\$ 291,576,288</u>	<u>\$ 267,992,627</u>	<u>\$ 286,829,784</u>	<u>\$ 285,056,987</u>	<u>\$ 324,026,255</u>	<u>\$ 214,485,609</u>	<u>\$ 240,519,877</u>	<u>\$ 248,019,533</u>	<u>\$ 327,515,357</u>
Business-type Activities:										
CNG fueling station	\$ 165,557	\$ 150,418	\$ 135,805	\$ 189,518	\$ 264,221	\$ 168,769	\$ 117,675	\$ 128	\$ 31	\$ -
Total business-type activities expenses	<u>165,557</u>	<u>150,418</u>	<u>135,805</u>	<u>189,518</u>	<u>264,221</u>	<u>168,769</u>	<u>117,675</u>	<u>128</u>	<u>31</u>	<u>-</u>
Total primary government expenses	<u>\$ 278,576,654</u>	<u>\$ 291,726,706</u>	<u>\$ 268,128,432</u>	<u>\$ 287,019,302</u>	<u>\$ 285,321,208</u>	<u>\$ 324,195,024</u>	<u>\$ 214,603,284</u>	<u>\$ 240,520,005</u>	<u>\$ 248,019,564</u>	<u>\$ 327,515,357</u>
Program Revenues										
Governmental Activities:										
Fees and Charges										
Stationary sources	\$ 81,097,647	\$ 81,291,028	\$ 82,624,489	\$ 85,439,616	\$ 87,160,484	\$ 88,120,829	\$ 89,264,511	\$ 94,279,518	\$ 100,354,910	\$ 101,804,325
Mobile sources	23,728,238	22,512,790	23,384,894	23,535,070	24,307,527	24,526,008	25,743,988	28,087,131	26,026,673	26,106,160
Operating grants and subventions	<u>252,182,003</u>	<u>216,422,579</u>	<u>213,332,401</u>	<u>173,309,732</u>	<u>164,053,936</u>	<u>149,766,034</u>	<u>122,424,397</u>	<u>222,070,040</u>	<u>185,367,622</u>	<u>295,516,665</u>
Total governmental activities prog. revenues	<u>\$ 357,007,888</u>	<u>\$ 320,226,397</u>	<u>\$ 319,341,784</u>	<u>\$ 282,284,418</u>	<u>\$ 275,521,947</u>	<u>\$ 262,412,871</u>	<u>\$ 237,432,896</u>	<u>\$ 344,436,689</u>	<u>\$ 311,749,205</u>	<u>\$ 423,427,150</u>

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

Schedule 2

**Changes in Net Position – Last Ten Fiscal Years
(accrual basis of accounting) (continued)**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Business-type Activities:										
CNG fueling station	\$ 169,917	\$ 169,510	\$ 273,531	\$ 290,796	\$ 411,434	\$ 393,076	\$ 416,874	\$ 229,005	\$ 18,022	\$ -
Total business-type activities prog. revenues	<u>169,917</u>	<u>169,510</u>	<u>273,531</u>	<u>290,796</u>	<u>411,434</u>	<u>393,076</u>	<u>416,874</u>	<u>229,005</u>	<u>18,022</u>	<u>-</u>
Total primary government prog. revenues	<u>\$ 258,969,894</u>	<u>\$ 357,177,398</u>	<u>\$ 320,499,928</u>	<u>\$ 319,632,580</u>	<u>\$ 282,695,852</u>	<u>\$ 275,915,023</u>	<u>\$ 262,829,745</u>	<u>\$ 237,661,901</u>	<u>\$ 344,454,711</u>	<u>\$ 311,749,205</u>
Net (Expense) Revenue										
Governmental activities	\$ 28,115,112	\$ 78,596,791	\$ 28,650,109	\$ 51,349,157	\$ (4,545,366)	\$ (9,535,040)	\$ (61,613,384)	\$ 22,947,287	\$ 103,916,812	\$ 63,729,672
Business-type activities	<u>(40,203)</u>	<u>3,953</u>	<u>123,113</u>	<u>154,991</u>	<u>221,916</u>	<u>128,855</u>	<u>248,105</u>	<u>111,330</u>	<u>17,894</u>	<u>(31)</u>
Total primary govnt net (expenses) revenue	<u>\$ 28,074,909</u>	<u>\$ 78,600,744</u>	<u>\$ 28,773,222</u>	<u>\$ 51,504,148</u>	<u>\$ (4,323,450)</u>	<u>\$ (9,406,185)</u>	<u>\$ (61,365,279)</u>	<u>\$ 23,058,617</u>	<u>\$ 103,934,706</u>	<u>\$ 63,729,641</u>
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Grants and subventions not restricted										
to specific stationary source programs	\$ 2,934,513	\$ 2,926,440	\$ 2,918,779	\$ 2,890,117	\$ 2,889,099	\$ 2,889,884	\$ 2,887,831	\$ 2,885,047	\$ 2,885,535	\$ 2,879,520
Interest	1,962,431	976,434	832,444	529,031	343,206	461,444	339,005	435,773	644,574	1,041,333
Lease revenue	379,440	371,104	-	-	-	-	-	-	-	-
Penalties/settlement	9,469,694	10,346,122	7,348,657	4,906,391	11,562,529	17,959,410	8,733,773	5,704,685	11,511,570	14,316,145
Subscriptions	15,519	10,363	7,760	6,095	1,630	3,498	2,136	2,842	1,097	436
Other	34,828	298,683	1,631,518	1,352,418	406,456	2,255,997	2,080,950	1,120,226	1,621,419	1,153,863
Transfers	-	-	-	-	-	-	-	-	-	1,253,147
Total governmental activities	<u>\$ 14,796,424</u>	<u>\$ 14,929,145</u>	<u>\$ 12,739,158</u>	<u>\$ 9,684,052</u>	<u>\$ 15,202,920</u>	<u>\$ 23,570,233</u>	<u>\$ 14,043,695</u>	<u>\$ 10,148,573</u>	<u>\$ 16,664,195</u>	<u>\$ 20,644,444</u>
Business-type Activities										
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government revenue	<u>\$ 14,796,424</u>	<u>\$ 14,929,145</u>	<u>\$ 12,739,158</u>	<u>\$ 9,684,052</u>	<u>\$ 15,202,920</u>	<u>\$ 23,570,233</u>	<u>\$ 14,043,695</u>	<u>\$ 10,148,573</u>	<u>\$ 16,664,195</u>	<u>\$ 20,644,444</u>
Change in Net Position										
Governmental activities	\$ 42,911,536	\$ 93,525,936	\$ 41,389,267	\$ 61,033,209	\$ 10,657,554	\$ 14,035,193	\$ (47,569,689)	\$ 33,095,860	\$ 120,581,007	\$ 84,374,116
Business-type activities	<u>(40,203)</u>	<u>3,953</u>	<u>123,113</u>	<u>154,991</u>	<u>221,916</u>	<u>128,855</u>	<u>248,105</u>	<u>111,330</u>	<u>17,894</u>	<u>(1,253,178)</u>
Total primary government	<u>\$ 42,871,333</u>	<u>\$ 93,529,889</u>	<u>\$ 41,512,380</u>	<u>\$ 61,188,200</u>	<u>\$ 10,879,470</u>	<u>\$ 14,164,048</u>	<u>\$ (47,321,584)</u>	<u>\$ 33,207,190</u>	<u>\$ 120,598,901</u>	<u>\$ 83,120,938</u>

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
Schedule 3
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2010	2011*	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Reserved	\$ 7,575,462	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	52,814,783	-	-	-	-	-	-	-	-	-
Nonspendable	-	50,315	73,043	71,968	66,703	73,463	65,731	63,688	56,684	64,226
Committed	-	8,928,629	6,594,167	6,552,287	5,845,485	6,533,505	6,917,075	7,382,453	11,237,530	12,295,440
Assigned	-	17,763,384	15,390,753	12,194,651	12,194,650	6,803,899	6,203,899	6,303,899	7,228,892	6,149,673
Unassigned	-	25,858,045	24,689,814	19,774,006	27,672,310	34,353,647	31,006,208	38,741,459	47,532,700	52,514,979
Total general fund	\$ 60,390,245	\$ 52,600,373	\$ 46,747,777	\$ 38,592,912	\$ 45,779,148	\$ 47,764,514	\$ 44,192,913	\$ 52,491,499	\$ 66,055,806	\$ 71,024,318
All Other Governmental Funds										
Reserved for encumbrances	\$ 186,009,142	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reserved for debt service	-	-	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	237,563,798	-	-	-	-	-	-	-	-	-
Restricted	-	26,138,656	191,730,455	331,962,118	335,633,672	283,454,187	311,026,727	412,358,550	464,158,310	533,002,179
Committed	-	174,297,108	127,200,107	29,141,240	65,757,643	59,667,932	63,076,528	54,549,958	51,447,457	79,865,856
Assigned	-	272,132,633	210,588,937	169,437,574	135,253,835	126,111,461	125,654,185	142,085,357	161,309,146	191,692,497
Unassigned	-	(6,778,697)	(1,970,036)	-	(27,710)	(287,178)	(3,518,332)	(1,554,957)	(57,656)	-
Total all other governmental funds	\$ 423,572,940	\$ 465,789,700	\$ 527,549,463	\$ 530,540,932	\$ 536,617,440	\$ 468,946,402	\$ 496,239,108	\$ 607,438,908	\$ 676,857,257	\$ 804,560,532

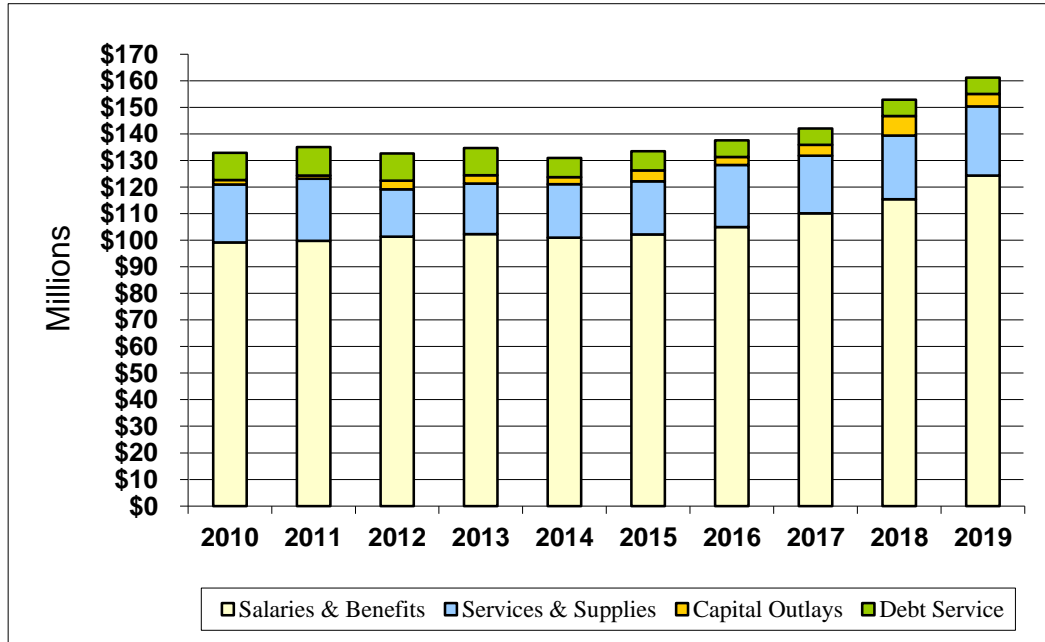
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*Effective fiscal year 2010-11, fund balances are presented to conform with GASB No. 54.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
Schedule 4
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues:										
Emission fees	\$ 19,663,671	\$ 21,371,061	\$ 19,714,882	\$ 20,540,391	\$ 20,472,379	\$ 19,838,979	\$ 18,984,919	\$ 18,964,371	\$ 22,786,661	\$ 19,542,168
Annual renewal fees	41,191,933	41,342,340	42,189,557	43,056,220	44,260,635	45,759,738	47,592,793	48,930,776	52,182,769	57,028,631
Area Sources	1,445,715	2,503,791	2,808,927	2,132,263	2,819,001	2,573,959	2,226,172	2,090,207	2,293,947	2,257,755
Permit processing fees	16,316,076	16,007,058	15,658,916	17,210,640	16,945,777	16,668,485	17,239,759	20,729,207	19,538,295	20,030,307
Mobile sources / Clean fuels	65,843,960	63,704,363	69,689,913	67,441,546	69,688,940	70,953,981	73,011,225	75,104,035	74,450,510	76,071,690
Air Toxics "Hot Spots"	1,977,074	1,824,327	1,833,488	1,917,252	1,954,650	2,039,612	2,373,579	2,645,644	2,538,246	2,184,519
Transportation program	836,557	885,263	848,829	927,824	877,816	845,236	891,991	840,322	845,718	977,223
State subvention	3,986,029	3,978,200	3,949,672	3,948,646	3,949,439	3,947,386	3,944,602	3,945,090	3,939,075	3,924,547
Federal grant	13,620,752	15,543,549	27,508,859	19,468,654	23,713,303	32,939,310	11,521,785	15,399,372	11,887,333	11,588,113
State grant	165,001,635	87,403,616	128,099,308	101,432,241	80,762,239	60,717,715	38,050,172	125,988,646	83,101,876	176,582,411
Interest revenue	6,224,115	6,556,895	4,962,021	3,677,620	3,824,484	3,766,327	4,100,302	6,296,761	10,739,589	18,059,326
Lease revenue	371,104	380,431	281,284	140,739	133,916	141,878	141,195	156,204	147,660	162,879
Source test/analysis fees	486,075	636,822	759,784	790,824	697,133	746,399	683,328	734,258	663,011	574,007
Hearing Board fees	327,344	201,864	221,709	277,544	342,508	531,879	163,960	187,733	351,979	187,308
Penalties and settlements	11,346,122	7,348,657	6,006,391	11,642,529	17,959,410	8,733,773	8,475,935	11,511,570	15,801,455	8,266,671
Subscriptions	10,363	7,760	6,095	1,630	3,498	2,136	2,842	1,997	436	970
Other revenues	23,288,416	63,269,554	4,486,199	2,880,775	10,687,052	6,249,773	18,176,910	27,575,590	29,871,943	39,449,420
Total revenues	\$ 371,936,941	\$ 332,965,551	\$ 329,025,834	\$ 297,487,338	\$ 299,092,180	\$ 276,456,566	\$ 247,581,469	\$ 361,100,883	\$ 331,140,503	\$ 436,887,945
Expenditures:										
Salaries and employee benefits	\$ 99,192,010	\$ 99,773,382	\$ 101,364,885	\$ 102,289,888	\$ 101,023,768	\$ 102,127,845	\$ 104,908,690	\$ 110,040,224	\$ 115,342,430	\$ 124,376,220
Insurance	1,024,939	1,039,020	882,871	1,078,546	1,258,577	1,202,650	1,148,390	1,131,980	1,503,440	1,733,653
Rent	535,733	589,248	532,089	620,723	527,991	556,323	509,395	540,386	550,641	606,592
Supplies	2,997,815	2,600,630	2,371,901	2,894,275	2,647,163	2,588,866	2,519,673	3,035,619	3,375,314	3,779,066
Contract and special services	160,153,501	171,344,881	145,316,505	162,672,155	159,679,349	219,251,382	95,288,291	108,413,444	109,427,946	172,084,692
Maintenance	1,152,411	1,273,060	1,183,238	1,425,557	1,445,271	1,270,417	1,712,754	1,287,341	1,787,868	2,109,924
Travel and auto	694,696	707,050	791,042	753,860	739,784	783,720	703,392	877,137	1,107,393	1,141,882
Utilities	1,483,855	1,495,435	1,342,945	1,405,249	1,637,327	1,809,594	1,717,980	1,411,075	1,520,114	1,427,124
Communications	598,674	598,958	587,930	580,569	629,542	635,977	679,666	577,753	614,018	647,865
Uncollectible accounts	753,072	891,794	953,792	454,094	1,116,103	7,982	444,485	400,929	412,184	479,519
Other expenditures	1,303,225	2,767,725	2,544,090	2,179,367	4,578,992	1,665,715	3,004,689	2,023,075	1,996,218	2,110,673
Capital outlay	2,835,795	2,170,102	2,051,740	3,261,458	3,351,887	3,050,388	4,032,806	4,669,042	4,583,914	4,973,661
Debt service:										
Principal	9,165,000	10,090,000	10,250,000	18,177,007	3,099,025	3,159,384	3,235,598	3,331,010	3,432,798	3,553,110
Interest	4,073,116	3,540,602	2,945,639	4,857,985	4,094,658	4,031,995	3,954,555	3,863,482	3,756,716	3,637,290
Total expenditures	\$ 285,963,843	\$ 298,881,886	\$ 273,118,666	\$ 302,650,733	\$ 285,829,437	\$ 342,142,238	\$ 223,860,364	\$ 241,602,497	\$ 249,410,994	\$ 322,661,271
Excess (deficiency) of revenues over (under) expenditures	85,973,097	34,083,665	55,907,168	(5,163,395)	13,262,743	(65,685,672)	23,721,105	119,498,386	81,729,509	114,226,674
Other financing sources (uses):										
Transfer in	4,362,357	17,056,936	8,670,107	38,364,134	19,653,981	9,768,512	10,777,488	8,540,141	10,713,791	31,523,520
Transfer out	(4,362,357)	(17,056,936)	(8,670,107)	(38,364,134)	(19,653,981)	(9,768,512)	(10,777,488)	(8,540,141)	(9,460,644)	(31,523,520)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	1,253,147	\$ -
Net change in fund balances	\$ 85,973,097	\$ 34,083,665	\$ 55,907,168	\$ (5,163,395)	\$ 13,262,743	\$ (65,685,672)	\$ 23,721,105	\$ 119,498,386	\$ 82,982,656	\$ 114,226,674
Debt service as a percentage of noncapital expenditures	4.7%	4.6%	4.9%	7.7%	2.5%	2.1%	3.3%	3.0%	2.9%	2.3%

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
 Schedule 5
 Expenditures by Major Object
 General Fund (Budgetary Basis)
 Last Ten Fiscal Years



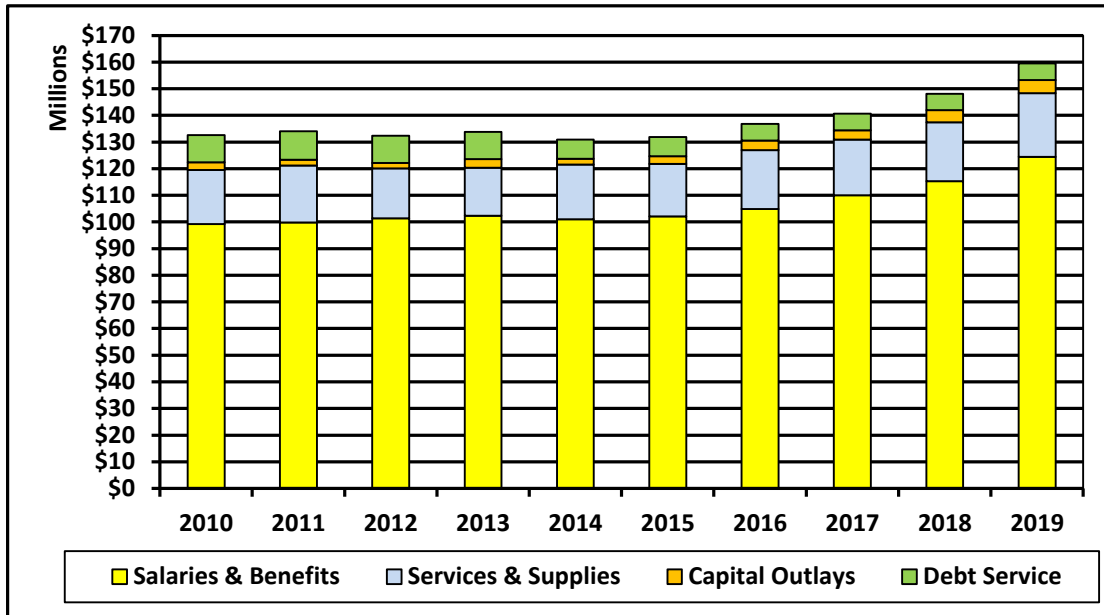
Year	Salaries & Benefits	Services & Supplies	Capital Outlays	Debt Service	Total Expenditures
2010	99,192,009	21,806,505	1,592,415	10,238,116	132,829,044
2011	99,773,382	23,397,710	1,198,178	10,630,602	134,999,872
2012	101,364,885	17,799,716	3,261,876	10,195,639	132,622,116
2013	102,289,888	19,052,813	3,053,754	10,219,978	134,616,433
2014	101,023,768	19,989,096	2,695,286	7,193,683	130,901,833
2015	102,127,842	20,074,713	4,031,026	7,191,379	133,424,960
2016	104,908,689	23,338,580	3,074,374	6,190,153	137,511,796
2017	110,077,989	21,757,613	4,037,890	6,194,492	142,067,984
2018	115,425,019	23,951,490	7,301,002	6,189,514	152,867,025
2019	124,376,218	25,949,611	4,669,722	6,190,400	161,185,951

See Notes Associated with Financial Charts page 116

Source:

South Coast Air Quality Management District Audited Financial Statements

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
 Schedule 6
 Expenditures by Major Object
 General Fund (GAAP Basis)
 Last Ten Fiscal Years



Year	Salaries & Benefits	Services & Supplies	Capital Outlays	Debt Service	Total Expenditures
2010	99,192,009	20,335,515	2,835,795	10,238,116	132,601,435
2011	99,773,382	21,403,118	2,170,102	10,630,602	133,977,204
2012	101,364,885	18,706,143	2,051,740	10,195,639	132,318,407
2013	102,289,888	18,066,145	3,261,458	10,219,978	133,837,469
2014	101,023,768	20,469,780	2,203,171	7,193,683	130,890,402
2015	102,127,845	19,683,561	2,910,271	7,191,379	131,913,056
2016	104,908,690	22,007,495	3,674,227	6,190,153	136,780,565
2017	110,040,224	20,903,669	3,455,686	6,194,492	140,594,071
2018	115,342,430	21,995,126	4,579,695	6,189,514	148,106,765
2019	124,376,220	23,933,151	4,973,661	6,190,400	159,473,432

See Notes Associated with Financial Charts page 116

Source:

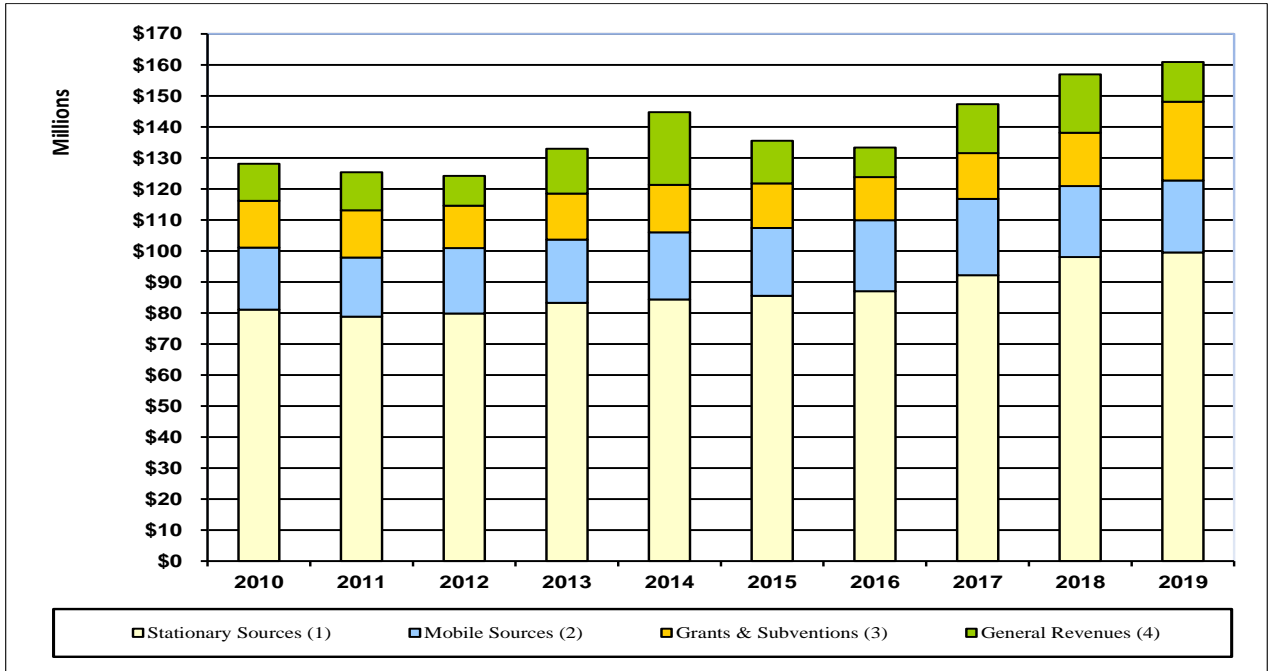
SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
Schedule 7
Debt Capacity
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year	Governmental Activities		Total Primary Government	Percentage of Total Revenues (*)	Number of Customers	Per Customer
	Installment Sale Revenue Bonds	Pension Obligation Bonds				
2010	25,745	51,907	77,652	60.60%	28	3
2011	20,370	47,192	67,562	53.87%	28	2
2012	15,130	42,182	57,312	46.15%	28	2
2013	-	39,135	39,135	29.48%	28	1
2014	-	36,036	36,036	24.89%	27	1
2015	-	32,876	32,876	24.26%	27	1
2016	-	29,641	29,641	22.23%	27	1
2017	-	26,310	26,310	17.86%	26	1
2018	-	22,877	22,877	14.58%	27	1
2019	-	19,324	19,324	12.04%	27	1

The South Coast Air Quality Management District is a regional government and is not authorized to issue long-term debt (General Obligation Bonds). The Pension Obligation Bonds are refunding bonds of outstanding debt owed the San Bernardino County Employees' Retirement Association. The South Coast Air Quality Management District has no long-term debt limits.

(*) These percentages are calculated using Total Revenues, Schedule 8.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
 Schedule 8
 Revenues by Major Source
 General Fund
 Last Ten Fiscal Years



Year	Stationary Sources (1)	Mobile Sources (2)	Grants & Subventions (3)	General Revenues (4)	Total Revenues
2010	81,097,647	19,994,596	15,039,879	12,002,573	128,134,695
2011	78,787,371	19,109,043	15,189,462	12,324,164	125,410,040
2012	79,815,562	21,149,810	13,611,764	9,602,853	124,179,989
2013	83,307,359	20,324,940	14,853,666	14,446,084	132,932,049
2014	84,341,483	21,654,072	15,285,284	23,499,350	144,780,189
2015	85,546,869	21,833,199	14,399,753	13,729,825	135,509,646
2016	87,038,338	22,859,620	13,934,946	9,489,698	133,322,602
2017	92,189,311	24,574,498	14,768,699	15,810,131	147,342,639
2018	98,060,961	22,861,428	17,207,484	18,805,726	156,935,599
2019	99,546,576	23,198,491	25,350,511	12,853,554	160,949,132

(1) Includes Emissions, Annual Operating, Permit, Air Toxics "Hot Spots," Source Test/Analysis, and Hearing Board fees

(2) Includes AB2766 Mobile Source, Clean Fuels, and Transportation Programs revenues

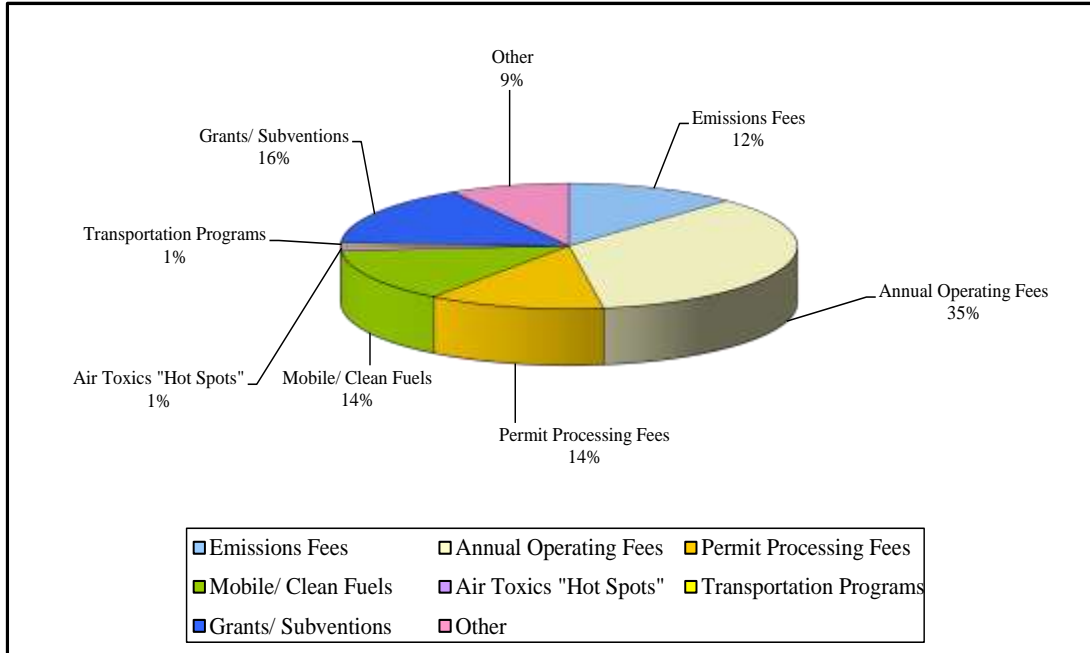
(3) Includes State Subventions, State Grants and Federal Grants

(4) Includes Area Sources, Penalties & Settlements, Interest, Lease Revenue, Other Revenue and Subscriptions

See Notes Associated with Financial Charts page 117

Source: South Coast Air Quality Management District Audited Financial Statements

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
Schedule 9
Revenues by Fee Source
General Fund
Last Ten Fiscal Years



Fee Source Revenue									
Year	Emissions Fees	Annual Operating Fees	Permit Processing Fees	Mobile/ Clean Fuels	Air Toxics "Hot Spots"	Transportation Programs	Grants/ Subventions	Other	Total
2010	19,663,671	41,191,933	16,316,076	19,158,039	1,666,699	836,557	15,039,879	14,261,841	128,134,695
2011	19,246,061	41,342,340	16,007,058	18,223,780	1,353,226	885,263	15,189,462	13,162,850	125,410,040
2012	19,714,882	42,189,557	15,658,916	20,300,981	1,270,714	848,829	13,611,764	10,584,346	124,179,989
2013	20,540,391	43,056,220	17,210,640	19,397,116	1,431,740	927,824	14,853,666	15,514,452	132,932,049
2014	20,472,379	44,260,635	16,945,777	20,776,256	1,623,051	877,816	15,285,284	24,538,991	144,780,189
2015	19,838,979	45,759,738	16,668,485	20,987,963	2,001,389	845,236	14,399,753	15,008,103	135,509,646
2016	18,984,919	47,592,793	17,239,759	21,967,629	2,373,579	891,991	13,934,946	10,336,986	133,322,602
2017	18,964,371	48,930,776	20,729,207	23,734,176	2,642,966	840,322	14,768,699	16,732,122	147,342,639
2018	22,786,661	52,182,769	19,538,295	22,015,710	2,538,246	845,718	17,207,484	19,820,716	156,935,599
2019	19,542,168	57,028,631	20,030,307	22,221,268	2,184,155	977,223	25,350,511	13,614,869	160,949,132

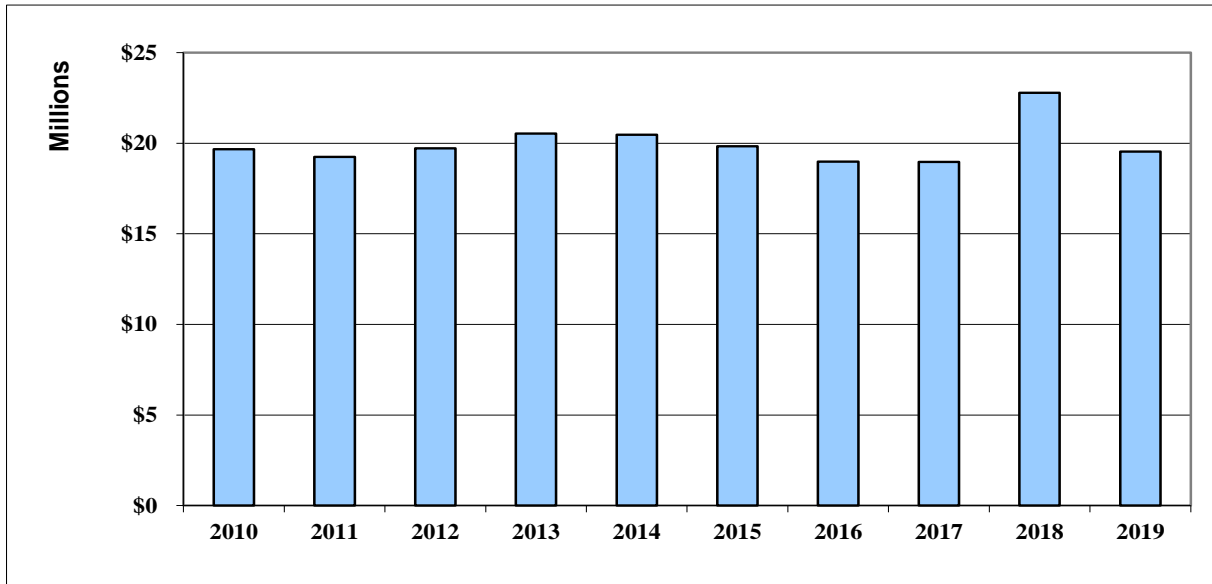
* Other includes Area Sources, Penalties and Settlements, Interest, Source Test/Analysis Fees, Lease Revenue, Hearing Board, Other Revenue and Subscriptions.

See Notes Associated with Financial Charts page 117

Source:

South Coast Air Quality Management District Audited Financial Statements

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
 Schedule 10
 Emission Fee Revenues
 Last Ten Fiscal Years



Year	Emission Fees
2010	19,663,671
2011	19,246,061
2012	19,714,882
2013	20,540,391
2014	20,472,379
2015	19,838,979
2016	18,984,919
2017	18,964,371
2018	22,786,661
2019	19,542,168

See Notes Associated with Financial Charts page 118

Source: South Coast Air Quality Management District Audited Financial Statements

Notes Associated with Financial Charts

Schedule 5 - Expenditures by Major Object (General Fund Budgetary Basis)

- The increase is due to adding 47 positions for the Community Air Protection Program (CAPP) and the costs associated with the three year labor agreement that went into effect in the third quarter of FY 2017-18. There is also an increase in Retirement Expenditure based on the contribution rates provided from the San Bernardino County Retirement Association (SBCERA).
- The increase in 2018 expenditures from 2017 is mainly due to the adding positions for the AB 617 and AB 134 programs and the costs associated with the three year labor agreement and with State Disability Insurance, employer share of unemployment insurance, Social Security and Medicare.
- The increase in 2017 expenditures from 2016 is mainly due to the hiring of some grant funded positions and the contribution rates provided from the San Bernardino County Retirement Association (SBCERA).
- The increase in 2016 expenditures from 2015 includes the costs associated with the three year labor agreement. The rents and leases for equipment also increased. In addition, the professional and special services increased due to new or additional projects for outside building consultants, community outreach, and planning and rule development activities.
- In 2015 the increase in Capital Outlays of approximately \$1.3M is mainly due to large purchases of vehicles and replacements of operational systems.
- The decrease in 2014 expenditures from 2013 is mainly due to a significant reduction in debt. As of June 2013, the 2002 Series Installment Sale Bonds were legally defeased.
- The increase in 2013 expenditures from 2012 is mainly due to the rising retirement and medical insurance costs.
- The decrease in 2012 expenditures is due to a significant reduction in Services and Supplies.
- The increase in 2011 expenditures from 2010 is mainly due to the increase in expenditures for Contract and Special Services.
- The increase in 2010 Salaries & Benefits expenditures from 2009 is mainly due to the hiring of vacant FTEs and rising retirement costs.

Schedule 6 - Expenditures by Major Object (General Fund GAAP Basis)

- The increase is due to adding 47 positions for the CAPP and the costs associated with the three year labor agreement that went into effect in the third quarter of FY 2017-18. There is also an increase in Retirement expenditure based on the contribution rates provided from the San Bernardino County Retirement Association (SBCERA).
- The increase in 2018 expenditures from 2017 is mainly due to the adding positions for the AB 617 and AB 134 programs and the costs associated with the three year labor agreement and with State Disability Insurance, employer share of unemployment insurance, Social Security and Medicare. Also, the increase in Capital Outlays reflects anticipated needs.
- The increase in 2017 expenditures from 2016 is mainly due to the hiring of some grant funded positions and the contribution rates provided from the San Bernardino County Retirement Association (SBCERA).
- The increase in 2016 expenditures from 2015 includes the costs associated with the three year labor agreement. The rents and leases for equipment also increased. In addition, the professional and special services increased due to new or additional projects for outside building consultants, community outreach, and planning and rule development activities.
- The small increase in 2015 expenditures from 2014 is mainly due to the rise in the contribution cost for retirement and purchases of vehicles.

- The decrease in 2014 expenditures from 2013 is mainly due to a significant reduction in debt. As of June 2013, the 2002 Series Installment Sale Bonds were legally defeased.
- The increase in 2013 expenditures from 2012 is mainly due to the rising retirement and medical insurance costs. In addition, Capital Outlays expenditures increased due to the large purchase of CNG vehicles and the replacement of some boilers and associated equipment.
- The decrease in 2012 expenditures is due to a significant reduction in Services and Supplies.
- The increase in 2011 expenditures from 2010 is mainly due to the increase in Contract and Special Services.

Schedule 8 - Revenues by Major Source (General Fund)

- The increase in 2019 revenue is mainly due to the increase in State Grants related to the new funding for the implementation portion of CAPP.
- The increase in 2018 revenue reflects emission fees increase under the stationary sources and large penalties/settlements from facilities that were found not to be in compliance with South Coast AQMD rules and regulations under the General Revenue category.
- The large increase in 2017 revenue reflects large penalties/settlements from facilities that were found not to be in compliance with South Coast AQMD rules and regulations, which increased the General Revenue category.
- The decrease in 2016 revenue from 2015 is mainly due to the decrease in Penalties & Settlements in the General Revenues category.
- The large decrease in 2015 revenues is mainly due to the decrease in Penalties & Settlements for violations of permit conditions, South Coast AQMD Rules, or state law.
- Revenues increased significantly in 2014 because the South Coast AQMD received several large penalties/settlements from facilities that were found to be not in compliance with South Coast AQMD rules and regulations.
- Revenues increased significantly in 2013 because the South Coast AQMD received several large penalties/settlements from facilities that were found to be not in compliance with South Coast AQMD rules and regulations.
- The decrease in 2012 revenue is due to the decrease in Penalties & Settlements in General Revenues, and the reduction in Grants & Subventions.
- In 2011 the decrease in the Stationary Sources and Mobile Sources revenues are mainly due to the decrease in all the fee source revenues.
- The decrease in 2010 revenue is attributable to the economic downturn and declining emissions; however, the overall decline is mitigated by several large, unanticipated one time penalties/settlements.

Schedule 9 - Revenues by Fee Source (General Fund)

- The increase in 2019 revenue is mainly due to the 3.4% CPI increase. Also included was 4% increase on non-Title V annual operating permit renewal fees and 10.66% increase for Title V permits.
- The increase in 2018 revenue from 2017 is mainly due to the increase of emission fees. Other revenues increased because the South Coast AQMD received large penalties/settlements from facilities that were found not to be in compliance with South Coast AQMD rules and regulations, which increased the General Revenue category.
- Other revenues increased significantly in 2017 because the South Coast AQMD received large penalties/settlements from facilities that were found not to be in compliance with South Coast AQMD rules and regulations, which increased the General Revenue category.
- The decrease in 2016 revenue from 2015 is mainly due to the decrease in Penalties & Settlements in the Other Revenues category.

- The large decrease in 2015 revenues is mainly due to the decrease in Penalties & Settlements for violations of permit conditions, South Coast AQMD Rules, or state law.
- Revenues increased significantly in 2014 because the South Coast AQMD received several large penalties/settlements from facilities that were found to be not in compliance with South Coast AQMD rules and regulations.
- Other revenues increased significantly in 2013 because the South Coast AQMD received several large penalties/settlements from facilities that were found to be not in compliance with South Coast AQMD rules and regulations.
- The decrease in 2012 revenue is due to the decrease in Penalties & Settlements in General Revenues, and the reduction in Grants & Subventions.
- The decrease in 2011 revenue from 2010 is mainly due to the decreases in Mobile Source revenue and Penalties and Settlements revenue.
- In 2010, all fee source revenues declined. The increase in Grants/Subventions revenue is attributable to a full year of administrative cost reimbursement for Prop 1B.

Schedule 10 – Emission Fee Revenues

- 2019 emission fees revenue was lower than 2018 because of an emissions audit conducted and additional emission fees were collected in 2018.
- There was an increase in emission fees revenue in 2018 related to fee increase.
- There was a small decrease in emission fees revenue in 2017 due to gradually decreasing emissions.
- There was a small decrease in emission fees revenue in 2016 due to gradually decreasing emissions.
- There was a small decrease in emission fees revenue in 2015. Emission fees vary with the non-RECLAIM and RECLAIM emissions, and the flat emission fees of active facilities.
- The small increase in 2013 is due to a fee increase that was effective July 1, 2012.
- In 2010, emission fees decreased as a result of reduced emissions at major refineries and large facilities.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
Schedule 11
Revenue Capacity
Largest Payers of Emission-Based Fees at a Single Location
Current Year and Ten Years Ago

119

	Payment	Rank	% of Total Emission Fee	Payment	Rank	% of Total Emission Fee
Torrance Refinery Co LLC (Formerly Exxon Mobil Corporation)	\$2,227,973	1	11.4%	\$2,092,048	2	8.4%
Tesoro Refining and Marketing *	2,120,142	2	10.8%	-	-	-
Chevron Products	1,868,950	3	9.6%	1,868,908	4	7.5%
Tesoro Refining and Marketing (Formerly Equilon)	1,255,052	4	6.4%	1,467,571	5	5.9%
Phillips 66 Company (Formerly Conoco and formerly Tosco Refining Co)*	863,141	5	4.4%	2,012,357	3	8.1%
Ultramar Incorporated	741,896	6	3.8%	646,805	6	2.6%
Phillips 66 Company (Formerly Conoco and formerly Tosco Refining Co)*	736,213	7	3.8%	-	-	-
Tesoro Refining and Marketing (formerly BP ARCO West Coast Products)*	448,206	8	2.3%	2,165,954	1	8.7%
City of Long Beach, SERRF Project	207,374	9	1.1%	326,332	9	1.3%
Tamco	184,297	10	0.9%	-	-	-
Dart Container Corp of California	178,483	11	0.9%	212,749	14	0.9%
Cal Portland Cement Company	176,845	12	0.9%	513,388	7	2.1%
Desert View Power	172,696	13	0.9%	-	-	-
New Indy Ontario LLC	134,545	14	0.7%	-	-	-
Metal Container Corp	134,269	15	0.7%	-	-	-
Equilon Enterprises, LLC, Shell Oil Products US (formerly Texaco Refining)	117,980	16	0.6%	167,541	19	0.7%
Anheuser-Busch Incorporated	117,017	17	0.6%	234,404	13	0.9%
Beta Off Shore	107,969	18	0.6%	-	-	-
Insulfoam	99,470	19	0.5%	-	-	-
California Steel Industries	99,106	20	0.5%	-	-	-
Paramount Petroleum Company	-	-	-	236,448	12	1.0%
Rhodia Incorporated	-	-	-	357,150	8	1.4%
Mountainview Generating Station	-	-	-	247,164	11	1.0%
BP West Coast Products LLC	-	-	-	315,541	10	1.3%
Southern California Gas Company	-	-	-	203,479	15	0.8%
RRI Energy Etiwanda, Incorporated	-	-	-	157,427	20	0.6%
City of Los Angeles DWP	-	-	-	182,321	16	0.7%
Ball Metal Beverage Container Corporation	-	-	-	181,433	17	0.7%
Colmac Energy	-	-	-	169,222	18	0.7%
Total Paid by Largest Payers at a Single Location	<u>\$ 11,991,624</u>		61.4%	<u>\$ 13,758,242</u>		55.4%
Total Emissions Based Fees Paid by All Emitters	<u>\$ 19,542,162</u>			<u>\$ 24,826,356</u>		

*Located at separate sites.

KEY AIR QUALITY AND DEMOGRAPHIC INFORMATION REGARDING THE REGION INCLUDED IN THE SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

The South Coast Air Quality Management District includes all of Orange County and parts of Los Angeles, Riverside and San Bernardino Counties. The section below provides a brief description of each county.

Measuring 4,084 square miles, *Los Angeles County* is one of the nation's largest counties. It is the most populated county in the state of California and contains the most populated city in the state, the City of Los Angeles. Before World War II, Los Angeles County was one of the nation's foremost agricultural producers. As agricultural production declined, the economy has evolved into diverse areas that include trade, transportation, and utilities, government, educational and health services, professional and business services, and manufacturing. Tourism and entertainment as well as international trade also play a vital role in the county's economy. The county is home to the twin seaports of Los Angeles and Long Beach, together the nation's largest, as well as the single largest fixed source of air pollution in the region. The two ports are responsible for more smog-forming nitrogen oxide emissions than 7 million cars.

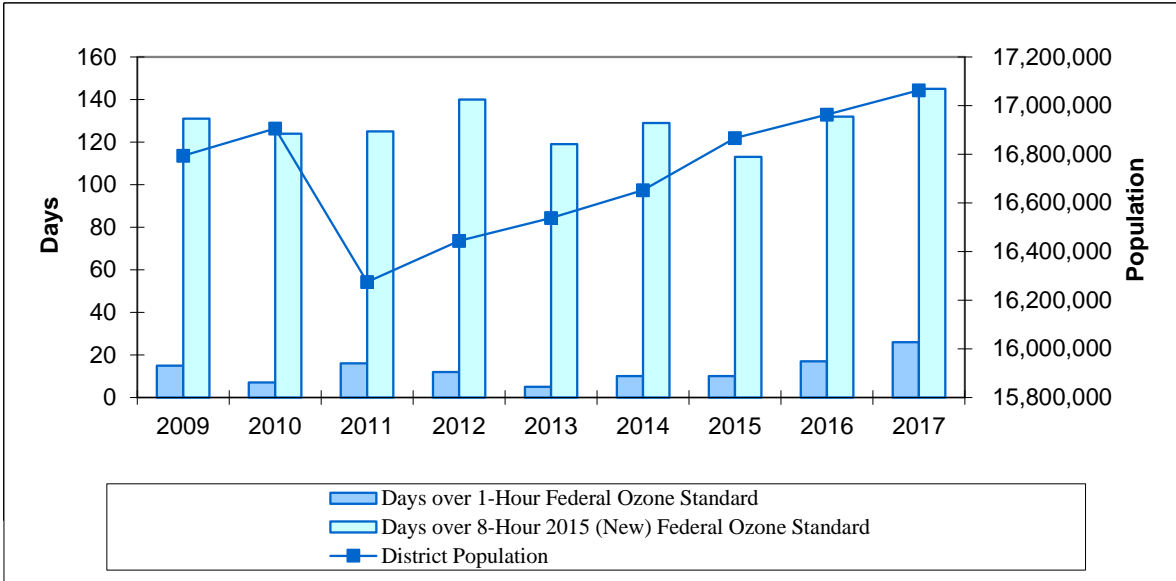
Orange County is the third most populated county in the state and lies south of Los Angeles County. When created in 1889, Orange County was named for its abundance of orange groves and thriving agricultural industry. Today, the largest industry employers are trade, transportation, and utilities, professional and business services, and manufacturing.

The varied topography of *Riverside County* is characterized by fertile river valleys to rolling plains and foothills to deserts below sea level and mountain peaks above 10,000 feet. Recent years have brought dramatic population growth to Riverside County. The population is expected to increase by 1.3 percent in 2016. Annual growth in the 2016 - 2021 period is expected to average 1.5 percent. The county's early years were linked to the agriculture industry, but commerce, construction, manufacturing, transportation, and tourism have contributed to the county's substantial growth. The County is also a major distribution center for Southern California and the Pacific Rim.

Roughly 90 percent of *San Bernardino County* is desert and the remaining portion consists of the San Bernardino Valley and San Bernardino Mountains. San Bernardino County and Riverside County are collectively known as the Inland Empire. San Bernardino ranks as the fifth-highest populated county in California from 2016 to 2021, population growth is expected to average 1.0 percent per year. The economy is led by services, government, retail trade, and manufacturing industries. Additionally, the county consistently ranks in the top fifteen agricultural-producing counties in the state.

All four counties within the South Coast Air Quality Management District's jurisdiction have experienced significant population growth in the last few years. The following charts illustrate air pollution, demographic, employment, and motor vehicle information relating to the South Coast Air Quality Management District region.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
Schedule 12
South Coast Air Basin Smog Trend
Last Ten Calendar Years



Year	Days over 1-Hour Federal Ozone Standard	Days over 8-Hour 2015 (New) Federal Ozone Standard	District Population
2009	15	131	16,793,784
2010	7	124	16,906,456
2011	16	125	16,274,797
2012	12	140	16,444,162
2013	5	119	16,538,490
2014	10	129	16,652,810
2015	10	113	16,866,350
2016	17	132	16,962,478
2017	26	145	17,063,249
2018	11	141	17,127,040

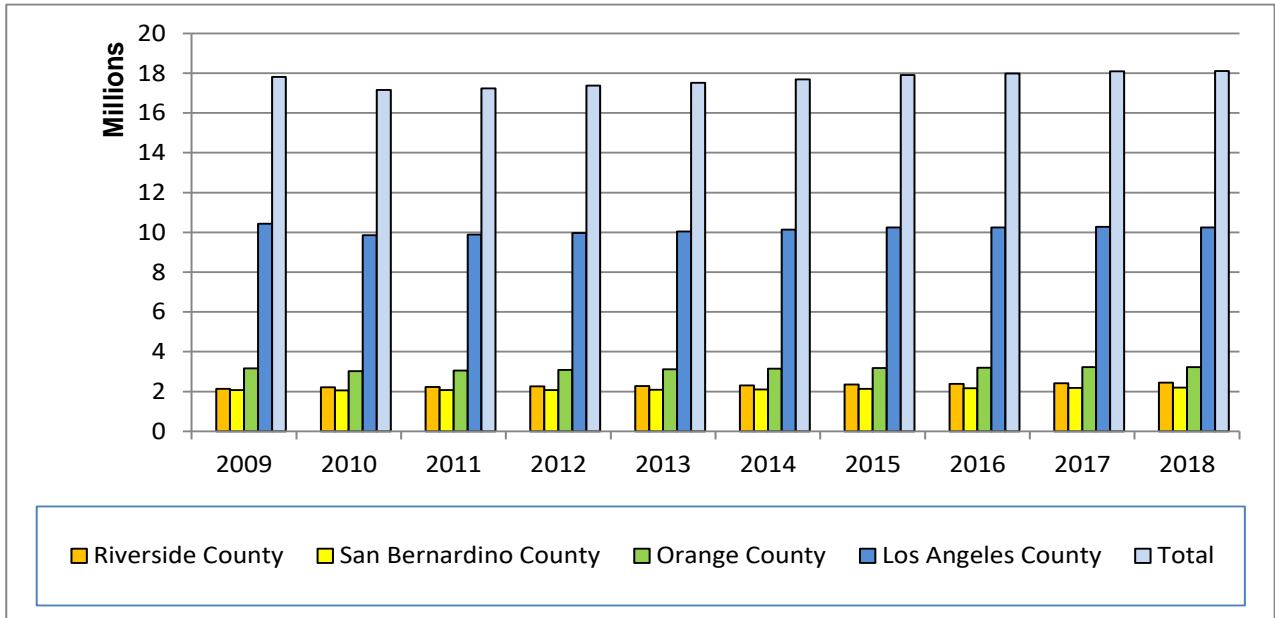
Notes:

- The average number of days exceeding the federal ozone standard in the Basin decreased by 54% between the three-year period of 1976-78 and 2011-13.
- Favorable weather conditions and continued implementation of the air pollution control strategy contributed to the significant decrease in Days over the 1-Hour Ozone Standard in the recent decades.
- In 1997, the federal government implemented the 8-hour ozone National Ambient Air Quality Standard. The standard was revised in 2015 from 75 ppb to 70 ppb.

Source:

South Coast Air Quality Management District (www.aqmd.gov); State Subvention Guidance.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
Schedule 13
Four-County Area Population
Last Ten Calendar Years



Year	Riverside County	San Bernardino County	Orange County	Los Angeles County	Total	% Increase
2009	2,139,535	2,073,149	3,166,461	10,441,080	17,820,225	1.08%
2010	2,217,778	2,052,397	3,029,859	9,858,989	17,159,023	-3.71%
2011	2,227,577	2,063,919	3,055,792	9,884,632	17,231,920	0.42%
2012	2,255,059	2,076,274	3,081,804	9,958,091	17,371,228	0.81%
2013	2,279,967	2,085,669	3,113,991	10,041,797	17,521,424	1.68%
2014	2,308,441	2,104,291	3,147,655	10,136,559	17,696,946	1.00%
2015	2,347,828	2,139,570	3,183,011	10,241,335	17,911,744	1.21%
2016	2,384,783	2,160,256	3,194,024	10,241,278	17,980,341	0.38%
2017	2,415,955	2,174,938	3,221,103	10,283,729	18,095,725	0.64%
2018	2,440,124	2,192,203	3,222,498	10,253,716	18,108,541	0.07%

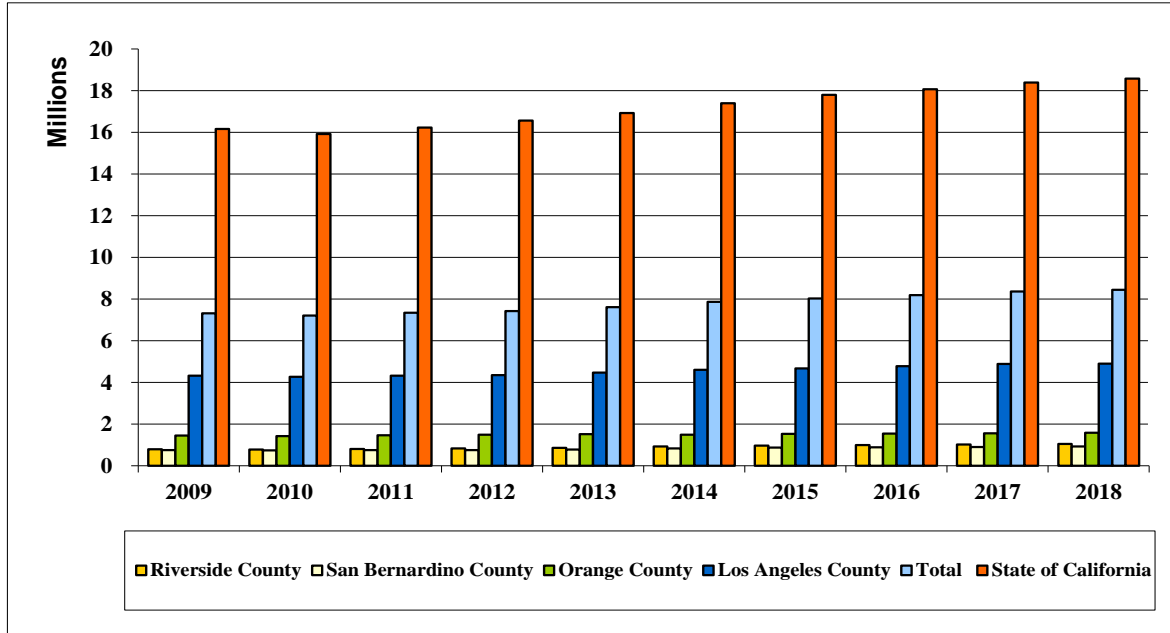
South Coast AQMD encompasses all of Orange County and parts of the Los Angeles, Riverside, and San Bernardino Counties, representing over 18 million residents.

Source:

California Department of Finance - Demographic Research Unit

www.dof.ca.gov/budgeting/documents

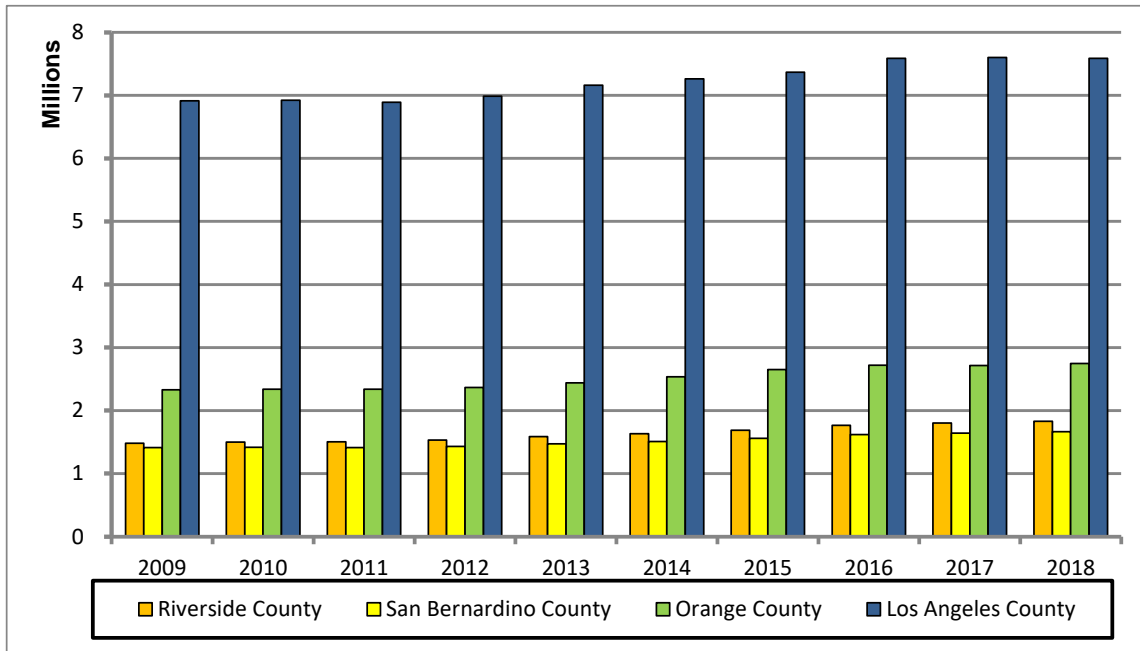
SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
Schedule 14
Los Angeles, Orange, Riverside, San Bernardino
Counties, and State of California Civilian Employment
Last Ten Calendar Years



Year	Riverside County	San Bernardino County	Orange County	Los Angeles County	Total	State of California
2009	790,000	751,600	1,451,000	4,328,600	7,321,200	16,163,900
2010	779,500	733,800	1,429,700	4,262,300	7,205,300	15,916,300
2011	810,600	747,100	1,464,400	4,318,900	7,341,000	16,226,600
2012	828,800	758,000	1,496,000	4,345,700	7,428,500	16,560,300
2013	855,300	778,100	1,510,600	4,470,700	7,614,700	16,933,300
2014	927,300	836,000	1,489,200	4,610,800	7,863,300	17,397,100
2015	965,500	866,800	1,525,600	4,674,800	8,032,700	17,798,600
2016	988,000	882,200	1,538,000	4,778,800	8,187,000	18,065,000
2017	1,016,200	904,200	1,562,600	4,883,600	8,366,600	18,393,100
2018	1,044,600	922,300	1,577,900	4,896,500	8,441,300	18,582,800

Source:
 State of California: Employment Development Department
www.labormarketinfo.edd.ca.gov/cgi/dataanalysis

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
Schedule 15
Vehicle Registrations (Automobiles & Trucks)
For Four County Area
Last Ten Calendar Years



Year	Riverside County	San Bernardino County	Orange County	Los Angeles County	Total District
2009	1,480,616	1,410,411	2,327,428	6,913,586	12,132,041
2010	1,497,595	1,417,354	2,337,837	6,920,671	12,173,457
2011	1,502,571	1,412,652	2,336,315	6,892,687	12,144,225
2012	1,532,040	1,428,725	2,367,745	6,984,730	12,313,240
2013	1,587,494	1,470,974	2,440,330	7,159,182	12,657,980
2014	1,630,405	1,507,903	2,536,833	7,263,982	12,939,123
2015	1,689,523	1,557,196	2,649,420	7,368,979	13,265,118
2016	1,765,545	1,618,573	2,716,672	7,585,269	13,686,059
2017	1,799,962	1,642,888	2,713,892	7,599,579	13,756,321
2018	1,831,189	1,666,102	2,744,304	7,586,587	13,828,182

South Coast AQMD encompasses all of Orange County, and parts of Los Angeles, Riverside, and San Bernardino counties.

Source:

California Department of Motor Vehicles - Estimated Vehicles Registered by County

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
Schedule 16
Full-time Equivalent South Coast AQMD Employees by Function/Program
Last Ten Fiscal Years

FUNCTION:	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Executive Office	10	10	10	9	10	8	9	6	5	5
Clerk of the Boards	6	6	6	6	6	6	6	6	5	6
Legal *	-	-	-	-	-	-	-	27	28	29
District Counsel	13	12	11	11	12	12	10	-	-	
District Prosecutor	19	20	21	18	19	20	19	-	-	
Finance	45	43	42	41	44	41	40	42	44	43
Administrative & Human Resources	36	34	32	32	31	32	30	33	36	34
Information Management	48	49	48	47	47	46	47	45	47	48
Planning, Rule Development & Area										
Area Sources	105	103	96	88	85	85	85	94	111	117
Legislative, Public Affairs & Media	42	40	39	40	38	38	41	44	41	43
Science & Technology Advancement	156	146	143	144	144	150	148	145	159	160
Engineering & Compliance **	299	300	286	273	261	259	-	-	-	
Engineering & Permitting	-	-	-	-	-	-	136	133	133	122
Compliance & Enforcement	-	-	-	-	-	-	110	127	119	129
Total	<u>779</u>	<u>763</u>	<u>734</u>	<u>709</u>	<u>697</u>	<u>697</u>	<u>681</u>	<u>702</u>	<u>728</u>	<u>736</u>

* In fiscal year 2013, District Counsel and District Prosecutor merged to become the Legal department.

** In fiscal year 2016, Engineering & Compliance split into two divisions: Engineering & Permitting and Compliance & Enforcement.

Source: Administrative and Human Resources (vacancy and item control reports).

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
Schedule 17
Operating Indicators by Function
Last Ten Fiscal Years

<u>Program Category</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Advance Clean Air Technology										
Contracts awarded	530	526	556	938	523	1,047	421	403	357	564
Total Funding awarded	\$ 180,669,515	\$ 131,399,287	\$ 82,536,619	\$ 207,181,573	\$ 216,085,526	\$ 123,181,473	\$ 153,900,867	\$ 137,406,323	\$ 170,391,084	\$ 213,005,034
Ensure Compliance with Clean Air Rules										
Inspections	33,735	33,560	34,191	32,535	29,501	22,871	24,037	21,419	24,692	24,289
Notices of Violations	1,530	1,254	1,211	965	956	811	499	632	1,626	2,724
Hearing Board Orders for Abatement	35	47	93	51	46	41	23	27	24	29
Hearing Board Appeals	20	2	7	3	7	-	3	3	1	2
Customer Service										
Public Information Requests	3,821	3,410	3,543	3,460	4,505	4,012	4,958	5,282	4,676	4,830
Community/Public Meetings attended	202	190	274	294	264	217	239	210	156	193
Small Business Assistance Contacts	2,578	2,497	2,574	2,266	1,850	1,711	1,865	2,834	4,073	3,043
Develop Programs to Achieve Clean Air										
Transportation Plans processed	1,372	1,385	1,392	1,371	1,333	1,329	1,337	1,348	1,356	1,357
Emission Inventory Updates	703	521	530	408	460	336	356	244	343	294
Develop Rules to Achieve Clean Air										
Rules Developed	15	40	8	20	24	24	16	15	28	44
Monitoring Air Quality										
Samples Analyzed by the Laboratory	29,685	28,915	29,520	32,520	29,340	30,824	32,400	38,541	36,342	33,258
Source Testing Analyses/Evaluations/Reviews	740	1,030	952	1,035	968	996	936	952	714	632
Timely Review of Permits										
Applications Processed	9,627	13,044	12,225	14,153	13,217	9,495	9,482	11,780	10,913	9,463
Applications Received-Small Business	694	798	732	615	514	629	594	535	605	541
Applications Received-All Others	10,941	10,769	11,682	11,709	11,156	9,961	9,894	8,376	9,172	8,131
Policy Support										
News Releases	69	64	57	61	62	76	89	86	120	99
Media Calls	313	252	520	1,131	774	532	1,450	1,201	-	-
Media Inquiries Completed	313	252	520	1,131	774	532	1,450	1,201	-	-
News Media Interactions*	-	-	-	-	-	-	-	-	1,235	633

*Tracking of News Media Interactions began in 2018. This will replace the tracking of media calls and media inquiries completed.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
 Schedule 18
 Capital Assets Statistics by Function/Program
 Last Ten Fiscal Years

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<u>Function/Program</u>										
Ensure Compliance with Clean Air Rules										
Number of vehicles assigned to field inspection	125	127	121	121	112	108	100	98	100	97
Monitoring Air Quality										
Number of air monitoring stations	43	43	42	40	42	42	42	43	41	41
Number of air monitoring instruments installed in the air monitoring stations to measure air quality	283	283	249	292	260	208	223	222	224	224

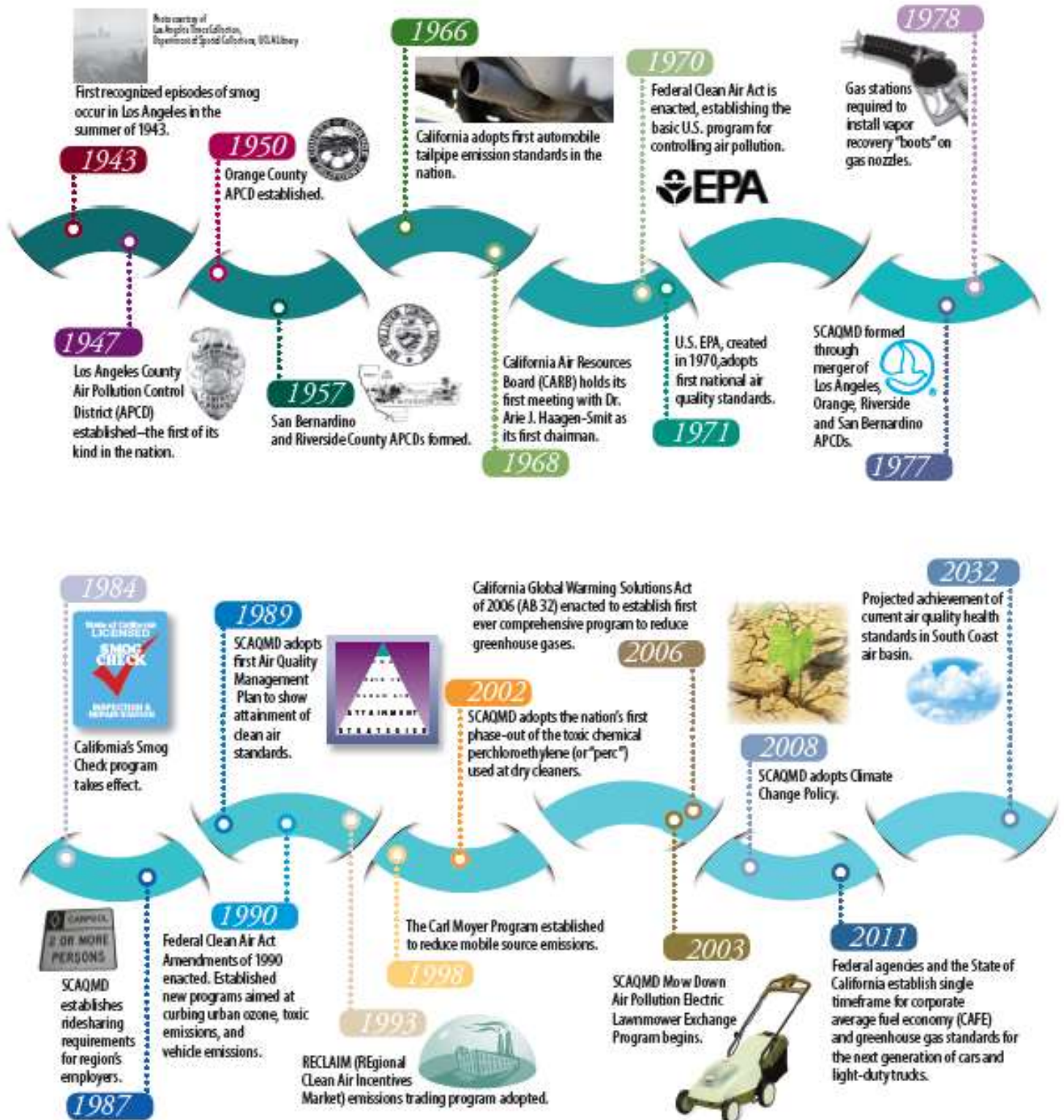
Source: South Coast AQMD Human Resources and Science and Technology Advancement's records

South Coast Air Quality Management District

Demographic and Miscellaneous Statistics

<u>Established:</u>	February 1, 1977
<u>Area Covered:</u>	10,743 Square Miles
<u>Counties Included in District:</u>	All of Orange County and parts of Los Angeles, Riverside, and San Bernardino Counties
<u>Population:</u>	17,127,040 (In 2018)
<u>Average Unemployment Rate:</u>	Los Angeles County (4.7%), Orange (2.9%), Riverside (4.4%), and San Bernardino (4.0%) counties (In 2018)
<u>Transportation:</u>	Two transcontinental railroads – Burlington Northern Santa Fe and the Union Pacific Six Commercial Airports – Los Angeles International, Burbank, Long Beach, Ontario International, Orange County, and Palm Springs Freeways – Three major interstate freeways including four bypass routes, U.S. 101, and nine State freeway routes Two major adjoining ports – Port of Long Beach and Port of Los Angeles
<u>Visitor Destinations:</u>	Disneyland, Knott’s Berry Farm, Magic Mountain, Motion Picture and Television Studios and the Rose Bowl
<u>Number of Registered Vehicles Within South Coast AQMD Jurisdiction:</u>	13,828,182 (In 2018)
<u>Average Daily Miles Traveled Per Vehicle:</u>	28 (CY 2018 data)
<u>Examples of Stationary Sources of Air Pollution Regulated:</u>	Oil Refineries, power plants, paint spray booths, incinerators, manufacturing facilities, dry cleaners, and service stations.
<u>Number of Sources:</u>	26,873 operating locations with 69,085 permits.
<u>Number of Air Monitoring Stations:</u>	41
<u>Full-time Authorized Positions:</u>	939
<u>Adopted FY 2019-20 Budget:</u>	\$170,896,725
<u>Key Federal, State, and Local Air Agencies:</u>	EPA Region IX (Environmental Protection Agency), CARB (California Air Resources Board), CAPCOA (California Air Pollution Control Officer’s Association), NACAA (National Association of Clean Air Agencies), ALAPCO (Association of Local Air Pollution Control Officials). There are 35 local air pollution control districts in California.

Air Quality Historical Timeline





South Coast
AQMD

South Coast
Air Quality Management District

21865 Copley Drive
Diamond Bar, CA 91765-4178

www.aqmd.gov

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

SINGLE AUDIT

JUNE 30, 2019
(With Independent Auditor's Reports Thereon)



2355 Crenshaw Blvd. Suite 150 Torrance, CA 90501
t: (310) 792-4640 f: (310) 792-4140

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

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

To the Governing Board of
South Coast Air Quality Management District
Diamond Bar, California

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the blended component unit, each major fund, and the aggregate remaining fund information of the South Coast Air Quality Management District (South Coast AQMD) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise South Coast AQMD's basic financials statements, and have issued our report thereon dated October 11, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered South Coast AQMD'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 South Coast AQMD's internal control. Accordingly, we do not express an opinion on the effectiveness of South Coast AQMD's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether South Coast AQMD's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 South Coast AQMD's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BCA Watson Rice, LLP

Torrance, California

October 11, 2019

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

To the Governing Board of
South Coast Air Quality Management District
Diamond Bar, California

Report on Compliance for Each Major Federal Program

We have audited the South Coast Air Quality Management District's (South Coast AQMD) compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of South Coast AQMD's major federal programs for the year ended June 30, 2019. South Coast AQMD's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal award applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of South Coast AQMD's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about South Coast AQMD's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on South Coast AQMD's compliance.

Opinion on Each Major Federal Program

In our opinion, South Coast AQMD's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of South Coast AQMD is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered South Coast AQMD's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of South Coast AQMD's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the blended component unit, each major fund, the aggregate remaining fund information of South Coast AQMD as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise South Coast AQMD's basic financial statements. We issued our report thereon dated October 11, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial

statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditure of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

BCA Watson Rice, LLP

Torrance, CA
October 11, 2019

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2019**

Federal Grantor / Pass-Through Grantor / Program Title	CFDA Number	Grant Number	Total Expenditures
<u>U.S. Environmental Protection Agency</u>			
<i>Air Pollution Control Program Support:</i>			
EPA Section 105 Air Grant	66.001*	A00909416-3	\$ 543,280
EPA Section 105 Air Grant	66.001*	A00909418-5	4,748,792
			<u>5,292,072</u>
<i>Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act:</i>			
PM 2.5 Monitoring	66.034	PM-00T86701-9	797,199
PM 2.5 Monitoring Pass-through from CAPCOA	66.034	PM2.5 from CAPCOA	17,239
National Air Toxics Trend Stations	66.034	XA-99T27601-4	226,208
Near Road Monitoring	66.034	XA-00T82301-5	25,804
Community Scale Air Toxics Monitoring	66.034	XA-99T33501-1	101,777
			<u>1,168,227</u>
<i>National Clean Diesel Emissions Reduction Program:</i>			
DERA-School Bus Replacement Project (FY 13)	66.039	DE-99T07001-5	52,000
DERA-Replace HDDTs-Interstate (FY 17)	66.039	DE-99T69701-0	122,224
DERA-Drayage Truck Replacement (FY 18)	66.039	DE-99T82401-0	9,898
			<u>184,122</u>
<i>Congressionally Mandated Projects:</i>			
Targeted Air Shed - Lawn/Garden Equipment Exchange	66.202*	EM-99T48301-0	350,522
Targeted Air Shed - Yard Tractor Replacement	66.202*	EM-99T48501-0	8,642
Targeted Air Shed - School Bus Replacement	66.202*	EM-99T71401-0	2,346,037
Targeted Air Shed - Shuttle Bus Replacement	66.202*	EM-99T71501-0	8,233
			<u>2,713,434</u>
<i>Science To Achieve Results (STAR) Research Program:</i>			
STAR Engage, Educate, and Empower	66.509	RD-83618401-3	109,083
Total U.S. Environmental Protection Agency			<u>9,466,938</u>
<u>U.S. Department of Energy</u>			
<i>Conservation Research and Development:</i>			
Zero Emission Cargo Transport Demo	81.086	DE-EE0005961-8	105,466
San Pedro Bay Ports FCEV and HEV Demo	81.086	DE-EE0006874-6	314,301
Passed through Newport Partners			
Devel Test Standard-Indoor AQ Sensors	81.086	N/A	40,318
Total Department of Energy			<u>460,085</u>
<u>U.S. Department of Homeland Security</u>			
<i>Homeland Security Biowatch Program:</i>			
Biowatch Program	97.091	06OHBIO00011-13-01	<u>1,521,933</u>
<u>National Aeronautics and Space Administration</u>			
Passed through RTI International			
<i>Science:</i>			
2016 Citizen Science for Earth Systems Prog II	43.001	1-340-0216485-65403L	<u>139,157</u>
Total Federal Expenditures			<u>\$ 11,588,113</u>

* Major Programs

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2019

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the South Coast Air Quality Management District (South Coast AQMD) under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of South Coast AQMD, it is not intended to and does not present the financial position, changes in net position or cash flows of the South Coast AQMD.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in *OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the *Uniform Guidance*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3– INDIRECT COST RATE

The South Coast AQMD has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4– RELATIONSHIP TO COMPREHENSIVE ANNUAL FINANCIAL REPORT

Amounts reported in the accompanying Schedule agree to amounts reported within the South Coast AQMD's Comprehensive Annual Financial Report.

NOTE 5– CONTINGENCIES

Under the terms of federal and state grants, additional audits may be requested by the grantor agencies and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to a request for reimbursement to the grantor agencies.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

A - Financial Statements

- | | |
|---|---------------|
| 1) Type of auditor’s report issued: | Unmodified |
| 2) Internal control over financial reporting: | |
| a) Material weakness(es) identified? | No |
| b) Significant deficiency(ies) identified not considered to be material weaknesses? | None reported |
| 3) Noncompliance material to financial statements noted? | No |

B - Federal Awards

- | | |
|---|---------------|
| 1) Type of auditor’s report issued on compliance for major programs: | Unmodified |
| 2) Internal control over major programs: | |
| a) Material weakness(es) identified? | No |
| b) Significant deficiency(ies) identified not considered material weakness(es)? | None reported |
| 3) Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |

4) Identification of major programs:

<u>CFDA No.</u>	<u>Name of Federal Program</u>
66.001	Air Pollution Control Program Support
66.202	Congressionally Mandated Projects

- | | |
|---|-----------|
| 5) Dollar threshold used to distinguish between Type A and Type B programs: | \$750,000 |
| 6) Auditee qualified as low-risk auditee? | Yes |

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019**

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SECTION IV – STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None reported.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT



FINAL COMMUNICATION WITH THE
ADMINISTRATIVE COMMITTEE

AUDIT OF FISCAL YEAR 2019
FINANCIAL STATEMENTS & SINGLE AUDITS

November 8, 2019



2355 Crenshaw Blvd, Suite 150
Torrance, CA 90501
PH 310.792.4640
FX 310.792.4331

Final Communication Agenda

2

- Opening Remarks and Introductions
- Financial Statements and Single Audit Results
- Financial Highlights
- Auditor's Required Communications
- Management Letter Comments
- Open Discussions and Questions



Financial Statement Audit Results

3

- Unmodified (“Clean”) Opinion on the Financial Statements
 - Governmental activities
 - Blended component unit
 - Each major fund
 - Aggregate remaining fund
- Report on Internal Controls over Financial Reporting and Compliance in Accordance with *Government Auditing Standards*
 - Material weaknesses – none noted
 - Significant deficiencies – none noted



Single Audit Results

4

- Compliance with Each Major Federal Program
 - Unmodified (“Clean”) Opinion – complied with OMB Compliance Supplement on each major federal program.
- Report on Internal Control over Compliance
 - Material weakness – none identified
 - Significant deficiencies – none identified
- Report on Schedule of Expenditures of Federal Awards
 - Unmodified (“Clean”) Opinion – fairly stated in all material respects in relation to the basic financial statements.



Financial Highlights

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- Total assets of South Coast AQMD exceeded its total liabilities at the end of FY 2018/19 by \$692.3 million (net position).
- South Coast AQMD's total net position increased from prior year by \$109.4 million. Most of the increase was due to increased revenues in long-term emission-reduction projects.
- South Coast AQMD's governmental funds reported combined ending fund balances of \$857.1 million, an increase of \$114.2 million in comparison to prior year.



Financial Highlights (Continued)

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- Actual revenues were below the final budget by \$4.9 million or 3.0% due to lower than anticipated annual renewal fee revenue and mobile source/clean fuel revenue.
- Expenditure savings were \$16.3 million or 10.1% of final budget. The savings are attributed to salary savings from filling only critical vacant positions throughout the year, prudent purchase decisions, and postponing contract work and fixed asset purchases.



Required Communications

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MATTERS TO COMMUNICATE	RESPONSES
<p>BCA Watson Rice's Responsibility Under Generally Accepted Auditing Standards</p>	<p>Conduct our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in <i>Government Auditing Standards</i> which provide reasonable – not absolute – assurance about whether the basic financial statements are free of material misstatement, whether caused by error or fraud. To gain a basic understanding of the internal control policies and procedures to design an effective and efficient audit approach.</p>
<p>Whether material illegal acts were identified during the audit</p>	<p>There were no illegal acts identified during the audit.</p>



Required Communications (Continued)

8

MATTERS TO COMMUNICATE	RESPONSES
<p>Adoption of, or change in, accounting policies</p>	<p>Adopted GASB 88, "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements", which did not have an impact on the financial statements. See note 1F.</p> <p>Other significant accounting policies are described in note 1B of the financial statements.</p>
<p>Significant and unusual transactions</p>	<p>None identified</p>
<p>Alternative treatment discussed with management</p>	<p>We did not discuss with management any alternative treatments with generally accepted accounting principles for accounting policies and practices related to material items during the audit period.</p>
<p>Significant Issues Discussed with Management</p>	<p>None</p>



Required Communications (Continued)

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MATTERS TO COMMUNICATE	RESPONSES
Major Issues Discussed with Management Prior to Retention	None
Disagreements with Management on Financial Accounting and Reporting Matters	None
Difficulties Encountered with Management in Performing the Audit	We did not encounter any difficulties in dealing with management during the audit.
Consultations with Other Accountants	None that we are aware of relating to audit matters.
Written Communications Between Management and Our Firm	We requested certain representations from management which have been included in the management representation letter.
Independence	We are independent with respect to South Coast AQMD.



Required Communications (Continued)

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MATTERS TO COMMUNICATE	RESPONSES
Management Judgments and Accounting Estimates	We evaluated the key factors and assumptions used by management in making accounting estimates and judgments significant to the financial statements, and concluded that all estimates and judgments appeared reasonable.
2019 Significant Adjustments and Transactions	No significant adjustments and transactions.



Management Letter Comments

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- There are no management letter comments.

Open Discussions and Questions

**FY 2019-20
1st Quarter
Budget vs. Actual
(Unaudited)**

*Administrative Committee
November 8, 2019*

General Fund Overview

- FY 2019-20 1st Quarter Budget vs. Actual (Unaudited)
- Revenues
- Expenditures
- Updated General Fund Five Year Projection

Budget vs. Actual

FY 2019-20 1st Quarter (unaudited)

(\$ in millions)	Adopted Budget	Amended Budget	FY 2018-19 Q1 Actual
Revenues/Transfers In	\$170.9	\$184.9	\$51.2
Expenditures/Transfers Out	\$170.9	\$186.4	\$48.0

Revenues

*FY 2019-20 1st Quarter Budget vs. Actual
& FY 2018-19 1st Quarter Comparison*

Revenue Type (\$ in millions)	Fiscal Year 2019-20 Q1			Fiscal Year 2018-19 Q1	
	Amended Budget	Actuals	Actual % of Budget	Actuals	Actual % of Budget
Emissions Fees	\$ 20.7	\$9.0	43%	\$9.1	46%
Annual Operating Fees	59.3	26.4	45%	24.9	43%
Permit Fees	20.6	4.2	20%	4.5	23%
Mobile Sources/Transportation	29.1	0.4	1%	1.6	5%
Other*	40.6	8.5	21%	9.9	33%
Area Sources	2.3	0.3	13%	0.0	0%
Transfers In	<u>12.3</u>	<u>2.4</u>	20%	<u>1.0</u>	25%
Total	<u>\$184.9</u>	<u>\$51.2</u>	28%	<u>\$51.0</u>	31%

* Includes revenues from Federal & State Grants, State Subvention, Penalties/Settlements, "Hot Spots", Interest, PERP, Hearing Board, Source Test/Lab Analysis, Leases, Subscriptions, and Misc.

Expenditures

*FY 2019-20 1st Quarter Budget vs. Actual
& FY 2018-19 1st Quarter Comparison*

Major Object (\$ in millions)	Fiscal Year 2019-20 Q1			Fiscal Year 2018-19 Q1	
	Amended Budget	Actuals	Actual % of Budget	Actuals	Actual % of Budget
Salaries & Benefits	\$142.1	\$29.8	21%	\$27.7	21%
Services & Supplies	26.2	8.0	31%	7.9	32%
Capital Equipment	11.1	3.2	29%	0.0	0%
Debt Service	6.2	6.2	100%	6.2	100%
Transfers Out	.8	.8	100%	0	N/A
Total	<u>\$186.4</u>	<u>\$48.0</u>	26%	<u>\$41.8</u>	25%

Board Approved Use of Fund Balance

FY 2019-20 1st Quarter

Board Letter Approval	Funding Source	Use	Amount
7/12/2019, #9	Undesignated Fund Balance	Elevator Upgrade and Renovation	\$1,405,950
9/6/2019, #5	Undesignated Fund Balance	Legislative Representation in Sacramento	<u>\$79,000</u>
Total			<u>\$1,484,950</u>

Updated General Fund

(\$ in millions)	FY 18-19 Actual (Unaudited)	FY 19-20 Projected (a)	FY 20-21 Projected (b)	FY 21-22 Projected (b)	FY 22-23 Projected (b)	FY 23-24 Projected (b)
STAFFING		944	944	944	944	944
Revenues *	\$167.3	\$184.9	\$178.0	\$180.2	\$181.3	\$183.6
Program Costs	\$164.0	\$188.8	\$184.7	\$188.6	\$185.9	\$182.9
Change in Fund Balance	\$3.3	-\$1.9	-\$6.7	-\$8.4	-\$4.6	\$0.7
UNRESERVED FUND BALANCE (at Year-End)	\$58.7	\$56.8	\$50.1	\$41.7	\$37.1	\$37.8
% of REVENUE	35%	30%	28%	23%	20%	21%

Notes:
 (a) FY 2019-20 projection is the Adopted Budget with projected Toxic fee revenue and elevator replacement that was approved after Board adoption of the budget.
 (b) FY 20-21 through FY 23-24 includes: projected building maintenance/building capital projects; projected retirement increases (per SBCERA); Restore Salary Savings to 8%; POB changes to GF; and 3rd year of labor agreement.

Questions?

DRAFT

BOARD MEETING DATE: December 6, 2019

AGENDA NO.

REPORT: Status Report on Major Ongoing and Upcoming Projects for Information Management

SYNOPSIS: Information Management is responsible for data systems management services in support of all South Coast AQMD operations. This action is to provide the monthly status report on major automation contracts and planned projects.

COMMITTEE: Administrative, November 18, 2019, Reviewed

RECOMMENDED ACTION:
Receive and file.

Wayne Natri
Executive Officer

RMM:MAH:XC:agg

Background

Information Management (IM) provides a wide range of information systems and services in support of all South Coast AQMD operations. IM's primary goal is to provide automated tools and systems to implement Board-approved rules and regulations, and to improve internal efficiencies. The annual Budget and Board-approved amendments to the Budget specify projects planned during the fiscal year to develop, acquire, enhance, or maintain mission-critical information systems.

Summary of Report

The attached report identifies each of the major projects/contracts or purchases that are ongoing or expected to be initiated within the next six months. Information provided for each project includes a brief project description and the schedule associated with known major milestones (issue RFP/RFQ, execute contract, etc.).

Attachment

Information Management Status Report on Major Ongoing and Upcoming Projects During the Next Six Months

ATTACHMENT
December 6, 2019 Board Meeting
Information Management Status Report on Major Ongoing and
Upcoming Projects During the Next Six Months

Project	Brief Description	Estimated Project Cost	Completed Actions	Upcoming Milestones
Office 365 Implementation	Acquire and implement Office 365 for South Coast AQMD staff	\$350,000	<ul style="list-style-type: none"> • Pre-assessment evaluation and planning completed • Board approved funding on October 5, 2018 • Developed implementation and migration plan • Acquired Office 365 licenses • Implemented Office 365 email (Exchange) and migrated all users • Trained staff in Office 365 Pro Plus desktop software • Implemented Office 365 Suite including file storage (OneDrive for Business) and migrated users 	<ul style="list-style-type: none"> • Implement Office 365 internal website (SharePoint) and migrate existing content
Permitting System Automation Phase 1	New Web application to automate the filing of all permit applications with immediate processing and issuance of permits for specific application types: Dry Cleaners, Gas Stations and Automotive Spray Booths	\$694,705	<ul style="list-style-type: none"> • Automated 400A form filing, application processing, and online permit generation for Dry Cleaner, Automotive Spray Booth and Gas Station Modules deployed to production • Enhanced processing of school locations with associated parcels • Deployed upgraded GIS Map integration and enhanced sensitive receptor identification and distance measurement work 	<ul style="list-style-type: none"> • Continue Phase 1.1 project outreach support

Project	Brief Description	Estimated Project Cost	Completed Actions	Upcoming Milestones
Permitting System Automation Phase 2	Enhanced Web application to automate filing process of Permit Applications, Rule 222 equipment, and registration process for IC engines; implement electronic permit folder and workflow for internal South Coast AQMD users	\$525,000	<ul style="list-style-type: none"> • Board approved initial Phase 2 funding December 2017 • Phase 2 project startup and detail planning completed May 2018 • Business process model approved • Board approved remaining Phase 2 funding October 5, 2018 • Application submittals and form filing for 23 types of equipment under Rule 222 • Deployment of all 23 Rule 222 equipment forms to stage for user testing completed • User demo and acceptance testing of all equipment forms completed • Forms modified based on user comments • Permitting Automation Workflow/Engineer shadowing/interviewing completed • Workflow analysis report completed • Report outlining recommendations for automation of Permitting Workflow completed 	<ul style="list-style-type: none"> • Development of application submittals and form filing of two (2) of the remaining twenty six (26) 400-E forms

Project	Brief Description	Estimated Project Cost	Completed Actions	Upcoming Milestones
Information Technology Review Implementation	Complete Board requested Information Technology review and initiate work on implementation of key recommendations	\$75,000 (funding included in \$350,000 Office 365 implementation project)	<ul style="list-style-type: none"> • Initiated Implementation Planning and Resource Requirements for key recommendations • Completed Microsoft Project Plan training for all IM Managers, Supervisors and Secretaries • Established internal Information Technology Steering Committee, members and charter • Configured and deployed Project Management software for IM team 	<ul style="list-style-type: none"> • Office 365 deployment
Permit Application Status and Dashboard Statistics	New Web application to allow engineers to update intermediate status of applications; create dashboard display of status summary with link to FIND for external user review	\$100,000	<ul style="list-style-type: none"> • Board approved funding December 2017 • Project startup and detail planning completed • Development of Release 1 and application search module completed • User Acceptance Testing for data capture and user reports modules completed • Internal deployment of application for engineers to populate application related data completed • Enhancements requested by user completed 	<ul style="list-style-type: none"> • Continue user data input for all open applications • Deployment of external application (and linked to FIND) for regulated community to view application related data

Project	Brief Description	Estimated Project Cost	Completed Actions	Upcoming Milestones
Document Conversion Services	Document Conversion Services to convert paper documents stored at South Coast AQMD facilities to electronic storage in OnBase	\$83,000	<ul style="list-style-type: none"> • Release RFQ October 5, 2018 • Approved qualified vendors January 4, 2019 • Executed purchase orders for scanning services • Converted over 1,207,505 rule administrative record documents 	<ul style="list-style-type: none"> • Convert over 2,000,000 contract documents
Replace Your Ride (RZR)	New Web application to allow residents to apply for incentives to purchase newer, less polluting vehicles	\$301,820	<ul style="list-style-type: none"> • Phase 2 Fund Allocation, Administration and Management Reporting modules deployed and in production • Final Phase 2 user requested enhancements: VIN Number, Case Manager, Auto e-mail and document library updates deployed to production • Phase 3 Data Migration development work completed • Data migration approved • Phase 3 moved to production 	<ul style="list-style-type: none"> • Implementation of RZR and PeopleSoft Financial integration module • Implementation of Electric Vehicle Service Equipment • Move latest requested modification and upgrades to production
South Coast AQMD Mobile Application Enhancements	Enhancement of Mobile application with addition of advance notification, alternative fuel station search, media integration, infrastructure for hourly migration, and performance improvements	\$100,000	<ul style="list-style-type: none"> • Project charter released • Task order issued, evaluated and awarded • Code development of Phase 1, alternative fuel, media integration, and performance improvements completed • User Acceptance Testing of Phase 1 completed 	<ul style="list-style-type: none"> • Beta Release • Deployment of Phase 1 • System development in progress for Phase 2

Project	Brief Description	Estimated Project Cost	Completed Actions	Upcoming Milestones
Legal Division New System Development	Develop new web-based case management system for Legal Division to replace existing system	\$500,000	<ul style="list-style-type: none"> • Task order issued, evaluated and awarded • Project charter finalized • Business Process Model completed • Sprint 1, 2 and 3 functional and system design completed • Testing of Sprints 1–3: NOVs, MSPAP, settlements, civil and small claims completed • Sprint 4 functional and design requirements: criminal, bankruptcy, non-NOV cases and check registers completed 	<ul style="list-style-type: none"> • Test Sprint 4 modules and retest updates to Sprints 1, 2, and 3 modules • Sprint 5 development: investigative and legal assignments, OnBase and finance integration. • Sprint 6 development: reports and data migration
Flare Event Notification – Rule 1118	Develop new web-based application to comply with Rule 1118 to improve current flare notifications to the public and staff	\$100,000	<ul style="list-style-type: none"> • Project charter released • Task order issued, evaluated and awarded • Requirement gathering and design for Sprint 1, 2, and 3 completed • Sprint 4, Public Portal implementation completed • Major incident notification deployed • Refinery user training completed 	<ul style="list-style-type: none"> • Application Demo to EC • Deployment to production
VW Environmental Mitigation Action Plan Project	Develop a web application for Zero-Emission Class 8 Freight and Port Drayage Truck Project & Combustion Freight and Marine Project, and incentive programs, and maintain a database that will be queried for reporting for CARB	\$355,000	<ul style="list-style-type: none"> • Project charter document released • Task order issued, evaluated and awarded • Requirement gathering and design for Phase 1 application acceptance completed • System development for Phase 1 completed 	<ul style="list-style-type: none"> • Phase 1 system beta testing • Form creation for Class 8 • Completion of User Acceptance Testing • System deployment to production

Project	Brief Description	Estimated Project Cost	Completed Actions	Upcoming Milestones
AQ-SPEC Cloud Platform	Develop a cloud-based platform to manage and visualize data collected by low-cost sensors	\$385,500	<ul style="list-style-type: none"> • Project charter released • Task order issued, evaluated and awarded • Business requirements gathering completed • System Architecture, Data Storage, and Design Data Ingestion completed • Data Transformations, Calculations, and Averaging completed • Dashboards, Microsites, Data Migration completed • Release 2 User Acceptance Testing completed 	<ul style="list-style-type: none"> • Deployment to Production
PeopleSoft Electronic Requisition	South Coast AQMD is implementing electronic requisition for PeopleSoft Financials. This will allow submittal of requisitions online, tracking multiple levels of approval, electronic archival, pre-encumbrance of budget, and streamlined workflow	\$75,800	<ul style="list-style-type: none"> • Project charter released • Task order issued, evaluated and awarded • Requirement Gathering and System Design completed • System Setup and Code Development and user testing for Information Management completed • System Setup and Code Development and user acceptance testing completed for AHR (Admin and Human Resources) completed 	<ul style="list-style-type: none"> • Deployment to IM and AHR divisions • Integrated User Testing for other divisions

Project	Brief Description	Estimated Project Cost	Completed Actions	Upcoming Milestones
Data Cable Infrastructure Installation	Vendor to install a full, turnkey data cable infrastructure system with the latest technical specifications that can provide connectivity and a broader network bandwidth	\$273,125	<ul style="list-style-type: none"> • Released RFP July 12, 2019 • Board approved funding on October 4, 2019 • Executed contract 	<ul style="list-style-type: none"> • Complete implementation February 28, 2020
Prequalify Vendor List for PCs, Network Hardware, etc.	Establish list of prequalified vendors to provide customer, network, and printer hardware and software, and to purchase desktop computer hardware upgrades	\$300,000	<ul style="list-style-type: none"> • Released RFQQ November 1, 2019 	<ul style="list-style-type: none"> • Approve Vendors List February 7, 2020
Annual Emission Reporting (AER) enhancement	Annual Emission Reporting (AER) program was developed to track emissions of air contaminants from permitted facilities. Substantial enhancements are required to meet the requirements for Rule 301 and AB617	\$275,800	<ul style="list-style-type: none"> • Project charter released • Task order issued, evaluated and awarded • Business requirements gathering completed • System Architecture, System Design completed • Development of Phase 1 completed 	<ul style="list-style-type: none"> • System Integration testing and User Acceptance Testing • Deployment of Phase 1 before January 1, 2020 reporting period

Project	Brief Description	Estimated Project Cost	Completed Actions	Upcoming Milestones
Rule 1403 Enhancements	The Rule 1403 web application automates the Rule 1403 notification process. Enhancements to the system are now required to streamline the process and to meet the new rule requirements	\$68,575	<ul style="list-style-type: none"> • Project charter released • Task order issued, evaluated and awarded • Business requirements gathering completed • Development of Phase 1 completed 	<ul style="list-style-type: none"> • Development of Phase 2 • System Integration testing and User Acceptance Testing

Projects that have been completed within the last 12 months are shown below.

Completed Projects

Project	Date Completed
CLASS Database Software Licensing and Support	November 30, 2019
Ingres Database Migration to Version 11	August 23, 2019
Renewal of OnBase Software Support	July 15, 2019
Telecommunications Service	July 15, 2019
AB 617 – Community Monitoring Data Display Web Application	July 9, 2019
Online filing of Rule 1415 – Reduction of Refrigerant Emissions System	June 5, 2019
South Coast AQMD Mobile Application for Android devices	May 30, 2019
Renewal of HP Server Maintenance & Support	April 30, 2019
Implementation of Enterprise Geographic Information System (EGIS) Phase II	March 11, 2019
FIND (Facility Information Detail) upgrade	February 21, 2019
South Coast AQMD Mobile Application for IOS devices Phase I	November 2, 2018

DRAFT

BOARD MEETING DATE: December 6, 2019

AGENDA NO.

PROPOSAL: Transfer Funds for Enhanced Particulate Monitoring Program

SYNOPSIS: This action is to transfer up to \$300,000 between Major Objects in Science and Technology Advancement's FY 2019-20 Budget to realign expenditures for the FY 2019-20 Enhanced Particulate Monitoring Program.

COMMITTEE: Administrative, November 8, 2019; Recommended for Approval

RECOMMENDED ACTION:

Transfer up to \$300,000 from Science and Technology Advancement's FY 2019-20 Budget, Salaries and Employee Benefits Major Object (Org 44), to Services and Supplies Major Object (Org 47), Temporary Agency Account, to realign expenditures for the FY 2019-20 Enhanced Particulate Monitoring Program.

Wayne Natri
Executive Officer

MMM:JCL:RMB:ld

Background

South Coast AQMD has been providing enhanced particulate monitoring support, including sample collection, as part of a national monitoring program since 2003 and will continue for the foreseeable future.

Proposal

The South Coast AQMD has received funding from the U.S. Government for the ongoing Enhanced Particulate Monitoring Program for FY 2019-20. This action is to transfer up to \$300,000 from Science and Technology Advancement's FY 2019-20 Budget, Salaries and Employee Benefits Major Object (Org 44), to Services and Supplies Major Object (Org 47), Temporary Agency Account, to realign expenditures for the FY 2019-20 Enhanced Particulate Monitoring Program with actual staffing needs.

Resource Impacts

U.S. Government funding will fully support the Enhanced Particulate Monitoring Program. The transfer of \$300,000 will realign expenditures for the FY 2019-20 Program.