SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
DIAMOND BAR, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2008

MISSION STATEMENT

The South Coast AQMD believes all residents
have a right to live and work in an environment of clean air
and is committed to undertaking all necessary steps to protect public health from
air pollution with sensitivity to the impacts of its action on the community and bussiness.

South Coast
Air Quality Management District

Diamond Bar, California

Comprehensive Annual Financial Report

Year Ended June 30, 2008

Prepared by:
Finance Office
Patrick H. Pearce, Chief Financial Officer

Comprehensive Annual Financial Report
Year Ended June 30, 2008

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SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

GOVERNING BOARD
June 30, 2008

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

S. ROY WILSON, Ed.D.
Vice-Chairman
County of Riverside Representative

MICHAEL D. ANTONOVICH
County of Los Angeles Representative

GARY OVITT
County of San Bernardino Representative

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

JAN PERRY
City of Los Angeles Representative

BILL CAMPBELL
County of Orange Representative

MIGUEL A. PULIDO
County of Orange
Cities Representative

JANE CARNEY
Senate Rules Committee Appointee

TONIA REYES URANGA
County of Los Angeles
Cities Representative
Western Region

RONALD O. LOVERIDGE
County of Riverside
Cities Representative

DENNIS YATES
County of San Bernardino
Cities Representative

JOSEPH K. LYOU, Ph.D.
Governor's Appointee

BARRY R. WALLERSTEIN, D.Env.
Executive Officer

South Coast
Air Quality Management District
21865 Copley Drive, Diamond Bar, CA 91765-4178
(909) 396-2000 • http://aqmd.gov

October 21, 2008

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

State law requires that local governments publish within six 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, 2008.

This report consists of management's representations concerning the finances of the South Coast Air Quality Management District (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.

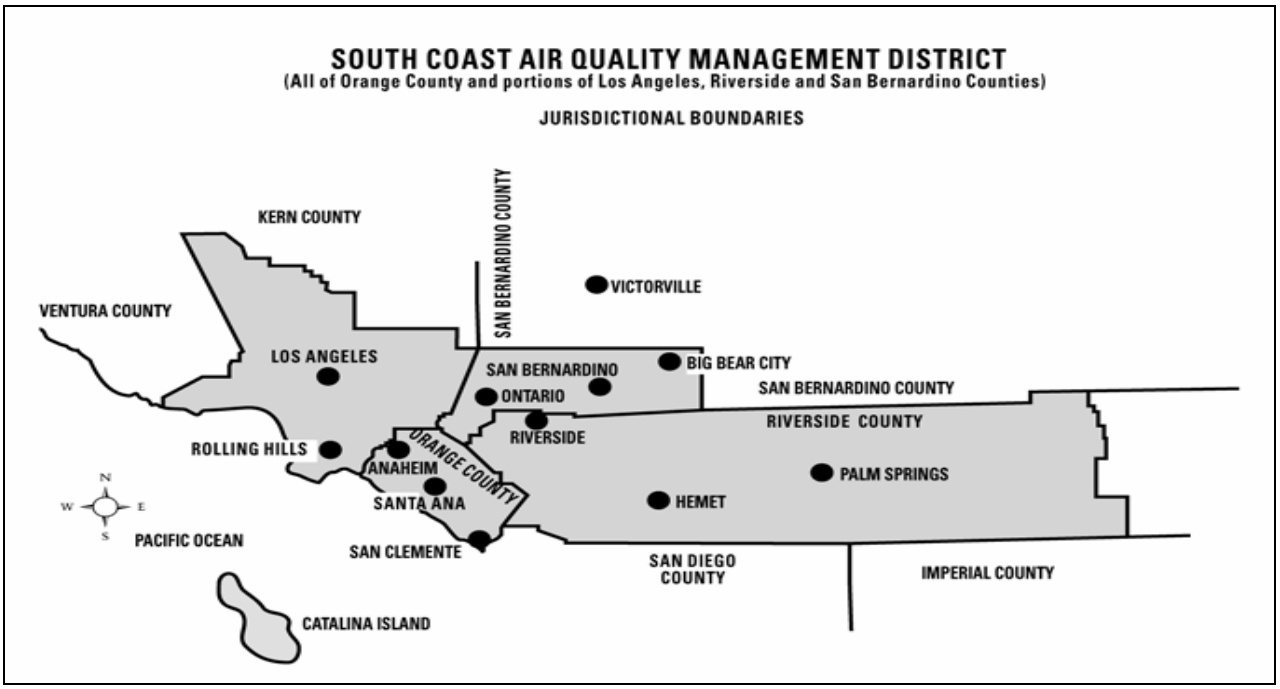
The AQMD's financial statements have been audited by Thompson, Cobb, Bazilio & Associates, Certified Public Accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the AQMD for the fiscal year ended June 30, 2008 are free of material misstatements. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified (clean) opinion that the AQMD financial statements for the fiscal year ended June 30, 2008 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 the 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 legal requirements, with special emphasis on internal controls and legal requirements involving the administration of Federal awards. These reports are available in the 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. The AQMD encompasses all of Orange County and parts of Los Angeles, San Bernardino and Riverside Counties, representing over 16 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.



The AQMD Governing Board is composed of 13 members, including four members appointed by the Boards of Supervisors of the four counties in AQMD's jurisdiction, six members appointed by cities in the 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 District 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. The 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.

The 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. 14 requires that certain separate but related component units be included with the AQMD for reporting purposes. This report includes the South Coast Air Quality Management District Building Corporation (Corporation) as a discretely presented component unit. This is presented in a separate column in the basic financial statements to distinguish the financial position and operations of the AQMD from its component unit. The 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 the AQMD and the Corporation. For additional information, see Note 1 to the financial statements.

The annual budget serves as the foundation for the AQMD's financial planning and control. The Governing Board is required to adopt an annual budget by July 1 of each fiscal year. The 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 are limited to contractual obligations that require Governing Board approval. All work to account for and track special fund projects is included within the General Fund budget.

The AQMD maintains budgetary controls through both signature authority and automated budget checking. The objective of these controls is to ensure compliance with the annual appropriated budget approved by the Governing Board. The 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 a reservation of 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 developing budgetary expenditures data differ from the amount reported on the financial statements in conformity with generally accepted accounting principles. Reconciliation of the 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, the AQMD continues to meet its responsibility for sound financial management.

Factors Affecting Financial Condition

The AQMD is a fee-supported agency and does not receive sales or property tax support. Approximately 68% of its funding is derived from fees paid by stationary sources that emit air pollution; 18% from auto registration fees collected by the Department of Motor Vehicles and distributed to air districts throughout the state in support of motor vehicle emission reduction programs; 9% from federal and state grants and subventions; and the remainder from general revenues such as penalties/settlements, lease revenue and interest earnings.

To meet its program commitments, despite increased workload complexity, the AQMD continues to streamline many of its operations, reducing the cost of its programs. Compared to the 1991-92 fiscal year, 2007-08 reflects staffing levels that are 29% (341 FTEs) below 1991-92 levels, and expenditures that are 36% less than the 1991-92 period, when adjusted for inflation.

This year's revenues and expenditures represent both significant expenditure savings as a result of higher employee vacancy rates, deferred contract and capital equipment expenditures, and debt reduction. Revenues for fiscal year 2008 were less than budget due to a decline in mobile source revenue reflecting fewer vehicle registration and less federal government support. While the AQMD does not recover its activity costs fully from fees, support in the form of state subvention, federal grants, and general revenues offset much of the shortfall.

Because AQMD fee rate increases have not kept up with program costs, the Governing Board adopted in June 2006 a cost recovery plan which increases permit and compliance fees by a total of 30% phased-in over three years at 10% annually. These increases, along with debt and retirement cost reductions using one-time penalty/settlements, narrowed the gap between program expenditures and fee revenues.

Long-term Financial Planning

Unreserved fund balance in the General Fund (37% of total General Fund revenues) is above the policy guidelines set by the Board for budgetary and planning purposes (i.e., to maintain an unreserved fund balance at 15% of General Fund revenues). Much of the balance over the policy guidelines is due to the previously noted one-time penalty/settlements reached in fiscal years 2005-2008 with air pollution violators. To address long-term program cost, the AQMD in December 2006, using one-time penalty/settlement money, took the following actions totaling $29.1 million: (1) made a $10 million prepayment to the San Bernardino County Employees' Retirement Association reducing AQMD's Unfunded Actuarial Accrued Liability (UAAL) and lowering its long-term retirement cost; and (2) executed a Guaranteed Investment Contract (GIC) and Escrow Agreement to economically defease a portion of its current debt service (Pension Obligation Bonds), in the amount of $19.1 million. As part of the agreement, $3 million will be withdrawn annually beginning July 2007 for the next seven years, with approximately $2 million remaining from the GIC available in the eighth year for principal and interest reduction. This defeasance provides for budget savings during the eight year period between 2007 and 2014. Beginning in 2015, AQMD's debt service on its Installment Sale Revenue Bonds (associated with its Headquarters building) will be retired, resulting in an approximate $6 million annual savings.

Relevant Financial Policies

Cash Management
The County of Los Angeles provides treasury management services to the AQMD. Cash resources of the individual AQMD funds are invested as part of Los Angeles County's Pooled Surplus Investment Portfolio and Special Purpose Investments. Investments are consistent with AQMD adopted investment policy, with the majority of the maturities under one year. The investment policy authorizes investments in United States treasury bills, bonds and notes, obligations issued by agencies of the United States Government, bankers acceptances, commercial paper, medium term notes, certificates of deposit, and the State's Local Agency Investment Fund. The AQMD's portfolio at June 30, 2008, is $360,134,969.

The AQMD Governing Board annually reviews and approves its investment policy and the appointment of its treasurer. Monthly investment reports are submitted by the Chief Financial Officer to the Governing Board detailing investment activities and portfolio balances. Quarterly reports are submitted to the Governing Board, Investment Oversight Committee and auditor. The primary objective of the AQMD's investment policy is to ensure money in the Treasury not required for the immediate needs of AQMD is prudently invested to preserve principal and provide necessary liquidity, while earning a market average rate of return.

Risk Management
AQMD manages its risks of property and liability losses through a combination of commercial insurance and self-insurance programs. Commercial insurance coverages are secured with assistance from a team of experienced brokers from the Public Entity Division of Alliant Insurance Services. AQMD maintains All Risk Property coverage with replacement cost valuation for insurable values of approximately $150 million and Difference in Conditions coverage (earthquake and flood) with $25 million in limits.

AQMD has been self-insured since June 1, 1986, for workers' compensation, general liability, and automobile liability claims. AQMD utilizes the services of ACME Administrators, a state-certified third-party claims administrator (TPA), to process the AQMD's workers' compensation claims, with a dedicated claims examiner. Tort liability, employment and automobile liability claims are handled by Risk Management, District Counsel and AQMD-selected legal defense firms. Due to the unpredictability of payments and awards on workers' compensation claims and judgments in tort liability lawsuits, AQMD also maintains excess liability coverage over self-insured retentions for individual workers' compensation claims in excess of $750,000, employment liability claims in excess of $100,000 and general liability claims in excess of $1,000,000. Designations in the fund balance of $2,000,000 for self-insurance and $80,000 for unemployment claims are maintained.

Loss control activities are managed by AQMD's Risk Management staff. Staff performs loss prevention inspections, risk identification, loss analysis and employee safety training to minimize potential human and property losses, and establish compliance with Cal/OSHA regulations.

Pension Benefits
The AQMD provides its full-time employees retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and their beneficiaries through two multi-employer defined benefit pension plans: the San Bernardino County Employees' Retirement Association (SBCERA) and the Los Angeles County Employees' Retirement Association (LACERA). The AQMD makes contributions to the plans based on amounts determined by each retirement plan actuary. In June 2004, the AQMD issued $47 million in taxable pension obligation bonds to retire the Unfunded Actuarial Accrued Liability (UAAL) due to SBCERA realizing a 5.61% reduction in its FY 2004-05 retirement rates. As noted earlier, in December 2006 the AQMD prepaid a portion ($10 million) of its new UAAL, reducing its current retirement contributions by 1.12% of annual payroll. The AQMD does not have safety employees and does not provide post-employment health care benefits to its SBCERA retirees. In July 2007, the AQMD started reimbursing LACERA for the forty-six AQMD retirees who retired from LACERA and receive post-employment health care benefits. Currently, the AQMD has two active LACERA members remaining.

Major Initiatives

To continue our progress toward meeting federal and state health standards, the AQMD has implemented several innovative programs, such as market-based incentives (RECLAIM), permit streamlining, source education, business assistance, and technology advancement.

During the past 12 months, AQMD actively pursued the following programs.

Air Quality
Multiple Air Toxics Exposure Study (MATES III)
The MATES III study conducted by AQMD is the latest and most sophisticated air toxics research effort ever conducted in Southern California. Its chief findings are that:

- On average, Southland residents are exposed to a lifetime cancer risk from toxic air pollution of 1,200 in 1 million. That is a 15 percent reduction from the average risk estimated in AQMD's last air toxics study conducted in 1998-1999, but still one of the highest risks in the country;
- The highest computer-modeled risk level is in the port area, with a maximum lifetime cancer risk of up to 2,900 in a million;
- Diesel exhaust accounts for approximately 84 percent of region-wide cancer risk, and mobile sources -- including cars and trucks, as well as ships, trains, aircraft and construction equipment -- account for 94 percent of the total risk; and
- Sites with higher levels of cancer risk due to air toxics include Burbank, downtown Los Angeles, Fontana, Huntington Park and Wilmington. The site with the lowest risk is Anaheim.

Climate Credit Exchange Program
The AQMD adopted a work plan that lays the groundwork for the development and implementation of its new climate credit exchange program to provide incentives for local businesses to make voluntary reductions. AB 32, the Global Warming Solutions Act of 2006, requires the state's greenhouse gas emissions be reduced to 1990 levels by 2020. In January, the AQMD Board Chairman announced AQMD's "SoCal Climate Credit Exchange" program that

would be developed to certify carbon emission reduction credits and register and track any credit exchanges. The program aims to provide businesses with access to real credits that can achieve local air quality benefits for criteria and toxic air pollution.

Monitoring

Wildfire Smoke Monitoring Network

In the wake of last fall's destructive firestorms, the AQMD implemented a major expansion of its wildfire smoke monitoring network and challenged all schools to fly special flags alerting students to air quality conditions. The AQMD has enhanced its air monitoring network across the region by increasing the number of instruments capable of measuring and instantaneously reporting levels of fine particulate ($PM_{2.5}$), one of the chief pollutants in wildfire smoke. To supplement AQMD's existing network of 14 such instruments, an additional four monitors at permanent sites and four mobile monitors will be deployed during wildfires to smoke-impacted areas. Under the flag program, schools fly a color-coded flag each school day corresponding to the five color-coded air quality levels in the national Air Quality Index. The index recommends specific health advice for each air quality level. A full description of the Air Quality Flag Program is on AQMD's website at http://www.aqmd.gov/ej/pdf/flagbrochure.pdf.

Emission Reduction

Clean Vehicle Fleet Rules

In a major victory for clean air in the Southland, a federal appeals court (for the second time in five years) has upheld virtually all applications of the South Coast Air Quality Management District's clean fleet rules. The decision for the first time affirmed the application of the "market participant doctrine" to the federal Clean Air Act. Under the market participant doctrine, when government agencies, such as AQMD, purchase goods and contract for services, their actions are not subject to preemption by federal statutes, such as the federal Clean Air Act. Further, as the court held in this case, the market participant doctrine applies not just when agencies seek to obtain the best price for goods and services, but also when they seek to further other goals, such as reducing or preventing air pollution. The court's affirmation of state and local governments' authority to improve air quality through their actions as market participants could significantly enhance cleanup efforts nationwide, including those at the ports of Los Angeles and Long Beach.

Renewable Energy, Tree Planting Projects

The AQMD recently approved $5.2 million to reduce the need for conventional power generation by installing solar panels and other renewable energy projects on residences and commercial buildings in the region. This year's funding will equip 70 residences with solar photovoltaic panels and 13 commercial buildings with solar panels and other renewable energy projects. The projects were competitively ranked and selected from more than 300 proposals received by AQMD this year. Last fall, AQMD's Governing Board approved a policy directing that mitigation fees paid to AQMD for new power plants be used to reduce air pollution in communities around the power plants. In addition, AQMD's Board specified that at least one-third of the fees would be used specifically for renewable energy projects.

AQMD also approved $1 million to co-fund the Million Trees Initiative sponsored by the City of Los Angeles to plant and care for 1 million trees in Los Angeles. A recent study by The Center for Urban Forest Research reported that trees have a significant ability to capture fine particles from the air and absorb pollutants such as ozone. And while trees can emit volatile organic

compounds that contribute to the formation of ground-level ozone, the trees selected for planting in the program will be among the lowest-emitting available. Tree planting can also help reduce atmospheric carbon dioxide, which contributes to global warming.

Emission Reduction Incentive Programs

University Competition to Develop Environmentally Friendly Leaf Vacuum

The AQMD initiated a nationwide competition that will award up to $100,000 to university engineering students for developing a zero-emission leaf vacuum for commercial gardeners. The contest challenges university engineering school students to design and develop a backpack-style, rechargeable battery-powered, leaf vacuum that will address environmental concerns linked with traditional leaf blowers – noise, exhaust emissions and dust clouds – and meet the needs of commercial gardeners. Winning prototypes will be used to encourage equipment manufacturers to produce an environmentally friendly alternative to commercial backpack leaf blowers, which are a significant source of smog-forming emissions and a frequent source of complaints due to their loud noise and tendency to create large clouds of dust.

Dry Cleaner Grant Program

The AQMD has continued its financial support of its Dry Cleaner Grant Program by approving an additional $1 million to help up to 100 dry cleaners transition to non-toxic, non-polluting cleaning technologies. Since 2002, AQMD has provided $4.25 million to help dry cleaners transition to environmental friendly technologies.

Leaf Blower Exchange Program

For the second year in a row, AQMD will exchange 1,500 older leaf blowers for a low-polluting and lower-noise model manufactured by STIHL. In one year, the average blower emits as much pollution as 80 new cars, each driven 12,500 miles. In contrast, the STIHL models are nearly four times cleaner than the California Air Resources Board's standard for new blowers.

AQMD's leaf blower exchange program is modeled on the agency's highly successful residential lawn mower exchange program. Since 2003, AQMD has exchanged more than 16,000 highly polluting gas-powered mowers for zero-emitting electric models.

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, 2007. 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 analyst 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 the AQMD who continue to push technology and improve operations to accomplish 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,

Barry R. Wallerstein, D.Env.
Executive Officer

Patrick H. Pearce, CGFM
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

South Coast Air Quality Management District (AQMD) California

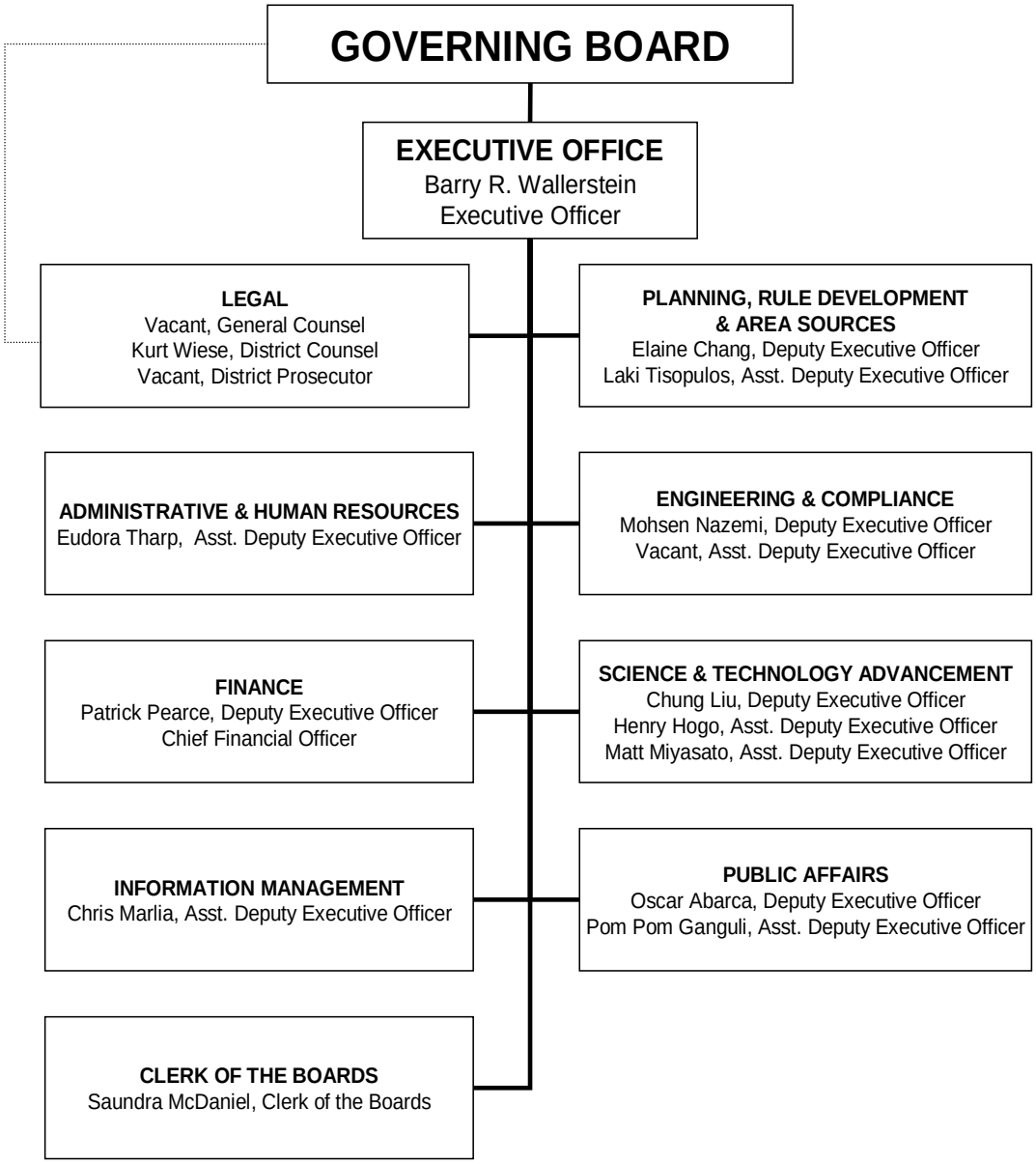
For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

South Coast Air Quality Management District, California
Organizational Chart
June 30, 2008



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INDEPENDENT AUDITOR'S REPORT

The Governing Board of
South Coast Air Quality Management District

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the South Coast Air Quality Management District (AQMD), as of and for the year ended June 30, 2008, which collectively comprise the AQMD's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the AQMD's management. 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the AQMD, as of June 30, 2008, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 21, 2008 on our consideration of the AQMD's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to

describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis (MD&A) and the Required Supplementary Information, as listed in the accompanying table of contents, are not a required part of the AQMD's basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the AQMD's basic financial statements. The introductory section, other supplementary information and statistical section, as listed in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the AQMD's basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the AQMD's basic financial statements and, accordingly, we express no opinion on them.

Torrance, California
October 21, 2008

Thompson, Cobb, Bazilio & Associates, P.C.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008

As management of the South Coast Air Quality Management District (AQMD), we offer readers of the AQMD's financial statements this narrative overview and analysis of the financial activities of the AQMD for fiscal year ended June 30, 2008. 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

- The assets of AQMD exceeded its liabilities at the close of the most recent fiscal year by $345.2 million (net assets). Of this amount, $20.2 million (unrestricted net assets), may be used to meet the AQMD's ongoing obligations to creditors.
- The AQMD's total net assets increased by $23.4 million.
- As of the close of the fiscal year, the AQMD's governmental funds reported combined ending fund balances of $362.5 million, an increase of $18 million in comparison to the prior year as restated. Of the $362.5 million combined ending fund balances, $53.4 million represents the fund balance of the General Fund.
- Out of the total General Fund balance of $53.4 million at the end of the fiscal year, $46.1 million represent the unreserved fund balance of which $13.4 million represent designated uses for needs of AQMD. The undesignated balance was $32.7 million, or 28% of general fund expenditures.
- The AQMD's net capital assets decreased by $2.9 million from the prior year.
- The AQMD's long term debt decreased by $8.3 million or 7.5% of the long term debt outstanding.

B. Overview of the Financial Statements

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

In general, the purpose of financial reporting is to provide the external parties that read financial statements with information that will help them make decisions or draw conclusions about an entity. In order to address the needs of as many parties as reasonably possible, the 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 the AQMD. These financial statements are constructed around the concept of a primary government and its component unit, excluding fiduciary funds. The financial statements of the AQMD's fiduciary funds are not included in the government-wide financial statements because these funds cannot be used to finance the AQMD's activities.

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

The Statement of Net Assets reports all assets held and liabilities owed by the 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 assets. Net assets increases or decreases may serve over time as a useful indicator of AQMD's financial position.

The Statement of Activities presents information showing how AQMD's net assets changed during the most recent fiscal year. All changes in net assets 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. The 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 the AQMD can be divided into three categories:

a. governmental funds
b. proprietary funds
c. fiduciary funds

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 may be useful in evaluating the AQMD's near-term financing requirements.

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. 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 Assets 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 assets can also be found under that same section.

The AQMD maintains 26 individual special revenue funds and one debt service fund in addition to the General Fund. Eight 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 18 non-major special revenue funds and the debt service fund are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds, and the debt service fund is reported in the Other Supplementary Information section of this report.

The 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 section of this report.

The Basic Governmental Fund Statements can be found under the Fund Financial Statements section of this report.

Proprietary Funds

When the AQMD charges for Compressed Natural Gas (CNG) fuel, whether to outside customers or within the AQMD, the transactions are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the government-wide financial statements only in more detail. A statement of cash flows, for instance, is presented at the fund financial statement level for proprietary funds but no equivalent statement is presented in the government-wide financial statements for either governmental activities or business-type activities.

The AQMD's Proprietary Fund Financial Statements for the CNG Fueling Station are presented under the Fund Financial Statements section.

Fiduciary Funds

Fiduciary Funds represent Agency Funds which are custodial in nature and do not involve measurement of results of operations. The AQMD's fiduciary activities are reported in separate Statements of Fiduciary Net Assets. These statements are excluded from AQMD's other financial statements because AQMD cannot use these assets to finance its operations. The 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.

The AQMD's Fiduciary Fund Financial Statements for the Agency Fund 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 Required Supplementary Information section concerning the General Fund's budgetary comparison schedule and budgetary reconciliation.

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 analyses focus on the net assets and changes in net assets of the AQMD's governmental and business-type activities. It should be noted that for the fiscal year 2006-07, Net Assets and non-current assets for governmental activities have been restated from previously issued financial statements to include prior year balances that related to a Guaranteed Investment Contract. It was previously reported as Guaranteed Investment Contract Trust Fund and should have been and is now reported as a Debt Service Fund. The effect of the restatement is to increase non-current assets and increase net assets by $19,541,380.

The schedule below presents a condensed Statement of Net Assets as of June 30, 2008 compared with the prior fiscal year.

Net Assets
(In Thousands)

	Governmental Activities		Business-Type Activities		TOTAL	
	FY 2007-08	FY 2006-07	FY 2007-08	FY 2006-07	FY 2007-08	FY 2006-07
Current and other assets	$ 385,382	$ 364,631	$ 162	$ 126	$ 385,544	$ 364,757
Investment	17,303	19,541	-	-	17,303	19,541
Prepaid pension assets	46,469	46,736	-	-	46,469	46,736
Capital assets	47,780	50,569	139	226	47,919	50,795
Total assets	496,934	481,477	301	352	497,235	481,829
Long-term liabilities outstanding	109,884	118,201	-	-	109,884	118,201
Other liabilities	42,116	41,723	18	48	42,134	41,771
Total liabilities	152,000	159,924	18	48	152,018	159,972
Net Assets:						
Invested in capital assets, net of related debt	12,745	10,939	139	226	12,883	11,165
Restricted for:						
Pension assets	3,089	1,926	-	-	3,089	1,926
Debt Service	17,382	19,541	-	-	17,382	19,541
Specific projects/programs	291,676	280,755	-	-	291,676	280,755
Unrestricted	20,042	8,392	144	78	20,187	8,470
Total net assets	$ 344,934	$ 321,553	$ 283	$ 304	$ 345,217	$ 321,857

As noted earlier, net assets may serve over time as a useful indicator of the AQMD's financial position. At the close of the most recent fiscal year, the AQMD's assets exceeded liabilities by $345.2 million.

The largest portion of the AQMD's net assets (84.5%) 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 4% of the AQMD's net assets reflect its investment in capital assets used by AQMD (e.g. land, buildings, equipment, and vehicles) less any related debt used to acquire those assets that is still outstanding. The 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 the 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 remaining portion of AQMD's net assets (6%) are unrestricted and may be used to meet AQMD's ongoing operations and obligations to creditors. At the end of the current fiscal year, the AQMD is able to report positive balances in all three categories of net assets, both for the District as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The net assets for governmental activities increased by $23.4 million during the current fiscal year. Most of the increase represents receipt of state grants from Carl Moyer SB 1107 program in FY 2007-08.

Program revenue increased by $18.2 million, largely due to an increase in annual operating fees and an increase of approximately $12 million in special revenue funds. General revenue decreased by $8.8 million, compared with the prior fiscal year which can be attributed mainly to the decrease in Penalties & Settlements.

Expenses increased by $30.9 million largely due to an increase in contract expenditures in the special revenue funds in which revenues are restricted to expenditures for specific purposes.

A condensed Changes in Net Assets schedule for the fiscal year ending June 30, 2008 compared with the prior fiscal year can be found on the following page.

South Coast Air Quality Management District
Changes in Net Assets
(In Thousands)

	Governmental Activities		Business-type Activities		TOTAL	
	FY 2007-08	FY 2006-07	FY 2007-08	FY 2006-07	FY 2007-08	FY 2006-07
Revenues:						
Program Revenues:						
Fees and charges – stationary sources	$ 82,826	$ 75,200	$	$ -	$ 82,826	$ 75,200
Fees and charges – mobile sources	22,170	23,966		-	22,170	23,966
Operating grants and subventions	8,858	8,947		-	8,858	8,947
Restricted special revenue sources	105,383	92,925		-	105,383	92,925
General Revenues:						
Grants and subventions – not restricted to specific programs	2,944	2,962		-	2,944	2,962
Penalties and settlements	5,190	13,211		-	5,190	13,211
Interest	3,950	4,012		-	3,950	4,012
Other revenues	496	1,237		-	496	1,237
CNG fuel sales	-	-	197	143	197	143
Total revenues	231,817	222,460	197	143	232,014	222,603
Expenses:						
Advance clean air technology	7,114	7,068	-	-	7,114	7,068
Ensure compliance with clean air rules	39,463	42,699	-	-	39,463	42,699
Customer service	6,697	8,688	-	-	6,697	8,688
Develop programs to achieve clean air	7,969	8,722	-	-	7,969	8,722
Develop rules to achieve clean air	8,391	7,351	-	-	8,391	7,351
Monitoring air quality	12,866	12,229	-	-	12,866	12,229
Timely review of permits	24,581	24,509	-	-	24,581	24,509
Policy support	3,630	3,442	-	-	3,630	3,442
Interest on long-term debt *	4,615	-			4,615	-
Special funds activities	93,110	62,831	-	-	93,110	62,831
Other expenses	-	-	218	225	218	225
Total expenses	208,436	177,539	218	225	208,654	177,764
Increase (decrease) in net assets, before transfers	23,381	44,921	(21)	(82)	23,360	44,839
Transfers	-	(9,704)	-	-	-	(9,704)
Increase (decrease) in net assets	$ 23,381	$ 35,217	$ (21)	$ (82)	$ 23,360	$ 35,135

* Starting in FY 07-08, interest on Long-term Debt is reported as a separate line item in the Statement of Activities.

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 the AQMD's net assets changed during FY 2007-08. All changes in net assets are reported as soon as the underlying event occurs regardless of the timing of the cash flows.

The Statement of Activities distinguishes governmental activities from business type activities. Governmental activities of the 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 primary governmental activities of the AQMD are: Advance Clean Air Technology, Ensure Compliance with Clean Air Rules, Customer Service, Develop Programs to Achieve Clean Air, Develop Rules to Achieve Clean Air, Monitoring Air Quality, Timely Review of Permits, Policy Support, and Special Funds activities.

There was an increase in program revenues in the Restricted Special Revenues Sources. The program revenues in the Restricted Special Revenue Sources category are made up of revenues from several special revenue funds. Following are explanations of the significant revenue variances from Fiscal Year 2006-07 to Fiscal Year 2007-08:

- **Air Quality Investment Fund:** In Fiscal Year 2007-08, revenue decreased by $3.5 million as a result of decreases in Rule 1121 Mitigation Fee revenue by $1.3 million and Rule 2202 revenue by $2.3 million. Rule 1121 requires the manufacturers of water heaters to reduce NOx emissions. Manufacturers that could not meet the requirement by January 2005 were required to pay a mitigation fee of $3 per unit sold within the South Coast District. In January 2006 the fee increased to $15. As of January 2008, all manufacturers were required to sell water heaters that meet the Rule 1121 NOx requirements. Rule 2202 requires employers with 250 or more employees to reduce mobile source emissions from employee commutes. Rule 2202 allows employers to meet their emission reduction targets by either paying an air quality investment fee or by implementing an emission reduction program in accordance with the rule. In Fiscal Year 2007-08, there was an increase in the number of employers that elected to meet the Rule 2202 requirements by implementing their own emission reduction program.

- **Clean Fuels Fund:** In Fiscal Year 2007-08, revenue was $1.3 million higher than the previous fiscal year. In Fiscal Year 2006-07, $1.5 million revenue was transferred to other funds for reimbursement of the development and demonstration of hybrid-electric buses, technical assistance and advanced technology vehicle leases. In Fiscal Year 2007-08, only $200,000 was transferred to other funds for reimbursement.

- **Carl Moyer Fund:** This was established to account for the money received from the California Air Resources Board (CARB) to provide funds, on an incentive basis, for

the incremental cost of cleaner-than-required engines and equipment. Overall, revenue in this fund decreased by $3.3 million. In Fiscal Year 2007-08, Carl Moyer AB 923 program revenues that were reported in this fund are now reported in a separate fund resulting in a decrease of $18.8 million. In addition, SB 1107 program revenues increased by $15.5 million.

- **Carl Moyer Fund AB 923 Fund:** This was established in Fiscal Year 2007-08 to separately report the Carl Moyer AB 923 program activities. AB 923 revenue reported in Fiscal Year 2007-08 was $20.3 million.

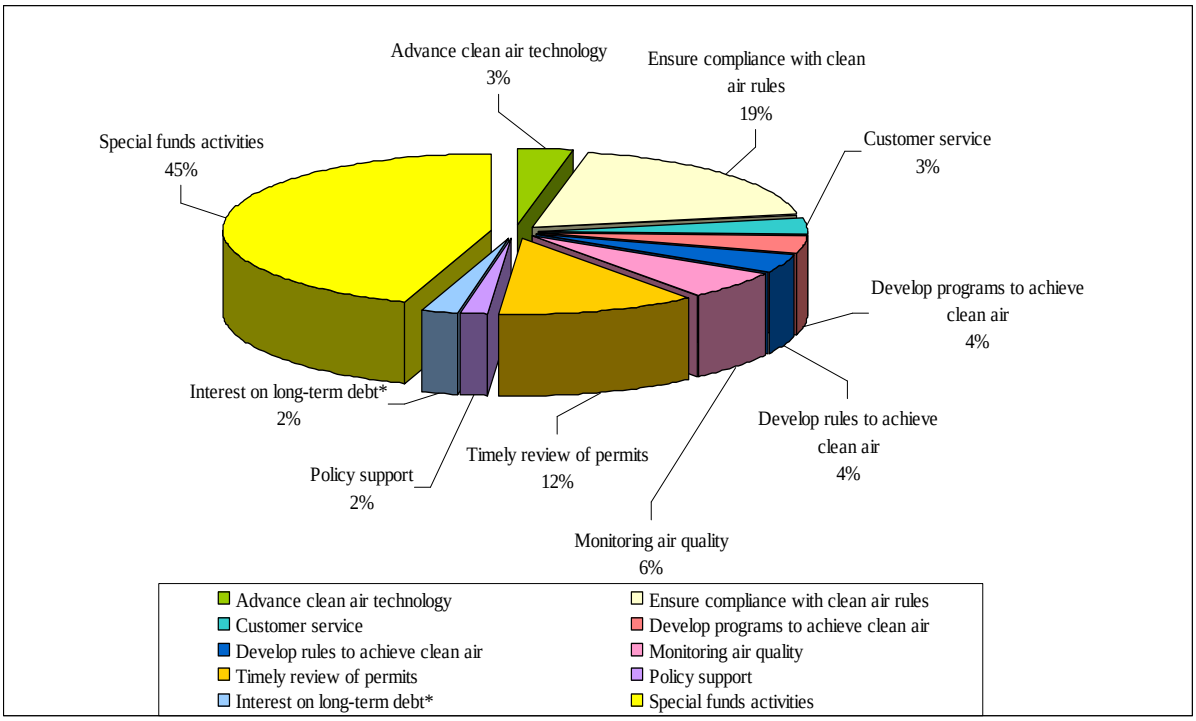
- **Rule 1309.1 Priority Reserve Fund:** In Fiscal Year 2007-08 interest revenue decreased by $0.1 million due to the rate of return reduction of 2.3%.

- **BP ARCO Fund:** In Fiscal Year 2007-08 interest revenue decreased by $0.3 million due to lower cash balances, along with the rate of return reduction of 2.3%.

Business-type Activities

The Business-type Activities section reports transactions relating to the CNG fueling station. The CNG fueling station expenditures are reported on a cash basis and are offset by sales. The net assets of the business-type activities decreased by $21,000 from $304,000 to $283,000. The decrease is primarily due to the depreciation of the Business-type Activities capital assets and the increase in liabilities.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
EXPENSES BY ACTIVITY
Governmental Activities
FY 2007-08

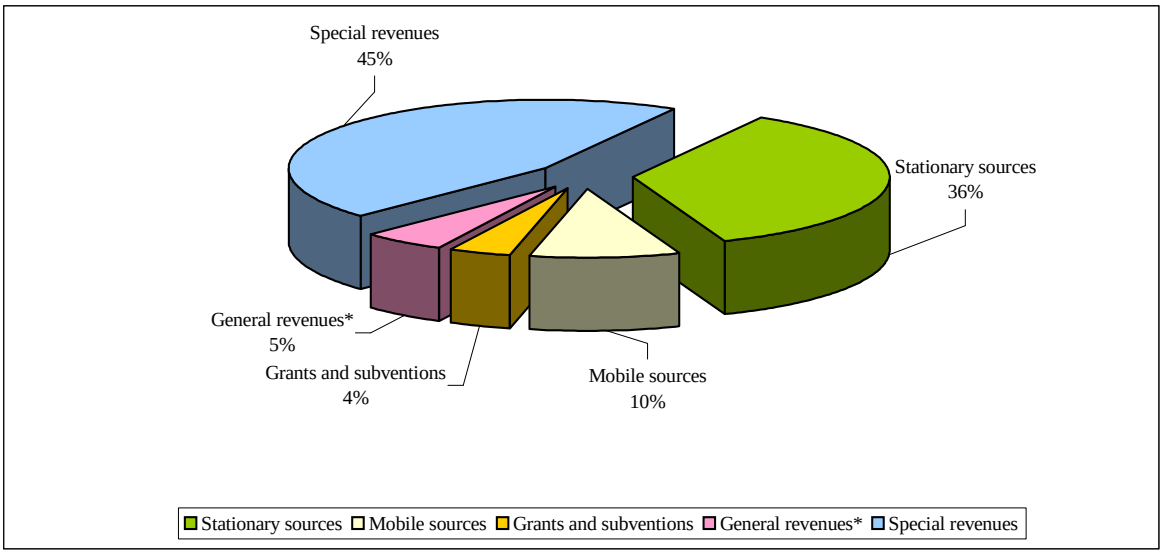


Activity	FY 07-08	FY 06-07	FY 05-06	FY 04-05	FY 03-04	FY 02-03
Advance clean air technology	$ 7,113,642	$ 7,067,528	$ 5,808,530	$ 5,011,874	$ 7,255,854	$ 5,933,504
Ensure compliance with clean air rules	39,463,040	42,699,519	36,727,226	37,666,189	38,536,722	33,440,503
Customer service	6,696,664	8,687,842	11,592,984	10,532,066	10,965,904	10,035,584
Develop programs to achieve clean air	7,969,413	8,721,816	7,811,791	7,106,133	7,910,778	6,213,755
Develop rules to achieve clean air	8,390,762	7,350,795	8,046,177	8,130,305	7,915,483	6,563,362
Monitoring air quality	12,866,270	12,229,451	11,794,227	11,591,430	11,883,527	10,032,083
Timely review of permits	24,580,945	24,508,757	23,191,423	21,403,924	21,408,261	18,937,964
Policy support	3,630,367	3,442,207	2,948,274	2,954,538	2,523,809	2,559,042
Interest on long-term debt*	4,614,842	-	-	-	-	-
Special funds activities	93,109,973	62,831,313	64,308,902	59,525,817	62,422,513	94,144,240
Total	$ 208,435,918	$177,539,228	$ 172,229,534	$ 163,922,276	$ 170,822,851	$ 187,860,037

*** Starting in FY 07-08, interest on long-term debt is reported as a separate line item and not allocated among the functional activities.**

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
REVENUES BY MAJOR SOURCE
Governmental Activities

FY 2007-08



Source	FY 07-08	FY 06-07	FY 05-06	FY 04-05	FY 03-04	FY 02-03
Stationary sources	$ 82,825,774	$ 75,200,253	$ 68,792,294	$ 64,925,373	$ 61,932,425	$ 62,835,710
Mobile sources	22,170,323	23,966,240	20,991,833	14,716,865	10,787,342	10,245,290
Grants and subventions	8,858,458	8,946,833	8,035,387	8,100,573	9,679,283	7,434,924
General revenues*	12,579,473	21,421,637	22,853,273	25,178,600	23,479,027	16,732,092
Special revenues	105,383,067	92,925,386	94,223,386	87,747,227	60,731,099	81,194,075
Total	$ 231,817,095	$ 222,460,349	$ 214,896,173	$ 200,668,638	$ 166,609,176	$ 178,442,091

* General Revenues include Penalties/Settlements, Interest, and Grants and Subvention dollars that are not restricted to specific programs.

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

GOVERNMENTAL ACTIVITIES

Net (Expense) Revenue
(In Thousands)

	FY 2007-08	
	Total Cost of Program Activities	Net Cost of Program Activities
Advance clean air technology	$ 7,114	$ 16
Ensure compliance with clean air rule	39,463	4,892
Customer service	6,697	676
Develop programs to achieve clean air	7,969	706
Develop rules to achieve clean air	8,391	1,061
Monitoring air quality	12,866	341
Timely review of permits	24,581	(4,993)
Policy support	3,630	445
Interest on long-term debt	4,615	(4,615)
Special funds activities	93,110	12,273
Total	$ 208,436	$ 10,802

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 the AQMD's jurisdiction.

- **Ensure Compliance with Clean Air Rules** – Perform inspections, source tests, samples, the certification of Continuous Emission Monitoring Systems (CEMS), emissions audits, and respond to and resolve public complaints to ensure compliance with AQMD rules for existing major and small stationary sources of all pollutants.

- **Customer Service** – Provide local government, business, and the public with access and input into the regulatory and policy processes of the 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.

- **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.

- **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 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.

- **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.

- **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), as well as the Installment Sale Revenue Bonds for the purchase of furnishings and equipment for the AQMD in conjunction with the construction of its headquarters.

- **Special Funds Activities –** 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 the AQMD's Funds

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

Governmental Funds

The focus of AQMD's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the AQMD's financing requirements. In particular, unreserved 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, the AQMD's governmental funds reported combined ending fund balances of $362.5 million, an increase of $18 million in comparison with the prior year. Approximately 80% of these fund balances ($291.7 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 school buses, involve multiple-year spending.

- **The General Fund** is the operating fund of the AQMD. At the end of the fiscal year, the total fund balance of the General Fund was $53.4 million. The unreserved fund balance was $46.1 million; designations were $13.4 million or 25% of the total fund balance. These designated amounts represent the AQMD's intended use of the financial resources in future periods. Its components are presented under Notes to the Basic Financial Statements. One measure of the General Fund's liquidity is the comparison of both unreserved fund balance and total fund balance to total expenditures. The unreserved fund balance (designated and undesignated combined) represents 39% of total General

Fund expenditures, while total fund balance represents 45% of the total General Fund expenditures. In the General Fund, the unreserved fund balance may serve as a useful measure of the AQMD's net resources available for spending at the end of the fiscal year.

In a continued effort to more fully recover the cost of the AQMD programs, in FY 2007-08 permit processing fees, annual operating and emission fees were increased by 10%. In addition, all other stationary source fees were increased by 4.1%. Overall, the FY 2007-08 adopted budget represented a $6.4 million (5.4%) increase over the FY 2006-07 adopted budget. The FY 2007-08 adopted budget included a 4% salary savings; which represents 32 unfilled positions; and a decrease of approximately $0.1 million in the services, supplies and equipment budget. On a budgetary basis, actual FY 2007-08 General Fund revenues exceeded expenditures by $6.8 million.

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

- **Air Quality Improvement Trust Fund** – The change in this fund is due to a change in the reporting of the pass-though revenue received. In previous fiscal years the pass-through revenue was recorded as revenue. Starting in Fiscal Year 2007-08 the pass-through revenue is recorded as a liability. This fund is used to account for 30 percent of the vehicle registration fees received by the SCAQMD under the provisions of Sections 44243 and 44244 of the California Health and Safety Code. The revenue received is disbursed to the local governments in the south coast basin to be used to fund projects for the purpose of reducing air pollution from motor vehicles.

- **Air Quality Investment Fund –** The fund balance increased due to revenue exceeding expenditures. Many of the contracts executed in this special revenue fund are multi-year and the projects are often long-term and expenditures can vary significantly from year to year.

- **Mobile Sources Air Pollution Reduction Fund** – The fund balance increased compared with the prior year due to revenue exceeding expenditures. Many of the contracts executed in this special revenue fund are multi-year and the projects are often long-term and expenditures can vary significantly from year to year.

- **Clean Fuels Program Fund** – The fund balance increased compared with the prior year due to revenues exceeding expenditures in Fiscal Year 2007-08. Many of the contracts executed in this special revenue fund are multi-year and the projects are often long-term and expenditures can vary significantly from year to year.

- **Carl Moyer Program Fund** – The fund balance decreased due to the set-up of a new special revenue fund for the Carl Moyer AB 923 program activities. In previous fiscal years, all AB 923 transactions were reported in this fund. Now AB 923 transactions are reported in the Carl Moyer AB 923 Fund.

- **Carl Moyer Program AB 923 Fund** – This fund was set-up in FY 2007-08 to provide separate reporting of AB 923 program activities. In previous fiscal years, all AB 923 transactions were reported in the Carl Moyer Fund.

- **Rule 1309.1 Priority Reserve Fund** – The fund balance showed a slight increase compared with the prior year due to revenues exceeding expenditures in Fiscal Year 2007-08. Many of the contracts executed in this special revenue fund are multi-year and the projects are often long-term and expenditures can vary significantly from year to year.

- **BP ARCO Fund** – The fund balance showed a decrease compared with the prior year. This is due to expenditures and transfers out to other funds, exceeding revenues in Fiscal Year 2007-08. This fund was established in Fiscal Year 2004-05 with a one-time settlement of $25 million which is to be used for projects within the South Coast District.

Proprietary Funds

As noted earlier, the AQMD's proprietary fund statements provide the same type of information found in the government-wide financial statements but in more detail. A Statement of Cash Flows is included in the Proprietary Fund Statement.

E. General Fund Budgetary Highlights

The AQMD adopts annual appropriated operating budget for the General Fund. During budget preparation, 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, the 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 2007-08 adopted budget compared to the amended budget reflects an increase in appropriations of $7.4 million. The changes to the budget were the result of Governing Board actions that allocated additional funding after the budget was adopted. Also, changes can be attributed to Governing Board approved transfers from other funds and the use of a portion of Undesignated Fund Balance for program needs that were unknown at the time the budget was developed.

Additional funding was appropriated in Fiscal Year 2007-08 from the following agencies:

EPA - $1,665,000 for the following programs: Photochemical Assessment Monitoring Stations (PAMS), PM 2.5 Monitoring, Exhaust After-treatment Systems for Locomotives, Special Particulate Air Monitoring Program, and the National Air Toxics Monitoring Program.

Department of Homeland Security - $467,000 for an enhanced particulate monitoring program.

California Air Resources Board and Southern California Association of Governments - $45,000 for the development of a "white paper" to explore potential strategies for

identifying the additional reductions needed to meet the current and future ambient air quality standards.

California Air Resources Board - $20,000 for a pilot program to assess remote sensing device technology to measure locomotive emissions.

Aggregate Mining Industry - $75,000 for a joint technical review of alternate sampling particulate matter methodologies.

The following amounts were transferred from other funds and designations to the General Fund:

Clean Fuels Fund - $600,000 for various Clean Fuels Program activities such as the Multiple Air Toxics Exposure Study (MATES III), technical assistance, expert consultations, public outreach, technical conference sponsorship, and advance technology vehicle leases.

BP ARCO Fund – $305,000 for air monitoring in the port area and I-710 freeway corridor, and legal defense of railroad rules.

Air Toxics "Hot Spots" Fund - $125,000 for the continuation of privatization of portions of the Annual Emissions Reporting (AER) Program.

Air Quality Investment Fund - $116,000 for the outreach and administrative expenses of the Mow Down Air Pollution Program 2007, which exchanged gas-powered lawn mowers with electric mowers.

Rule 1309.1 Priority Reserve Fund - $107,000 for exhaust after-treatment systems for locomotives.

Mobile Sources Air Pollution Reduction Fund - $57,000 for payment of the Mobile Sources Air Pollution Reduction Review Committee's miscellaneous administrative and travel expenses.

Carl Moyer Fund - $300,000 for support of various Carl Moyer Program activities such as public outreach, technical conference sponsorship, technical assistance and expert consultations.

Designation for Litigation and Enforcement - $350,000 for outside counsel to represent and advise both AQMD and AQMD Hearing Board on legal matters related to environmental law.

Designation for Facility Refurbishing - $905,000 for refurbishment projects at the AQMD Diamond Bar Headquarters.

Designation for Permit Streamlining - $230,000 to improve the efficiency of the permit processing system.

Designation for Equipment Replacement - $696,000 for the replacement of print shop and air monitoring equipment.

Designation for Enhanced Compliance - $70,000 for a compressed natural gas van to be used by the compliance staff for service station vapor recovery testing.

The remaining $1,271,000 increase can be attributed to transfers from the Undesignated Fund Balance for the following: a contractor insurance tracking system, local government outreach for use of AB 2766 motor vehicle registration fee funding, Information Management's systems development work, enhanced response capabilities for wildfire events, air monitoring station improvements, implementation of California Air Resources Board's Enhanced Portable Equipment Registration Program, and sponsorship of the Inland Empire Asthma Camp.

For Fiscal Year 2007-08, actual revenues were lower than the final budget by $1,436,000 or 1% and expenditures savings were $14,115,000 or 11%.

The main reason that actual revenue was less than the final budgeted revenue was due to not being able to be fully reimbursed from the EPA Section 105 grant funding because the grant work was not completed within the fiscal year. The unspent EPA Section 105 grant funds were reallocated into the FY 08-09 budget. In addition, less was spent than anticipated on the Department of Homeland Security and on the Toxics "Hot Spots" programs.

The expenditure savings can be mainly attributed to only filling critical vacant positions. Salary savings were budgeted at 4% while the actual was 7%. Additionally, expenditure savings were achieved by delaying budgeted contract work and building refurbishment projects to the following year; reversal of an accrual entry for probable litigation expense that was not incurred; a decision was made to purchase print shop equipment rather than lease; office space in Sacramento was not leased as originally planned; and budgeted fixed assets were not purchased or the purchases were postponed to FY 2008-09.

F. Capital Assets and Debt Administration

Capital Assets

The AQMD's investment in capital assets is mostly for its governmental activities. The book value was $47.8 million (net of accumulated depreciation of $57.8 million) as of June 30, 2008. This investment in capital assets includes land, buildings, laboratory equipment, air monitoring stations, and 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 the Notes to Basic Financial Statements section.

Long-Term Debt

At the end of the current fiscal year, the AQMD had a total long-term debt outstanding of $109.9 million, including the current portion of $9.6 million. Of this amount, $35 million represents the Installment Sale Revenue Bonds issued by the AQMD Building Corporation (Corporation) and the AQMD is required to make debt service payments. This is in accordance with the Installment Purchase Agreement between the Corporation and the

AQMD. The amount of $60.5 million represents the Pension Obligation Bonds. The 1995 series (outstanding balance of $17.1 million) and $43.4 million outstanding balance issued as of June 2004 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 claims and workers' compensation claims payable of $1.2 million and compensated absences of $13.2 million.

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

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

The FY 2008-09 expenditure budget decreases by 0.6% compared to the FY 2007-08 amended budget. The budget reflects a decrease of $0.8 million in expenditures from the FY 2007-08 amended budget and a $6.6 million increase over the FY 2007-08 Adopted Budget. This FY 2008-09 budget request includes the full cost increase associated with AQMD's labor agreements, which in the long term will reduce the agency's overall retirement cost by shifting a portion of the cost of retirement to its employees and reducing retirement benefits for new employees.

In recent years, 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 and court decisions which have increased benefits to employees and retirees. Emission fees revenues reflect lower emissions as a result of additional emission controls placed on the Basin's emitters. In order to finance the FY 2008-09 Budget, the third year of a 30% cost recovery fee increase phased in over three years (10% annually) is included to recover the program cost supported by permit processing fees, annual operating and emissions fees, and a 4.1% increase for all other stationary source fees. Estimated revenues for FY 2008-09 are $132.1 million which brings funding in balance with expenditures.

Moreover, since FY 1991-92, the AQMD has reduced staffing and program costs despite increased program requirements. The FY 2008-09 expenditure budget is $132.1 million and includes 839 funded positions. Compared to FY 1991-92, this reflects 28% less staffing. Program costs, however, will exceed by $19.6 million (approximately 17%) the 1991-92 budget. Using inflation-adjusted dollars, however, this year's budget request is 38% less than the budget approved in FY 1991-92.

H. Requests for Information

This financial report is designed to provide a general overview of the 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 Office of the Chief Financial Officer, South Coast Air Quality Management District, 21865 Copley Drive, Diamond Bar, CA 91765-4182.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
STATEMENT OF NET ASSETS
June 30, 2008

	Primary Government			Component Unit
Assets	Governmental Activities	Business-type Activities	Total	SCAQMD Building Corporation
Current Assets:				
Cash and cash equivalents	$ 359,086,709	$ 156,690	$ 359,243,399	$ 255,163
Interest receivable	3,293,223	1,503	3,294,726	624,465
Due from other governmental agencies	19,313,797	-	19,313,797	-
Accounts receivable, net	3,620,960	3,733	3,624,693	-
Inventories	67,815	-	67,815	-
Other assets	-	-	-	265,942
Total current assets	385,382,504	161,926	385,544,430	1,145,570
Noncurrent Assets:				
Investments	17,302,641	-	17,302,641	-
Prepaid pension assets	46,469,145	-	46,469,145	-
Capital assets:				
Land	8,829,792	-	8,829,792	-
Depreciable building and improvements	33,646,475	138,835	33,785,310	-
and equipment, net	5,303,272	-	5,303,272	-
Total capital assets	47,779,539	138,835	47,918,374	-
Total noncurrent assets	111,551,325	138,835	111,690,160	-
Total assets	496,933,829	300,761	497,234,590	1,145,570
Liabilities				
Current Liabilities:				
Accounts payable and accrued liabilities	19,238,025	17,538	19,255,563	3,465
Interest payable	1,930,823	-	1,930,823	624,136
Salaries and benefits payable	4,042,220	-	4,042,220	-
Unearned revenue	16,904,340	-	16,904,340	-
Long term debt - due within one year	9,551,485	-	9,551,485	-
Total current liabilities	51,666,893	17,538	51,684,431	627,601
Noncurrent Liabilities:				
Long term debt - due in more than one year	100,332,782	-	100,332,782	-
Total noncurrent liabilities	100,332,782	-	100,332,782	-
Total liabilities	151,999,675	17,538	152,017,213	627,601
Net Assets				
Investment in capital assets, net of related debt	12,744,539	138,835	12,883,374	-
Restricted for:				
Pension assets	3,089,145	-	3,089,145	-
Debt service	17,381,723	-	17,381,723	-
Specific projects/programs	291,676,023	-	291,676,023	-
Unrestricted	20,042,724	144,388	20,187,112	517,969
Total net assets	$ 344,934,154	$ 283,223	$ 345,217,377	$ 517,969

See accompanying notes to the basic financial statements.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008

		Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
		Fees and Charges							
Functions/ Programs	Expenses	Stationary Sources	Mobile Sources	Operating Grants and Subventions	Restricted Special Revenues Sources *	Governmental Activities **	Business-Type Activities	Total	SCAQMD Building Corporation
Primary Government:									
Governmental Activities:									
Advance clean air technology	$ 7,113,642	$	$ 7,058,946	$ 70,000	$ -	$ 15,304	$ -	$ 15,304	$ -
Ensure compliance with clean air rules	39,463,040	39,375,647	2,062,748	2,916,946	-	4,892,301	-	4,892,301	-
Customer service	6,696,664	5,103,662	2,115,067	153,608	-	675,673	-	675,673	-
Develop programs to achieve clean air	7,969,413	5,331,392	3,193,037	150,812	-	705,828	-	705,828	-
Develop rules to achieve clean air	8,390,762	8,016,516	1,191,030	244,532	-	1,061,316	-	1,061,316	-
Monitoring air quality	12,866,270	2,572,887	5,836,320	4,797,663	-	340,600	-	340,600	-
Timely review of permits	24,580,945	19,063,322	-	524,897	-	(4,992,726)	-	(4,992,726)	-
Policy support	3,630,367	3,362,348	713,175	-	-	445,156	-	445,156	-
Interest on long-term debt	4,614,842	-	-	-	-	(4,614,842)	-	(4,614,842)	-
Special funds activities	93,109,973	-		-	105,383,068	12,273,095	-	12,273,095	-
Total governmental activities	208,435,918	82,825,774	22,170,323	8,858,458	105,383,068	10,801,705	-	10,801,705	-
Business-type Activities:									
CNG fueling station	218,048	-	-	-	-	-	(218,048)	(218,048)	-
Total business-type activities	218,048	-	-	-	-	-	(218,048)	(218,048)	-
Total primary government	$ 208,653,966	$ 82,825,774	$ 22,170,323	$ 8,858,458	$ 105,383,068	10,801,705	(218,048)	10,583,657	-
Component Unit:									
SCAQMD Building Corporation	$ -	$ -	$ -	$ -	$ -				1,945,337
Total component unit	$ -	$ -	$ -	$ -	$ -				1,945,337
General Revenues:									
Grants and subventions - not restricted to specific stationary source programs						2,943,638	-	2,943,638	-
Interest						3,950,198	-	3,950,198	20,696
Lease revenue						366,924	-	366,924	-
Penalties/ settlement						5,190,492	-	5,190,492	-
Subscriptions						11,378	-	11,378	-
Other						116,842	-	116,842	1,456,697
CNG fuel sales						-	197,318	197,318	-
Total general revenues						12,579,472	197,318	12,776,791	1,477,393
Change in net assets						23,381,177	(20,730)	23,360,447	(467,944
Net assets - July 1, 2007 as restated						321,552,977	303,953	321,856,930	985,913
Net assets - June 30, 2008						$ 344,934,154	$ 283,223	$ 345,217,377	$ 517,969

* Restricted Special Revenue Sources 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 Source 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, 2008

Assets	General	Air Quality Improvement Fund	Mobile Sources Air Pollution Reduction Fund	Air Quality Investment Fund	Clean Fuels Program Fund	Carl Moyer Program Fund	CMP AB 923 Fund	Rule 1309.1 Priority Reserve Fund	BP ARCO Settlement Projects Fund	Other Governmental Funds	Total
Cash and cash equivalents	$ 68,703,664	$ 1,799,268	$ 55,715,181	$ 29,315,715	$ 52,188,616	$ 52,270,163	$ 31,559,318	$ 21,704,693	$ 19,464,339	$ 26,365,752	$ 359,086,709
Interest receivable	585,532	48,309	472,622	265,517	436,412	591,090	187,764	196,976	180,895	328,106	3,293,223
Due from other governmental agencies	6,407,739	3,383,463	2,537,597	-	2,725,669	-	4,229,329	-	-	30,000	19,313,797
Due from other funds	656,976	-	-	25,825	-	-	-	107,125	-	-	789,926
Accounts receivable, net	1,381,986	-	-	27,060	296,775	-	-	-	-	1,915,139	3,620,960
Inventories	67,815	-	-	-	-	-	-	-	-	-	67,815
Investments	-	-	-	-	-	-	-	-	-	17,302,641	17,302,641
Total assets	$ 77,803,712	$ 5,231,040	$ 58,725,400	$ 29,634,117	$ 55,647,472	$ 52,861,253	$ 35,976,411	$ 22,008,794	$ 19,645,234	$ 45,941,638	$ 403,475,071
Liabilities and Fund Balances											
Liabilities:											
Accounts payable and accrued liabilities	$ 3,281,513	$ 5,231,040	$ 1,591,763	$ 743,195	$ 850,430	$ 3,080,894	$ 2,689,730	$ 281,305	$ 47,603	$ 1,440,678	$ 19,238,151
Salaries and benefits payable	4,042,224	-	-	-	-	-	-	-	-	-	4,042,224
Due to other funds	132,825	-	63,310	101,204	310,156	108,352	-	-	-	73,953	789,800
Unearned revenue	16,904,340	-	-	-	-	-	-	-	-	-	16,904,340
Total liabilities	24,360,902	5,231,040	1,655,073	844,399	1,160,586	3,189,246	2,689,730	281,305	47,603	1,514,631	40,974,515
Fund Balances:											
Reserved for encumbrances	7,301,546	-	21,744,668	5,223,964	24,573,422	40,735,423	22,617,398	4,889,318	752,537	10,936,439	138,774,715
Reserved for inventories	67,815	-	-	-	-	-	-	-	-	-	67,815
Reserved for debt service	-	-	-	-	-	-	-	-	-	17,381,723	17,381,723
Unreserved:											
General fund	46,073,449	-	-	-	-	-	-	-	-	-	46,073,449
Special revenue funds	-	-	35,325,659	23,565,754	29,913,464	8,936,584	10,669,283	16,838,171	18,845,094	16,108,845	160,202,854
Total fund balances	53,442,810	-	57,070,327	28,789,718	54,486,886	49,672,007	33,286,681	21,727,489	19,597,631	44,427,007	362,500,556
Total liabilities and fund balances	$ 77,803,712	$ 5,231,040	$ 58,725,400	$ 29,634,117	$ 55,647,472	$ 52,861,253	$ 35,976,411	$ 22,008,794	$ 19,645,234	$ 45,941,638	$ 403,475,071

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 ASSETS
June 30, 2008

Total fund balances – total governmental funds	$362,500,556
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Pension assets and related AQMD costs resulting from contributions in excess of the annual required contribution are not financial resources and therefore are not reported in the governmental funds.	46,469,145
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 Assets as capital assets of AQMD as a whole.	47,779,539
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.	(1,930,823)
Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Assets.	
Long-term debt	(95,511,890)
General and auto liability	(11,926)
Workers' compensation	(1,170,915)
Compensated absences	(13,189,532)
Net assets of governmental activities	$344,934,154

See accompanying notes to the basic financial statements.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

	General Fund	Air Quality Improvement Fund	Mobile Sources Air Pollution Reduction Fund	Air Quality Investment Fund	Clean Fuels Program Fund	Carl Moyer Program Fund	CMP AB 923 Fund	Rule 1309.1 Priority Reserve Fund	BP ARCO Settlement Project Fund	Other Governmental Funds	Total
Revenues:											
Emission fees	$ 23,100,073	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 23,100,073
Annual renewal fees	38,970,949	-	-	-	-	-	-	-	-	-	38,970,949
Permit processing fees	18,105,901	-	-	-	-	-	-	-	-	-	18,105,901
Mobile sources/clean fuels	21,255,452	-	14,814,592	-	8,731,666	3,954,803	20,272,176	-	-	-	69,028,689
Air Toxics "Hot Spots"	1,720,464	-	-	-	-	-	-	-	-	260,795	1,981,259
Transportation programs	914,870	-	-	-	-	-	-	-	-	-	914,870
State subvention	4,003,263	-	-	-	-	-	-	-	-	-	4,003,263
Federal grant	7,798,903	-	-	-	-	-	-	-	-	30,000	7,828,903
State grant	-	-	-	-	50,000	38,810,362	-	-	-	817,000	39,677,362
Interest	3,109,855	-	2,401,615	1,330,978	2,188,947	3,422,856	250,995	995,069	1,008,773	2,190,037	16,899,125
Lease revenue	366,924	-	-	-	-	-	-	-	-	-	366,924
Source test/analysis fees	491,080	-	-	-	-	-	-	-	-	-	491,080
Hearing Board fees	411,537	-	-	-	-	-	-	-	-	-	411,537
Penalties/settlements	5,190,492	-	-	-	-	-	-	-	-	-	5,190,492
Subscriptions	11,378	-	-	-	-	-	-	-	-	-	11,378
Other revenues	142,543	-	-	4,203,288	274,000	-	-	-	-	215,459	4,835,290
Total revenues	125,593,684	-	17,216,207	5,534,266	11,244,613	46,188,021	20,523,171	995,069	1,008,773	3,513,291	231,817,095
Expenditures:											
Current:											
Salaries and employee benefits	88,320,801	-	-	-	-	-	-	-	-	-	88,320,801
Insurance	1,255,842	-	-	-	-	-	-	-	-	-	1,255,842
Rent	486,487	-	-	-	-	-	-	-	-	-	486,487
Supplies	3,365,065	-	-	-	-	-	-	-	-	-	3,365,065
Contract and special services	8,824,029	-	11,290,697	4,736,598	5,404,778	54,160,297	3,543,819	912,688	1,660,839	9,219,842	99,753,587
Maintenance	1,814,293	-	-	-	-	-	-	-	-	-	1,814,293
Travel and auto	622,446	-	-	-	-	-	-	-	-	-	622,446
Utilities	1,599,055	-	-	-	-	-	-	-	-	-	1,599,055
Communications	493,285	-	-	-	-	-	-	-	-	-	493,285
Uncollectible accounts	584,818	-	-	-	-	-	-	-	-	64,607	649,425
Other expenditures	(1,052,422)	1,539,757	635,500	-	30,052	(125,342)	-	28,235	2,506	5,100	1,063,386
Capital outlay	1,388,559	-	-	-	-	-	-	-	-	-	1,388,559
Debt service:							-		-		-
Principal	6,680,000	-	-	-	-	-	-	-	-	1,590,000	8,270,000
Interest	3,300,521	-	-	-	-	-	-	-	-	1,410,000	4,710,521
Total expenditures	117,682,779	1,539,757	11,926,197	4,736,598	5,434,830	54,034,955	3,543,819	940,923	1,663,345	12,289,549	213,792,752
Excess (deficiency) of revenues over (under) expenditures before transfers	7,910,905	(1,539,757)	5,290,010	797,668	5,809,783	(7,846,934)	16,979,352	54,146	(654,572)	(8,776,258)	18,024,343
Other Financing Sources (uses):											
Transfers in	1,484,881	-	-	25,825	2,548,745	-	16,307,329	107,125	-	3,500,000	23,973,905
Transfers out	(132,950)	-	(56,900)	(182,950)	(1,533,050)	(19,156,074)	-	(107,125)	(1,804,856)	(1,000,000)	(23,973,905)
Total other financing sources (uses)	1,351,931	-	(56,900)	(157,125)	1,015,695	(19,156,074)	16,307,329	-	(1,804,856)	2,500,000	-
Net change in fund balance	9,262,836	(1,539,757)	5,233,110	640,543	6,825,478	(27,003,008)	33,286,681	54,146	(2,459,428)	(6,276,258)	18,024,343
Fund balances, July 1, 2007	44,179,974	1,539,757	51,837,217	28,149,175	47,661,408	76,675,015	-	21,673,343	22,057,059	50,703,265	344,476,213
Fund balances, June 30, 2008	$ 53,442,810	$ -	$ 57,070,327	$ 28,789,718	$ 54,486,886	$ 49,672,007	$ 33,286,681	$ 21,727,489	$ 19,597,631	$ 44,427,007	$ 362,500,556

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, 2008

Net change in fund balances-total governmental funds	$18,024,343
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 Assets, 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.	1,388,559
Depreciation expense on capital assets is reported in the Government-wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in governmental funds.	(4,177,408)
Amortization of prepaid pension assets is reported in the Government-wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, amortized amount is not reported in governmental funds.	(267,000)
Repayment of bond principal is an expenditure in the governmental funds. For AQMD as a whole, principal payments reduce the liabilities in the Government-wide Statement of Net Assets and do not result in an expense in the Statement of Activities and Changes in Net Assets.	8,270,000
Accrued interest expense on long-term debt is reported in the Government-wide Statement of Activities and Changes in Net Assets, but it does not require the use of current financial resources. Therefore, accrued interest expense is not reported as an expenditure in governmental funds. This amount represents the change in accrued interest from the prior year.	95,681
Long-term compensated absences and general liability/workers' compensation claims are reported in the Government-wide Statement of Activities and Changes in Net Assets, 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	(249,838)
General and auto liability/workers' compensation claims	296,840
Change in net assets of governmental activities	$23,381,177

See accompanying notes to the basic financial statements.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

		Business-type Activities - Enterprise Funds
		CNG Fueling Station Fund
Assets		
Current Assets:		
Cash and cash equivalents	$	156,690
Interest receivable		1,503
Accounts receivable		3,733
Total current assets		161,926
Noncurrent Assets:		
Capital assets, net of accumulated depreciation		138,835
Total noncurrent assets		138,835
Total assets		300,761
Liabilities		
Current Liabilities:		
Accounts payable and accrued liabilities		17,538
Total liabilities		17,538
Net Assets		
Invested in capital assets, net of related debt		138,835
Unrestricted		144,388
Total net assets	$	283,223

See accompanying notes to the basic financial statements.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2008

	Business-type Activities - Enterprise Funds
	CNG Fueling Station Fund
Revenue:	
Merchandise sales	$ 197,318
Total operating revenue	197,318
Expenses:	
Depreciation	87,171
Other expenses	130,877
Total operating expenses	218,048
Operating income (loss)	(20,730)
Total net assets, July 1, 2007	303,953
Total net assets, June 30, 2008	$ 283,223

See accompanying notes to the basic financial statements.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2008

		Business-type Activities - Enterprise Funds
		CNG Fueling Station Fund
Cash Flows from Operating Activities:		
Cash received from merchandise sales	$	192,082
Cash payment for goods and services		(161,242)
Net cash provided by operating activities		30,840
Beginning cash balance, July 1, 2007		125,850
Ending cash balance, June 30, 2008	$	156,690

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating income (loss)	$	(20,730)
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation		87,171
Decrease (increase) in interest receivable		(1,503)
Decrease (increase) in receivable		(3,733)
Increase (decrease) in accounts payable and accrued liabilities		(30,365)
Total adjustments		51,570
Net cash provided by operating activities	$	30,840

See accompanying notes to the basic financial statements.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS – FIDUCIARY FUNDS
June 30, 2008

Assets	Agency Fund	Retirement Benefit Trust Fund
Cash and cash equivalents	$ 94,182	$ 1,716,553
Interest receivable	-	13,750
Due from other funds	-	580
Total assets	$ 94,182	1,730,883
Liabilities		
Liabilities:		
Accounts payable & accrued liabilities	$ 94,182	3,010
Total liabilities	$ 94,182	3,010
Net Assets		
Net assets held in trust for retirement benefit		1,727,873
Total net assets		$ 1,727,873

See accompanying notes to the basic financial statements.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS – FIDUCIARY FUNDS
For the Year Ended June 30, 2008

	Retirement Benefit Trust Fund
Additions:	
Contributions	$ 2,329
Interest	76,674
Total additions	79,003
Deductions:	
Other expenses	121,362
Total deductions	121,362
Change in net assets	(42,359)
Net assets held in trust for retirement benefits, July 1, 2007	1,770,232
Net assets held in trust for retirement benefits, June 30, 2008	$ 1,727,873

See accompanying notes to the basic financial statements.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Reporting Entity

The South Coast Air Quality Management District (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. The AQMD encompasses all of Orange County and parts of Los Angeles, San Bernardino, and Riverside Counties. The 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 the AQMD's permit system.

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

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 the AQMD. Although the Corporation is a legally separate entity, the AQMD Governing Board approves the appointment of the Corporation's Board of Directors. The AQMD has had significant transactions with the Corporation for the construction and improvement of the AQMD's headquarters facility. Hence, there is a financial benefit/burden relationship between the AQMD and the Corporation.

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

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

The financial statements of the AQMD are prepared in accordance with Generally Accepted Accounting Principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The AQMD applies all applicable GASB pronouncements (including all National Council on Governmental Accounting (NCGA) statements and interpretations currently in effect). Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both government-wide and proprietary fund financial statements to the extent that these standards do not conflict with or contradict the guidance of the Governmental Accounting

Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The AQMD has elected not to follow subsequent private-sector guidance.

The basic financial statements of the 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 AQMD government-wide financial statements include a Statement of Net Assets and Statement of Activities. These statements present summaries of governmental and business-type activities for the AQMD as a whole, excluding fiduciary activities. The primary government and component unit are presented separately within the financial statements with the focus on the primary government.

Certain eliminations have been made as prescribed by GASB Statement 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-like activities. In the Statement of Activities, those transactions between governmental and business-type activities have not been eliminated.

These statements are presented on an economic resources measurement focus and the accrual basis of accounting. Accordingly, all of the AQMD's assets and liabilities including capital assets and long-term liabilities are included in the accompanying Statement of Net Assets. Under the accrual basis of accounting, 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 an other 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) restricted special revenue sources 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.

The AQMD's functional activities are broken down into the following nine categories:

- Advance clean air technology
- Ensure compliance with clean air rules
- Customer service
- Develop programs to achieve clean air
- Develop rules to achieve clean air
- Monitoring air quality
- Timely review of permits
- Policy support, and
- Special funds activities

When both restricted and unrestricted resources are available for use, it is 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, proprietary, 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.

The AQMD has presented all major funds that met those qualifications. These major funds are the Air Quality Improvement Fund, Mobile Sources Air Pollution Reduction Fund, Air Quality Investment Fund, Clean Fuels Program Fund, Carl Moyer Program Fund, Carl Moyer AB 923 Program Fund, Rule 1309.1 Priority Reserve Fund and BP Arco Settlement Projects 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 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. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the current period. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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 the 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.

Proprietary Fund Statements

Proprietary Fund financial statements include a Statement of Fund Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows. These funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Fiduciary Fund Statements

Fiduciary Fund financial statements include a Statement of Fiduciary Net Assets and Statement of Changes in Fiduciary Net Assets. 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 Agency funds are accounted for on 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 34.

The AQMD reports the following major governmental funds:

General Fund – This is the primary operating fund of the 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.

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 the AQMD's major special revenue funds:

- Air Quality Improvement Fund - Used to account for 40% of the revenue received by the 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.

- Mobile Sources Air Pollution Reduction Fund - Used to account for 30% of the revenue received by the 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 South Coast Air Basin. Total projects to date amount to over $263 million and over 8,775 tons of emissions reduced. This special fund was established in FY 1991-92.

- Air Quality Investment Fund - Is one of the compliance options available to 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, $42.1 million in projects have been awarded to purchase over 29,601 tons of emission reductions. During fiscal year 2008, eight contracts were awarded in the amount of $2.81 million.

  RECLAIM AQIP - Established in fiscal year 2001 to separately account for the generation of NOx (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 emissions from water heaters that do not currently meet Rule 1121 emissions standards.

- 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 and mobile sources development and demonstration projects approved by the Governing Board. Since 1988, the Clean Fuel program has provided funds for 928 projects totaling $149.6 million.
- Carl Moyer Program Fund - Established in fiscal year 1999 to account for activities related to the administering of state funds set aside for the replacement of diesel-powered vehicles with cleaner-technology vehicles. It has funded over 4,800 vehicles and 22 infrastructure/charging stations, totaling $139 million. It provides incentive funds for the replacement of diesel-fueled on- and off-road vehicles such as refuse haulers, heavy duty trucks, transit and school buses, construction equipment, and marine vessels.
- Carl Moyer AB923 Program Fund – Established in fiscal year 2008 to provide additional funding for the Carl Moyer Program from an adjustment to the tire fee, and authorizes local air districts to increase motor vehicle registration fees by up to $2 for programs to reduce air pollution. AB 923 has expanded the Carl Moyer incentive program to include agricultural sources of air pollution as well as cars and light-duty trucks. Its program expansion also includes hydrocarbon and particulate matter pollution reduction.
- Rule 1309.1 Priority Reserve Fund - Established in fiscal year 2001 to account for mitigation fees paid for Particulate Matter $\leq$ 10 microns (PM_{10}) credits. Due to the state energy crisis, Rule 1309.1 was amended to allow new electric generating facilities temporary access to AQMD's Priority Reserve Account to offset their PM_{10} emission increases provided that they meet specific criteria and pay appropriate mitigation fees.
- 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.

Details of various non-major governmental funds are presented under the section "Other Supplementary Information."

The AQMD reports the following major proprietary fund:

- Compressed Natural Gas (CNG) Fueling Station Fund – Established during fiscal year 2002 to administer all activities, transactions, and funding relating to the public and the AQMD use of CNG fueling facilities at the AQMD's headquarters. The fueling station will help accommodate the growing number of alternative-fuel vehicle fleets.

The AQMD also reports the following fund types:

Agency Funds - Used to account for funds due to others that are not accounted for in the other funds.

- Retirement Benefit Trust Fund - Used to account for funds contributed by the AQMD and interest earned on its principal for the future payment of medical, dental and burial costs of the AQMD employees who are members of the Los Angeles County Employees Retirement Association, which operates as a cost-sharing multi-employer defined benefit plan. Note VIII contains more information about the AQMD's retirement plans.

D. Assets, Liabilities and Net Assets or Equity

1. Cash and Cash Equivalents

The AQMD considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

2. Investments

The AQMD's investments are carried at fair value, except for certain short-term money market investments, which are reported at cost.

3. Capital Assets and Depreciation

Land, equipment, buildings and improvements are valued at cost unless obtained by donation in which case the assets are recorded at the appraised 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.

Repair and maintenance costs are charged to current expenditures as incurred. Equipment disposed of or no longer required for its existing use is 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, and equipment of the AQMD are depreciated using the straight-line method over the following useful lives:

Assets	Years
Buildings and Improvements	15-30 years
Equipment	5-7 years

4. Inventories

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

5. 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, proprietary, and fiduciary fund 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.

6. Self-Insurance

The AQMD is self-insured for general, automobile, and workers' compensation liabilities (See note VII).

7. Long-term Obligation

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

8. Reserves and Designations

Portions of fund balances are reserved for future use and are, therefore, not available for appropriation. Designation of unreserved fund balances in the general fund indicates the AQMD's tentative plans for use of the financial resources in future periods.

The following table shows reserved and unreserved fund balances as of June 30, 2008:

	General Fund	Major Governmental Funds	Other Governmental Funds	Total
Reserved for:				
Encumbrances	$ 7,301,546	$ 120,536,730	$ 10,936,439	$ 138,774,715
Inventories	67,815	-	-	67,815
Debt service	-	-	17,381,723	17,381,723
Total reserved fund balances	7,369,361	120,536,730	28,318,162	156,224,253
Unreserved, designated for:				
Self-insurance	2,000,000	-	-	2,000,000
Litigation/enforcement	650,000	-	-	650,000
Permit streamlining	996,757	-	-	996,757
Equipment replacement	853,804	-	-	853,804
Facility refurbishing	788,705	-	-	788,705
Budget stabilization	8,000,000	-	-	8,000,000
Unemployment claims	80,000	-	-	80,000
Enhanced compliance activities	38,504	-	-	38,504
Unreserved, undesignated	32,665,679	144,094,009	16,108,845	192,868,533
Total unreserved fund balances	46,073,449	144,094,009	16,108,845	206,276,303
Total fund balances	$ 53,442,810	$ 264,630,739	$ 44,427,007	$ 362,500,556

E. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

F. Adoption of New GASB Pronouncements

During fiscal year 2005, AQMD adopted the GASB pronouncements 40 and 44:

GASB Statement 40, "Deposit and Investment Risk Disclosures"
This statement establishes and modifies disclosure requirements related to investment and deposit risks. Accordingly, the note disclosure on cash and investments has been revised to conform to the provisions of GASB Statement No. 40.

GASB Statement 44, "Economic Condition Reporting: The Statistical Section, an amendment of NCGA Statement 1"
This statement amends portions of NCGA Statement 1, "Government Accounting and Financial Reporting Principles," to improve understandability and usefulness of the information that state and local governments present as supplementary information in the statistical section. AQMD elected to implement GASB 44 beginning fiscal year 2005.

During fiscal year 2008, AQMD adopted the GASB pronouncement 45:

GASB Statement 45, "Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions"
This statement will require State and Local Governments to include in the financial reports information quantifying the unfunded liabilities associated with retiree health benefits. The statement will become effective for fiscal periods beginning after December 15, 2006 for governments with annual revenue of $100 million or more.

GASB Statement 47, "Accounting for Termination of Benefits"
This statement provides guidance for both voluntary and involuntary employee termination benefits. The requirements of the new statement become effective for fiscal periods beginning after June 15, 2005 (except for those provisions involving other post employment benefits, which only take effect upon the implementation of GASB Statement No. 45.

II. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The following is a summary of the cash and cash equivalent balances for the primary government (including fiduciary funds) and component unit at June 30, 2008.

	Primary Government	Component Unit
Cash on hand	$ 867,245	-
Cash in bank	51,920	$ 255,163
Cash equivalents in pooled investments	360,134,969	-
Sub-total	$ 361,054,134	$ 255,163
Guaranteed Investment Contract	17,302,641	-
Cash, cash equivalents, and investments	$ 378,356,775	$ 255,163

DEPOSITS

At June 30, 2008, the carrying amount of the AQMD's bank deposits was $51,920 and the bank balance was $119,584. The entire amount was covered by federal depository insurance.

At June 30, 2008, the carrying amount and bank balance of the AQMD's component unit bank deposits was $255,163 of which $100,000 was covered by federal depository insurance. The remaining $155,163 in excess of $100,000 was collateralized as required by state law.

INVESTMENTS

At June 30, 2008 the carrying amount of AQMD's cash equivalents held in Los Angeles County's Pooled Surplus Investment Fund and State of California Local Agency Investment Fund amounting to $360,134,969 is stated at fair value.

Changes in 1996 to the California Government Code require that a statement of investment policy be transmitted annually to the oversight committee and legislative body of a local agency for consideration at a public meeting. California Government Code Section 53607 requires that a local agency's legislative body annually renews its delegation of authority to its treasurer to invest or to reinvest funds of the local agency.

For the past 31 years, the County of Los Angeles has provided treasury management services to the AQMD. These services are limited to the processing of payroll and accounts payable warrants and the investment of available cash balances. Annually, the Governing Board reviews the treasury management options available to the AQMD and renews its delegation of authority to its appointed Treasurer to invest or re-invest AQMD funds.

Available cash is invested in investments legally allowable under state law. Income from such investments is allocated on the basis of average monthly cash balances to the respective funds based on the source of funds invested.

In accordance with the State of California Government Code, the AQMD adopts an investment policy annually that, among other things, authorizes types and concentrations of investments and maximum investment terms. Statutes and investment policy authorize the 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
- State of California and local agency obligations – not allowed as Special Purpose Investments.
- Shares of money market mutual funds – shall be limited to ratings of AAA by two of the three largest nationally recognized rating services.
- Bankers acceptances – credit requirements shall be a minimum of 2-F1 for Fitch or P-1/Aaa for Moody's Investors Service.
- Negotiable certificates of deposit – shall be a minimum of 2-F1 for Fitch or P-1/Aaa for Moody's Investors. The Los Angeles County has A-1 by Standard & Poor's (S&P) and P-1 by Moody's.

- Commercial paper – short term rating of A-1 by S&P or better and Moody's Investors Service short term rating of P-1 or better. The Los Angeles County has A-1 by S&P and P-1 by Moody's.
- Medium term maturity corporate securities – shall be limited to a minimum of AA – from S&P or Aa3 from Moody's.
- Mortgage securities or asset-backed securities – shall be rated AAA or its equivalent or better by a nationally recognized rating service and issued by an issuer having AA or better rating by a nationally recognized rating service for its long-term debt.
- Repurchase agreements – with maximum maturity of 30 days and must be collateralized by the U.S. Treasury or Agencies with a market value of 102%
- 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
- Derivative securities – not allowed as Special Purpose Investments

The following table summarizes AQMD's cash, cash equivalents and investments at June 30, 2008. The pooled investments are 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. Investments held are stated at fair value. The fair value of pooled investments is determined annually and is based on current market prices. The fair value of AQMD's position as one of the participants is the same as the value of the pool shares.

In December 2006, the AQMD and the Municipal Bond Insurance Association (MBIA, Inc.) entered into an investment agreement (Guaranteed Investment Contract) for $19.1 million. Each year a portion of the principal and interest from this investment will be applied to the AQMD's payment obligation with respect to the 1995 and 2004 Pension Obligation Bonds.

		Investment Maturities		
	Fair Value	<1 Year	1-2 years	>5 Years
Cash:				
On hand	$ 867,245	$ -	$ -	$ -
In bank	51,920	-	-	-
Total cash	919,165	-	-	-
Cash equivalents:				
Investment in Los Angeles County's Pooled Surplus Investment (PSI) Fund	320,634,969	194,529,236	126,105,733	-
Investment in Local Agency Investment Fund	39,500,000	39,500,000	-	-
Total cash equivalents	360,134,969	234,029,236	126,105,733	-
Investments:				
Guaranteed Investment Contract	17,302,641	-	-	17,302,641
Total cash, cash equivalents, & investments	$ 378,356,775	$ 234,029,236	$ 126,105,733	$ 17,302,641

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 AQMD investment policy limits its investment portfolio of Pooled Surplus Investments (PSI) with the County of Los Angeles to maturities of less than five years at time of purchase. The maximum maturity of any SPI (Special Purpose Investments) shall be five years. The weighted average maturity of the SPI separate account 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. The AQMD mitigates its credit risk generally by following its three primary investment objectives, in order of safety, liquidity, and yield. The AQMD's policy further restricts the investing in only permitted investments. The portfolio is diversified so that no one type of issuer or issue will have a disproportionate impact on the portfolio.

Custodial Credit Risk

Custodial credit risk for investments is the risk that the AQMD will not be able to recover the value of its investment securities that are in the possession of an outside party. As of June 30, 2008, none of the AQMD's deposits or investments were exposed to custodial credit risk.

State Treasurer's Local Agency Investment Fund

The AQMD is a voluntary participant in the California State Treasurer's Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. At June 30, 2008, the AQMD had $39,500,000 deposited in LAIF. The amount invested is unrated as to credit quality.

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

III. DUE FROM OTHER GOVERNMENT AGENCIES AND ACCOUNTS RECEIVABLE

Due from other government agencies at June 30, 2008 consists of the following:

State Air Resources Board	$ 100,000
Department of Motor Vehicles	14,789,655
Environmental Protection Agency	3,467,210
DHS Special Monitoring	348,485
City of LA: (Emission Test of Trucks)	424,000
(Engine Lubrication on PM Emissions from Mobile Sources)	100,000
General Services Administration (Lease)	4,447
Department of Defense	80,000
Total	$ 19,313,797

Accounts Receivable consists of the following at June 30, 2008:

Air toxics "Hot Spots", emission fees, permits, annuals and source testing	$3,429,608
Clean fuels/stationary sources	302,175
Miscellaneous receivables	369,177
Subtotal	4,100,960
Less: Allowance for doubtful accounts	(480,000)
Total	$3,620,960

IV. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The Interfund Receivables and Payables for year ending June 30, 2008 are as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Clean Fuels Fund	$ 310,156
General Fund	Mobile Sources Air Pollution Reduction Fund	63,310
General Fund	Air Toxics Trust Fund	73,954
General Fund	Carl Moyer Fund	108,352
General Fund	Air Quality Investment Fund	101,204
Rule 1309.1 Priority Reserve Fund	General Fund	107,125
Air Quality Investment Fund	General Fund	25,825
Total		$ 789,926

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

Interfund transfers for the year ended June 30, 2008, consisted of the following amounts:

	Fund Transferred To								
Fund Transferred From	General Fund	Air Quality Investment	Clean Fuels	LADWP Settlement Projects	Dry Cleaners Financial-Incentives Grant Program	Health Effect Research Fund	Carl Moyer Program AB 923 Special Revenue Fund	Rule 1309.1 Priority Reserve	Total
BP Arco Settlement Projects	$ 304,856	$ -	$ -	$ -	$ -	$ 1,500,000	$ -	$ -	$ 1,804,856
Clean Fuels	600,000	-	-	933,050	-	-	-	-	1,533,050
Mobile Source Air Pollution Reduction	56,900	-	-	-	-	-	-	-	56,900
Air Quality Investment	116,000	-	-	66,950	-	-	-	-	182,950
Rule 1309.1 Prority Reserve	107,125	-	-	-		-	-	-	107,125
Air Quality Assistance	-	-	-	-	1,000,000	-	-	-	1,000,000
Carl Moyer	300,000	-	2,548,745	-	-	-	16,307,329	-	19,156,074
General Fund	-	25,825	-	-	-	-	-	107,125	132,950
Total	$ 1,484,881	$ 25,825	$ 2,548,745	$ 1,000,000	$ 1,000,000	$ 1,500,000	$ 16,307,329	$ 107,125	$ 23,973,905

The AQMD Governing Board approved the following:

- Transfer of $275,000 from the BP Arco Settlement Projects Fund to the General Fund and appropriated that amount to the District Counsel's FY 2007-08 Budget, Professional and Special Services account, to assist AQMD in post-trial/appeal matters relating to defending the railroad rules.
- Transfer of $29,856 from the BP Arco Settlement Projects Fund to the General Fund to cover the FY 2007-08 Budget for the continuation of the Port Community and I-710 Freeway Air Monitoring Program.
- Transfer of $600,000 from the Clean Fuels Fund to the General Fund to cover the expenses for technical assistance, expert consultations, public outreach and technical conference sponsorship, and advanced technology vehicle leases.
- Transfer of $56,900 from the Mobile Source Air Pollution Reduction Fund to the General Fund to cover the estimated FY 2007-08 MSRC Miscellaneous and Direct expenditures, such as, public notice, communications, postage, conference-related expense, and travel costs.
- Transfer of $116,000 from the Air Quality Investment Fund to the General Fund to carry out the 2008 Lawn Mower Exchange Program.

- Transfer of $107,125 from the Rule 1309.1 Priority Reserve Fund to the General Fund to execute a contract to develop and demonstrate a diesel particulate filter on a Pacific Harbor Line switch locomotive.
- Transfer of $300,000 from the administrative portion of the Carl Moyer Program Fund SB 1107 to the General Fund to provide public outreach and technical conference sponsorship, technical assistance, and expert consultations.
- Transfer of $208,996 from the Carl Moyer Program to the Clean Fuels Fund to reimburse the Carl Moyer back-up projects.
- Transfer of $2,339,749 from the Carl Moyer Program to the Clean Fuels Fund to reimburse previously executed projects that were approved by the Governing Board.
- Transfer of $933,050 from the Clean Fuels Fund to the LADWP Settlement Projects Fund to replace the funds previously transferred for the development and demonstration of two 45-foot natural-gas composite body, hybrid-electric transit buses.
- Transfer of $66,950 from the Air Quality Investment Fund to the LADWP Settlement Projects Fund to replace the funds previously transferred for electric lawn mowers within the LADWP's jurisdiction.
- Transfer of $1,000,000 from the Air Quality Assistance Fund to the Dry Cleaners Incentive Grant Fund to finance the existing incentives program to help dry cleaners to convert to non-perc, non-ozone cleaning technologies.
- Transfer of 1,500,000 from the BP Arco Settlement Fund to the Health Effects Research Fund to support the research into the health effects of air pollution.
- To return $107,125 of unused Rule 1309.1 Priority Reserve Funds provided to General Fund to execute a contract with Pacific Harbor Lines for a diesel particulate filter.
- A transfer of $16,307,329 AB 923 funds (additional funding for the Carl Moyer program) from Carl Moyer Fund to AB 923 Fund to separate and identify SB 1107 from AB 923 funds. These are both under the Carl Moyer Program which was established to help clean up California's air. (Description of these funds is reported under Section C – Fund Types and Major Funds.)
- A transfer of $25,825 from General Fund to Air Quality Investment Fund to return unused funds for expenditures not incurred in General Fund to administer the Lawn Mower Exchange program.

V. CAPITAL ASSETS

In compliance with GASB Statement 34 reporting, the AQMD has reported all capital assets in the Government-wide Statement of Net Assets. Changes in capital assets of the AQMD for the year ended June 30, 2008 are as follows:

	Balance July 1, 2007	Increase	Decrease	Balance June 30, 2008
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 8,829,792	$ -	$ -	$ 8,829,792
Total capital assets not being depreciated	8,829,792	-	-	8,829,792
Capital Assets being Depreciated:				
Buildings and improvements	73,847,505	85,591	-	73,933,096
Equipment	22,629,442	1,302,968	(1,071,640)	22,860,770
Total capital assets being depreciated	96,476,947	1,388,559	(1,071,640)	96,793,866
Less Accumulated Depreciation for:				
Buildings and improvements	(37,810,795)	(2,475,826)	-	(40,286,621)
Equipment	(16,927,557)	(1,701,582)	1,071,640	(17,557,499)
Total accumulated depreciation	(54,738,352)	(4,177,408)	1,071,640	(57,844,120)
Net capital assets being depreciated	41,738,595	(2,788,849)	-	38,949,746
Net capital assets, governmental activities	$ 50,568,387	$ (2,788,849)	$ -	$ 47,779,538
Business-type Activities:				
Compressed natural gas (CNG) Fueling station	$ 610,200	$ -	$ -	$ 610,200
Total capital assets being depreciated	610,200	-	-	610,200
Less accumulated depreciation	(384,194)	(87,171)	-	(471,365)
Net capital assets, business-type activities	$ 226,006	$ (87,171)	$ -	$ 138,835

For the year ended June 30, 2008, the depreciation expense of $4,177,408 was charged to the AQMD's functions/programs in the governmental activities as follows:

Advance clean air technology	$ 240,827
Ensure compliance with clean air rules	1,530,406
Customer service	183,309
Develop programs to achieve clean air	184,547
Develop rules to achieve clean air	208,314
Monitoring air quality	1,151,081
Timely review of permits	616,465
Policy support	62,459
Total depreciation expense	$4,177,408

VI. LONG-TERM DEBT

The following is a summary of long-term obligation transactions of the AQMD for the year ended June 30, 2008:

	Balance July 1, 2007	Addition	Reduction	Balance June 30, 2008	Amounts Due Within One Year	Amounts Due in More Than One Year
Governmental Activities:						
Claims payable:						
General liability	$ 36,933	$ 14,805	$ 39,812	$ 11,926	$ 11,926	$ -
Workers' compensation	1,442,748	118,164	389,997	1,170,915	300,000	870,915
Compensated absences	12,939,692	1,151,403	901,563	13,189,532	544,559	12,644,973
Installment Sale Obligation:						
Building	39,630,000	-	4,595,000	35,035,000	4,625,000	30,410,000
Installment pension obligation bonds	64,151,896	-	3,675,000	60,476,896	4,070,000	56,406,896
Total	$118,201,269	$1,284,372	$9,601,372	$109,884,269	$9,551,485	$100,332,784

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

1995 Pension Obligation Bonds

On December 1, 1995, the 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). The AQMD issued a $34,261,896 aggregate principal amount to refund its portion of the obligation to SBCERA. The purpose of this refunding was to lower the cost to the 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. These changes will result in estimated total gross debt service savings of $20,151,420 through June 30, 2022. During the fiscal year ended June 30, 2008, $2,245,000 in principal and $822,816 in interest were paid on the bonds. The principal balance outstanding at June 30, 2008 amounted to $17,096,896.

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

Year Ending June 30	Principal	Interest	Total
2009	2,400,000	663,933	3,063,933
2010	2,575,000	492,141	3,067,141
2011	2,760,000	306,326	3,066,326
2012	2,960,000	104,932	3,064,932
2013	892,007	2,172,993	3,065,000
2014-2018	3,527,818	11,797,185	15,325,003
2019-2022	1,982,071	10,277,924	12,259,995
Total	$ 17,096,896	$ 25,815,434	$ 42,912,330

Series 2004 Pension Obligation Bonds

On June 29, 2004, the AQMD issued and sold taxable pension obligation bonds to retire the Unfunded Actuarial Accrued Liability (UAAL) due to the SBCERA. The issuance and sale of $47,030,000 will 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. The 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 the AQMD arising pursuant to the Retirement Law. During the fiscal year ended June 30, 2008, $1,430,000 in principal and $2,423,640 in interest were paid on the bonds. The principal balance outstanding at June 30, 2008 amounted to $43,380,000.

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

Year Ending June 30	Principal	Interest	Total
2009	$ 1,670,000	$ 2,350,014	$ 4,020,014
2010	1,925,000	2,264,633	4,189,633
2011	1,955,000	2,172,483	4,127,483
2012	2,050,000	2,077,364	4,127,364
2013	2,155,000	1,971,893	4,126,893
2014-2018	12,730,000	7,904,217	20,634,217
2019-2024	20,895,000	3,870,440	24,765,440
Total	$ 43,380,000	$ 22,611,044	$ 65,991,044

Installment Sale Revenue Bonds

On September 1, 1989, the Corporation issued Installment Sale Revenue Bonds, 1989 Series B in the amount of $60,000,000. The bonds are secured by a pledge of the semiannual payments to be made by the AQMD pursuant to an Installment Purchase Agreement between the Corporation and the AQMD, whereby the AQMD is required to make debt service payments on the Corporation's bonds. The principal portion of these payments was used for the purchase of furnishings and equipment for the AQMD in conjunction with the construction of its new headquarters. Title to such assets transferred to the AQMD simultaneously with the Corporation's purchase. As of June 30, 2008, the remaining balance is $3,690,000.

The Series 1992 Installment Sale Revenue Bonds, original issuance amount of $69,745,000 were issued on December 1, 1992, to refund portions of the 1988 Series A and 1989 Series B bonds. As of June 30, 2008, the remaining principal balance on the Series 1992 bonds is $8,615,000. This remaining balance in the amount of $5,375,000 and $3,240,000 are due on

August 1, 2010 and August 1, 2011, respectively. Interest is payable on each February 1st and August 1st and is computed based upon a 6% interest rate.

On June 1, 2002, the Corporation issued $26,820,000 in Installment Sale Revenue Bonds with interest rates ranging from 2.75% to 4.25% to refund $25,460,000 of the Series 1992 bonds with interest rates ranging from 4.00% to 6.00%. As of June 30, 2008, the remaining balance is $22,730,000.

Principal payments on the Series 2002 bonds are due in installments ending August 1, 2014. Interest is payable on each February 1 and August 1.

The annual payment requirements under the installment purchase agreement are as follows:

Year Ending June 30	Principal	Interest	Total
2009	$ 4,625,000	$ 1,428,342	$ 6,053,342
2010	4,665,000	1,316,342	5,981,342
2011	5,375,000	1,061,793	6,436,793
2012	5,240,000	763,342	6,003,342
2013	5,515,000	513,085	6,028,085
2014	5,740,000	282,358	6,022,358
2015	3,875,000	82,340	3,957,340
Total	$35,035,000	$5,447,602	$40,482,602

Allocation of Interest Expenses

Total interest expenses on long-term debt for the year ended June 30, 2008 amounted to $4,614,842. 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.

VII. RISK MANAGEMENT

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

The AQMD carries $150,000,000 of property insurance including business income, boiler and machinery (with $25 million of earthquake and flood coverage), $10 million for Directors and Officers liability (including employment practice liability), $1 million for employee dishonesty and theft, $10 million for excess general and $1 million employer's liability losses in excess of self-insured/retained amount of $750,000 and $25 million excess workers' compensation for losses over $750,000. In addition, AQMD maintains $1 million automobile liability/physical damage coverage for hybrid vehicles under its possession.

As of June 30, 2008, $1,170,915 and $11,926, respectively, had been accrued for workers' compensation and general liability claims.

An appropriate amount has been recorded in the General Fund's financial statements to the extent that the AQMD anticipates that these amounts will be paid from current resources. While the ultimate amount of losses incurred through June 30, 2008, is dependent on future development based upon information from the independent claims' administrator and others involved with the administration of the programs, the 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 the AQMD's general liability and workers' compensation for the years ended June 30, 2007 and 2008:

	General and Auto Liability	Workers' Compensation	Totals
Claims payable, July 1, 2006	$ 13,160	$ 1,415,412	$ 1,428,572
Current year claims and changes in estimates	26,069	414,955	441,024
Claims payments	(2,296)	(387,619)	(389,915)
Claims payable, June 30, 2007	$ 36,933	$ 1,442,748	$ 1,479,681
Claims payable, July 1, 2007	$ 36,933	$ 1,442,748	$ 1,479,681
Current year claims and changes in estimates	14,805	118,164	132,969
Claims payments	(39,812)	(389,997)	(429,809)
Claims payable, June 30, 2008	$ 11,926	$ 1,170,915	$ 1,182,841

VIII. RETIREMENT PLANS

Substantially all of the AQMD's employees are members of either the Los Angeles County Employees' Retirement Association (LACERA) or the San Bernardino County Employees' Retirement Association (SBCERA). Benefits are funded by the AQMD and employee contributions. The AQMD's contributions for the year ended June 30, 2008 amounted to $11,886,991 ($23,044 to LACERA and $11,863,947 to SBCERA).

In 1977, AQMD employees who were members of the LACERA system were given the option to transfer to the SBCERA system. Some employees decided to stay with LACERA. Most have already left employment and during FY 2007-08 there were only two active LACERA members.

Los Angeles County Employees' Retirement Association

The AQMD contributes to the LACERA, a cost-sharing multi-employer defined benefit plan established under the Los Angeles County Employees' Retirement Law of 1937. This public employee retirement system acts as a common investment and administrative agent for the County of Los Angeles and other participating agencies including the AQMD. The AQMD's payroll for two employees covered by LACERA for the year ended June 30, 2008 was $116,492. The AQMD's contribution for the same period was $23,044. Copies of LACERA's annual financial report may be obtained from their executive office: 300 N. Lake Avenue, Pasadena, CA 91101.

San Bernardino County Employees' Retirement Association

Plan Description
The AQMD contributes to the SBCERA, a cost-sharing multiple-employer defined benefit pension plan operating under the California County Employees Retirement Act of 1937. SBCERA is controlled by its own board, the Board of Retirement. It acts as a fiduciary agent for the accounting and control of employer and employee contributions, and investment income for San Bernardino County and other participating members including the AQMD. SBCERA issues a separate comprehensive annual financial report. Copies of SBCERA's annual financial report may be obtained from their executive office: 348 W. Hospitality Lane – 3rd Floor, San Bernardino, CA 92415.

All full-time employees become eligible to participate in SBCERA and related benefits, on their first day of regular employment and become fully vested after five years of service. General members are eligible for retirement benefits upon completion of ten years of service and attaining age 50, or 30 years of service regardless of age. Retirement benefits are calculated at 2% of final compensation for each completed year of service based on a normal retirement age of 55 for general members. The plan also provides disability benefits to members and death benefits to beneficiaries of members.

Funding Policy
Participants are required to contribute a percentage of their annual compensation to the plan based on the participant's age at entry into the plan. The AQMD (a participating member) contributes an amount based on actuarial assumptions that, together with employee contributions, is intended to provide sufficient reserves for payment of all prospective benefits to members. The AQMD is required to contribute at an actuarially-determined rate. The required employer contribution rates for the year ended June 30, 2008 were 21.55% for management, confidential and any employee who started before July 1, 1979 and 18.50% for non-Management and non-Confidential employees who started on or after July 1, 1979. Effective January 2, 2006, AQMD employees with the exception of the Office Clerical and Maintenance unit, contribute an additional 3.25% toward retirement. The AQMD Governing Board adopted this new provision in January 2006 as per Resolution No. 06-03 for Management and Confidential employees and the ratified Memorandum of Understanding

between the AQMD and the remaining represented employee bargaining units. The additional 3.25% employee contribution reduces the employer's pick-up by 3.25%. This additional 3.25% employee pick-up is over and above whatever the employee contribution was prior to this change. The contribution requirements of the Plan members are established by State statute and may be amended by SBCERA Board of Retirement.

Annual Pension Cost

For the year ended June 30, 2008, the AQMD's annual pension cost and actual contributions for its 760 employees who are SBCERA members were $11,863,947 compared with $21,640,097 the previous year which included the $10 million lump-sum one time pre-payment to reduce the UAAL. The AQMD employee contributions to the plan amounted to $3,789,823. The required contributions for the year ended June 30, 2007 were determined as part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included: (a) investment rate of return, 8.00% per annum, which includes an inflation component of 3.75%; (b) projected salary increases of 4.25% - 11.48%, including "across the board" increases of 0.50% plus merit and longevity increases; and (c) cost of living adjustments for retirees contingent upon CPI with a 2% maximum.

The actuarial value of the Plan's assets was determined using techniques that smooth the effect of short-term volatility in the market value of investments over a five year period (smoothed market value). Components of SBCERA's unfunded actuarial accrued liability (UAAL) prior to June 30, 2002 are amortized as a level percentage of payrolls over a twenty-year period. Any new UAAL after June 30, 2002 will be amortized over a twenty-year period effective with that valuation.

Three-Year Trend Information for the Plan

Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2008	$11,886,991	100%	-
2007	21,640,097*	100%	-
2006	11,045,571	100%	-

*Includes $10 million lump-sum one time pre-payment to reduce the UAAL.

IX. OTHER POST EMPLOYMENT BENEFITS (OPEB)

The SBCERA does not provide any post employment benefits to 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 and dental/vision care plans.

Starting July 2007, the AQMD has reimbursed LACERA for the employer portion of health care costs provided to AQMD retirees who retired from LACERA. The cost of the LACERA

OPEBs is recognized in the Retirement Trust Fund when the AQMD makes its monthly payment to LACERA based on subsidy allocation as calculated by LACERA. For fiscal year ended June 30, 2008, total payments amounted to $121,362.

Actuarial valuation will be conducted in conjunction with LACERA to establish the AQMD's actuarial liability. At June 30, 2008, the AQMD's Retirement Benefit Trust Fund has a balance of $1,715,553 to cover the OPEB costs of 46 AQMD retirees who retired from LACERA. Currently there are only two active members.

X. DEFERRED COMPENSATION PLAN

The 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. The available investment options include a fixed return fund, stock fund, bond fund and a money market fund. 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. The AQMD's deferred compensation administrator Hartford Life Insurance Co. qualifies as the plan trustee to meet the federal requirements. In accordance with GASB Statement 32, the AQMD no longer reports the plan assets and liabilities in its financial statements. As of June 30, 2008, investments with a fair value of $82,598,191 are held in trust.

XI. COMMITMENTS

Guaranteed Loans

The Air Quality Assistance Fund (AQAF) was originally established to comply with state legislation which required the 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 the 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, the 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). The 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 $1,471,192 at fiscal year ended June 30, 2008.

Operating Leases

Rental expense for noncancelable operating leases was $282,643 for the year ended June 30, 2008. Future minimum lease payments under noncancelable operating leases of the AQMD total as follows:

Year Ending June 30, 2012	$868,280

The lease for the office equipment expires in June and December 2011 while the lease of the South Bay satellite office expires September 30, 2011.

XII. PENDING LITIGATION

The cases, Communities for a Better Environment v. SCAQMD and Valdez v. SCAQMD, are continuing. The cases include a claim for attorneys' fees which could amount to $750,000. The AQMD has set aside the amount to cover the claim for attorneys' fees. The costs of defense are recognized as they are incurred.

The cases filed by the National Paint & Coatings Association, challenging the adoption of amendments to Rule 1113, are continuing. The cases include a claim for attorneys' fees which could amount to $750,000. The costs of defense are recognized as they are incurred.

Suit has been filed against the AQMD in Natural Resources Defense Council v. SCAQMD regarding actions of the Governing Board related to Rules 1309.1 and 1315, which could include attorneys' fees in the amount of $500,000. Funds are set aside to cover any such claims. A federal case on a related issue and involving the same parties includes potential liability for plaintiffs' attorneys' fees in the amount of $500,000. The costs of defending the suit are recognized as they are incurred.

Finally, a number of other lawsuits and claims are pending against the AQMD for alleged damages to persons and property and for other alleged liabilities arising out of its normal operations. The 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, 2008.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
GENERAL FUND - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
Revenues:	Original	Final	Budgetary Basis	Positive (Negative)
Emission fees	$ 22,080,400	$ 22,080,400	$ 23,100,073	$ 1,019,673
Annual renewal fees	38,280,000	38,280,000	38,970,949	690,949
Permit processing fees	18,263,250	18,263,250	18,105,901	(157,349)
Mobile sources / clean fuels	22,690,050	22,690,050	21,255,452	(1,434,598)
Air toxics "Hot Spots"	2,273,000	2,273,000	1,720,464	(552,536)
Transportation programs	1,042,530	1,042,530	914,870	(127,660)
State subvention	4,022,000	4,022,000	4,003,263	(18,737)
Federal grant	7,674,000	9,175,308	7,798,903	(1,376,405)
Interest	2,500,000	2,500,000	3,109,855	609,855
Lease income	365,400	365,400	366,924	1,524
Source test/analysis fees	451,400	451,400	491,080	39,680
Hearing Board fees	686,940	686,940	411,537	(275,403)
Penalties/settlements	4,000,000	4,000,000	5,190,492	1,190,492
Subscriptions	16,500	16,500	11,378	(5,122)
Other revenue	1,183,000	1,183,000	142,543	(1,040,457)
Total revenues	125,528,470	127,029,778	125,593,684	(1,436,094)
Expenditures:				
Current:				
Salaries and employee benefits	94,055,788	94,470,578	88,320,801	6,149,777
Insurance	1,244,362	1,280,362	1,255,842	24,520
Rent	727,216	763,851	481,569	282,282
Supplies	3,426,697	3,857,766	3,463,243	394,523
Contract and special services	8,270,645	11,836,431	9,090,320	2,746,111
Maintenance	1,917,266	2,313,855	1,450,375	863,480
Travel and auto	552,750	800,956	622,446	178,510
Utilities	1,997,932	1,927,932	1,599,055	328,877
Communications	668,604	685,104	493,285	191,819
Uncollectible accounts	-	-	584,818	(584,818)
Other	1,085,594	1,028,646	(1,103,833)	2,132,479
Capital outlays	1,601,000	3,986,546	2,579,407	1,407,139
Debt service:				
Principal	6,358,667	6,680,000	6,680,000	-
Interest	3,621,800	3,300,467	3,300,521	(54)
Total expenditures	125,528,321	132,932,494	118,817,849	14,114,645
Net change in budgetary fund balances	$ 149	$ (5,902,716)	$ 6,775,835	$ 12,678,551

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

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2008

NOTE 1 – BUDGETS AND BUDGETARY ACCOUNTING

The 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 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 two public hearings.

Following input from the public, Budget Advisory Committee, and Governing Board, the draft budget for Fiscal Year 2007-08 was prepared and subsequently adopted at the May 2007 meeting of the Governing Board. The Fiscal Year 2007-08 Adopted Budget and the final fee schedules became effective on July 1, 2007.

The AQMD's annual budget is adopted for the General Fund at the Major Object levels of Salaries & Employee Benefits, Services & Supplies, Capital Outlays, and Building Remodeling. The Governing Board has delegated expenditure authority to the Executive Officer for all budgeted expenditures of $50,000 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 detailed semi-annual reports regarding contract activity, along with a fiscal year-end report of all budget transfers and Board appropriations.

The 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 $7,404,173 and revenue adjustments of $1,501,308 were approved by the Governing Board in Fiscal Year 2007-08.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2008

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. Since 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, 2008:

Expenditures and encumbrances (budgetary basis), June 30, 2008	$118,817,849
Add: payments on encumbrances open at July 1, 2007	3,835,068
Less: encumbrances open at June 30, 2008	(4,970,138)
Expenditures (GAAP basis), June 30, 2008	$117,682,779

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

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
OTHER SUPPLEMENTARY INFORMATION
June 30, 2008

Non-major Governmental Funds

Special Revenue Funds:

- Air Quality Studies Fund - Used to account for contributions made by outside organizations to fund various air quality studies. An independent Planning Review Panel recommends the types of studies to be undertaken and the Executive Officer approves all studies prior to funding. The purpose of the studies is to quantify the cost effectiveness of air pollution control measures.

- 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 AQMD rules. Contributed amounts must be used to pay costs associated with 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.

- Clean Fuels Conference Fund – Used to account for monies received to fund all Clean Fuels related conferences. These conferences are held to facilitate the development of hydrogen-powered technologies, including motor vehicles, refueling infrastructure, and stationary applications.

- Lower Emission School Bus Fund – Established in fiscal year 2001 to account for activities related to the administering of state funds set aside for the replacement and retrofit of high-emitting diesel-fueled school buses in the South Coast Air Basin. Funding for a total of $104.8 million for school bus replacement and particulate matter (PM) trap retrofit has been provided for the period of fiscal years 2000 through 2008. This has enabled public school districts to purchase 535 new Compressed Natural Gas (CNG) buses and 86 new lower emitting diesel buses. It has also enabled public school districts and private contractors to retrofit PM traps on 2,777 diesel buses.

- 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.

- 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.

- 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.

- 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 Projects 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.

- 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.

- 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.

- SCAQMD Asthma and Brain Cancer Research Fund – Established in fiscal year 2003 to assist in funding research projects relating to asthma and outdoor air quality and the potential link between air pollution and brain cancer.

- Dry Cleaner 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 PM_{10} (Particulate Matter $\leq$ 10 microns) and/or NO_x (Oxides of Nitrogen) reduction projects in disproportionately impacted areas.

- Health Effects Research Fund – The Health Effects Research Fund was established in FY 2007-08 to receive 20% of all penalty/settlement monies in excess of $4 million recognized annually in the AQMD General Fund beginning in FY 2008-09. The initial $1.5 million transfer from the BP Arco Settlement Fund in FY 2007-08 will eventually be transferred to the Brain and Lung Tumor & Air Pollution Foundation to fund research projects at local universities and research institutions.

Debt Service Fund – Used to account for the $19.1 million Guaranteed Investment Contract executed for the defeasance of a portion of AQMD's debt service on Pension Obligation Bonds.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2008

	Special Revenue				
Assets	Air Quality Studies Fund	Air Toxics Fund	Advanced Technology Fund	Air Quality Assistance Fund	Clean Fuels Conference Fund
Cash and cash equivalents	$ 60,989	$ 182,608	$ 81,327	$ 1,459,067	$ 257,122
Interest receivable	543	1,510	720	12,125	-
Due from other governmental agency	-	-	-	-	-
Due from other funds	-	-	-	-	-
Accounts receivable, net	-	1,894,739	-	-	400
Investments	-	-	-	-	-
Total assets	$ 61,532	$ 2,078,857	$ 82,047	$ 1,471,192	$ 257,522
Liabilities and Fund Balances					
Liabilities:					
Accounts payable & accrued liabilities	$ -	$ 331,761	$ -	$ -	$ -
Due to other funds	-	73,953	-	-	-
Total liabilities	-	405,714	-	-	-
Fund Balances:					
Reserved for encumbrances	-	-	-	-	5,500
Reserved for debt service	-	-	-	-	-
Unreserved	61,532	1,673,143	82,047	1,471,192	252,022
Total fund balances	61,532	1,673,143	82,047	1,471,192	257,522

See independent auditor's report.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2008

	Special Revenue		
Assets	Lower-Emission School Bus Fund	Zero Emission Vehicle Incentive Fund	AES Settlement Projects Fund
Cash and cash equivalents	$ 7,863,075	$ 601,475	$ 3,866,836
Interest receivable	102,064	5,359	34,338
Due from other governmental agency	30,000	-	-
Due from other funds	-	-	-
Accounts receivable, net	-	-	-
Investments	-	-	-
Total assets	$ 7,995,139	$ 606,834	$ 3,901,174
Liabilities and Fund Balances			
Liabilities:			
Accounts payable & accrued liabilities	$ 943,658	$ -	$ 31,000
Due to other funds	-	-	-
Total liabilities	943,658	-	31,000
Fund Balances:			
Reserved for encumbrances	4,326,398	60,000	2,396,112
Reserved for debt service	-	-	-
Unreserved	2,725,083	546,834	1,474,062
Total fund balances	7,051,481	606,834	3,870,174

See independent auditor's report.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2008

	Special Revenue				
Assets	CARB ERC Bank Fund	LADWP Settlement Fund	State-Emissions Mitigation Fund	Natural Gas Vehicle Partner Fund	State BUG Program Fund
Cash and cash equivalents	$ 535,821	$ 375,487	$ 5,038,145	$ 294,028	$ 318,711
Interest receivable	4,774	3,453	45,720	3,388	2,840
Due from other governmental agency	-	-	-	-	-
Due from other funds	-	-	-	-	-
Accounts receivable, net	-	-	-	20,000	-
Investments	-	-	-	-	-
Total assets	$ 540,595	$ 378,940	$ 5,083,865	$ 317,416	$ 321,551
Liabilities and Fund Balances					
Liabilities:					
Accounts payable & accrued liabilities	$ -	$ -	$ 1,950	$ 7,059	$ -
Due to other funds	-	-	-	-	-
Total liabilities	-	-	1,950	7,059	-
Fund Balances:					
Reserved for encumbrances	27,696	-	2,625,477	17,800	-
Reserved for debt service	-	-	-	-	-
Unreserved	512,899	378,940	2,456,438	292,557	321,551
Total fund balances	540,595	378,940	5,081,915	310,357	321,551

See independent auditor's report.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2008

	Special Revenue						
Assets	Asthma & Brain Cancer Research Fund	Dry Cleaners Financial Incentives Grant Prog Fund	Rule 1173 Mitigation Fee Fund	CBE / OCE Settlement Agreement Fund	Health Effects Research Fund	Debt Service Fund	Total
Cash and cash equivalents	$ 163,029	$ 958,892	$ 2,169,935	$ 639,205	$ 1,500,000	$ -	$ 26,365,752
Interest receivable	1,502	9,783	20,767	-	138	79,082	328,106
Due from other governmental agency	-	-	-	-	-	-	30,000
Due from other funds	-	-	-	-	-	-	-
Accounts receivable, net	-	-	-	-	-	-	1,915,139
Investments	-	-	-	-	-	17,302,641	17,302,641
Total assets	$ 164,531	$ 968,675	$ 2,190,702	$ 639,205	$ 1,500,138	$ 17,381,723	$ 45,941,638
Liabilities and Fund Balances							
Liabilities:							
Accounts payable & accrued liabilities	$ -	$ 70,000	$ 55,250	$ -	$ -	$ -	$ 1,440,678
Due to other funds	-	-	-	-	-	-	73,953
Total liabilities	-	70,000	55,250	-	-	-	1,514,631
Fund Balances:							
Reserved for encumbrances	79,203	-	982,368	415,885	-	-	10,936,439
Reserved for debt service	-	-	-	-	-	17,381,723	17,381,723
Unreserved	85,328	898,675	1,153,084	223,320	1,500,138	-	16,108,845
Total fund balances	164,531	898,675	2,135,452	639,205	1,500,138	17,381,723	44,427,007
Total liabilities and fund balances	$ 164,531	$ 968,675	$ 2,190,702	$ 639,205	$ 1,500,138	$ 17,381,723	$ 45,941,638

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, 2008

	Special Revenue				
	Air Quality Studies Fund	Air Toxics Fund	Advanced Technology Fund	Air Quality Assistance Fund	Clean Fuels Conference Fund
Revenues:					
Air Toxics "Hot Spots"	$ -	$ 260,795	$ -	$ -	$ -
State grant	-	-	-	-	-
Federal grant	-	-	-	-	-
Interest	2,718	36,113	2,327	79,938	-
Other revenue	-	71,259	-	-	(15,000)
Total revenues	2,718	368,167	2,327	79,938	(15,000)
Expenditures:					
Contract and special services	-	9,187	-	-	-
Other operating expenditures	-	2,361	-	-	-
Capital outlay	-	-	-	-	-
Uncollectible accounts	-	64,607	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	-	76,155	-	-	-
Excess (deficiency) of revenues over (under) expenditures before transfers	2,718	292,012	2,327	79,938	(15,000)
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	(1,000,000)	-
Total other financing sources (uses)	-	-	-	(1,000,000)	-
Net change in fund balances	2,718	292,012	2,327	(920,062)	(15,000)
Fund balances, July 1, 2007	58,814	1,381,131	79,720	2,391,254	272,522
Fund balances, June 30, 2008	$ 61,532	$ 1,673,143	$ 82,047	$ 1,471,192	$ 257,522

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, 2008

	Special Revenue		
	Lower-Emission School Bus Fund	Zero Emission Vehicle Incentive Fund	AES Settlement Projects Fund
Revenues:			
Air Toxics "Hot Spots"	$ -	$ -	$ -
State grant	817,000	-	-
Federal grant	30,000	-	-
Interest	568,501	26,806	168,425
Other	-	-	139,200
Total revenues	1,415,501	26,806	307,625
Expenditures:			
Contract and special services	6,991,138	-	87,251
Other operating expenditures	(5,000)	-	-
Capital outlay	-	-	-
Uncollectible accounts	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Total expenditures	6,986,138	-	87,251
Excess (deficiency) of revenues over (under) expenditures before transfers	(5,570,637)	26,806	220,374
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	(5,570,637)	26,806	220,374
Fund balances, July 1, 2007	12,622,118	580,028	3,649,800
Fund balances, June 30, 2008	$ 7,051,481	$ 606,834	$ 3,870,174

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, 2008

	Special Revenue				
	CARB ERC Bank Fund	LADWP Settlement Fund	State-Emissions Mitigation Program Fund	Natural Gas Vehicle Partner Fund	State BUG Program Fund
Revenues:					
Air Toxics "Hot Spots"	$ -	$ -	$ -	$ -	$ -
State grant	-	-	-	-	-
Federal grant	-	-	-	-	-
Interest	23,880	26,575	231,458	16,484	14,204
Other	-	-	-	20,000	-
Total revenues	23,880	26,575	231,458	36,484	14,204
Expenditures:					
Contract and special services	-	1,004,814	161,853	98,908	-
Other operating expenditures	-	-	-	7,739	-
Capital outlay	-	-	-	-	-
Uncollectible accounts	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	-	1,004,814	161,853	106,647	-
Excess (deficiency) of revenues over (under) expenditures before transfers	23,880	(978,239)	69,605	(70,163)	14,204
Other financing sources (uses)					
Transfers in	-	1,000,000	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	1,000,000	-	-	-
Net change in fund balances	23,880	21,761	69,605	(70,163)	14,204
Fund balances, July 1, 2007	516,715	357,179	5,012,310	380,520	307,347
Fund balances, June 30, 2008	$ 540,595	$ 378,940	$ 5,081,915	$ 310,357	$ 321,551

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, 2008

	Special Revenue				
	Asthma & Brain Cancer Research Fund	Dry Cleaners Financial Incentives Grant Prog Fund	Rule 1173 Mitigation Fee Fund	CBE/OCE Settlement Agreement Fund	Health Effects Research Fund
Revenues:					
Air Toxics "Hot Spots"	$ -	$ -	$ -	$ -	$ -
State grant	-	-	-	-	-
Federal grant	-	-	-	-	-
Interest	8,337	40,294	103,496	-	138
Other	-	-	-	-	-
Total revenues	8,337	40,294	103,496	-	138
Expenditures:					
Contract and special services	34,704	445,000	336,955	50,032	-
Other operating expenditures	-	-	-	-	-
Capital outlay	-	-	-	-	-
Uncollectible accounts	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	34,704	445,000	336,955	50,032	-
Excess (deficiency) of revenues over (under) expenditures before transfers	(26,367)	(404,706)	(233,459)	(50,032)	138
Other financing sources (uses)					
Transfers in	-	1,000,000	-	-	1,500,000
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	1,000,000	-	-	1,500,000
Net change in fund balances	(26,367)	595,294	(233,459)	(50,032)	1,500,138
Fund balances, July 1, 2007	190,898	303,381	2,368,911	689,237	-
Fund balances, June 30, 2008	$ 164,531	$ 898,675	$ 2,135,452	$ 639,205	$ 1,500,138

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, 2008

	Debt Service Fund	Total
Revenues:		
Air Toxics "Hot Spots"	$ -	$ 260,795
State grant	-	817,000
Federal grant	-	30,000
Interest	840,343	2,190,037
Other	-	215,459
Total revenues	840,343	3,513,291
Expenditures:		
Contract and special services	-	9,219,842
Other operating expenditures	-	5,100
Capital outlay	-	-
Uncollectible accounts	-	64,607
Debt service:		
Principal	1,590,000	1,590,000
Interest	1,410,000	1,410,000
Total expenditures	3,000,000	12,289,549
Excess (deficiency) of revenues over (under) expenditures before transfers	(2,159,657)	(8,776,258)
Other financing sources (uses)		
Transfers in	-	3,500,000
Transfers out	-	(1,000,000)
Total other financing sources (uses)	-	2,500,000
Net change in fund balances	(2,159,657)	(6,276,258)
Fund balances, July 1, 2007	19,541,380	50,703,265
Fund balances, June 30, 2008	$ 17,381,723	$ 44,427,007

See independent auditor's report.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
June 30, 2008

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
General Purpose Fund				
Assets				
Cash	$ 29,300	$ 5,713,337	$ 5,648,455	$ 94,182
Due from other funds	-	-	-	-
Total assets	29,300	$ 5,713,337	$ 5,648,455	$ 94,182
Liabilities				
Accounts payable and accrued liabilities	$ 29,300	$ 5,713,337	$ 5,648,455	$ 94,182
Total liabilities	$ 29,300	$ 5,713,337	$ 5,648,455	$ 94,182

See independent auditor's report.

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

	2004	2005	2006	2007	2008
Governmental Activities					
Investment in capital assets, net of related debt	$ 5,234,119	$ 6,048,899	$ 7,712,415	$ 10,938,387	$ 12,744,539
Restricted for pension assets	-	-	736,200	1,926,145	3,089,145
Restricted for debt service	-	-	-	19,541,377	17,381,723
Restricted for specific projects/programs	195,731,559	223,952,969	253,867,453	280,754,862	291,676,023
Unrestricted	2,696,301	11,135,334	24,019,696	8,392,205	20,042,724
Total governmental activities net assets	$ 203,661,979	$ 241,137,202	$ 286,335,764	$ 321,552,976	$ 344,934,154
Business-type Activities					
Investment in capital assets, net of related debt	487,546	400,375	313,177	226,006	138,835
Unrestricted	62,362	81,160	72,947	77,947	144,388
Total business-type activities net assets	$ 549,908	$ 481,535	$ 386,124	$ 303,953	$ 283,223
Primary Government					
Investment in capital assets, net of related debt	5,721,665	6,449,274	8,025,592	11,164,393	12,883,374
Restricted for pension asset	-	-	736,200	1,926,145	3,089,145
Restricted for debt service	-	-	-	19,541,377	17,381,723
Restricted for special projects/programs	195,731,559	223,952,969	253,867,453	280,754,862	291,676,023
Unrestricted	2,758,663	11,216,494	24,092,643	8,470,152	20,187,112
Total primary government net assets	$ 204,211,887	$ 241,618,737	$ 286,721,888	$ 321,856,929	$ 345,217,377

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

	2004	2005	2006	2007	2008
Expenses					
Governmental Activities					
Advance clean air technology	$ 7,255,854	$ 5,011,874	$ 5,808,530	$ 7,067,528	$ 7,113,642
Ensure compliance with clean air rules	38,536,722	37,666,189	36,727,226	42,699,519	39,463,040
Customer service	10,965,904	10,532,066	11,592,984	8,687,842	6,696,664
Develop programs to achieve clean air	7,910,778	7,106,133	7,811,791	8,721,816	7,969,413
Develop rules to achieve clean air	7,915,483	8,130,305	8,046,177	7,350,795	8,390,762
Monitoring air quality	11,883,527	11,591,430	11,794,227	12,229,451	12,866,270
Timely review of permits	21,408,261	21,403,924	23,191,423	24,508,757	24,580,945
Policy support	2,523,809	2,954,538	2,948,274	3,442,207	3,630,367
Interest on long-term debt *	-	-	-	-	4,614,842
Special funds activities	62,422,513	59,525,817	64,308,902	62,831,313	93,109,973
Total governmental activities expenses	170,822,851	163,922,276	172,229,535	177,539,228	208,435,918
Business-type Activities:					
Clean Air Store	936	662	3,653	-	-
CNG fueling station	152,547	165,135	198,788	225,604	218,048
Total business-type activities expenses	153,483	165,797	202,441	225,604	218,048
Total primary government expenses	$ 170,976,334	$ 164,088,073	$ 172,431,976	$ 177,764,832	$ 208,653,966
Program Revenues					
Government Activities:					
Fees and Charges					
Stationary sources	$ 61,932,425	$ 64,925,373	$ 68,792,294	$ 75,200,254	$ 82,825,774
Mobile sources	10,787,342	14,716,865	20,991,833	23,966,240	22,170,323
Operating grants and subventions	9,679,283	8,100,573	8,035,387	8,946,832	8,858,458
Restricted special revenues sources	60,731,099	87,747,227	94,223,386	92,925,386	105,383,068
Total governmental activities program revenues	143,130,149	175,490,038	192,042,900	201,038,712	219,237,623
Business-type Activities:					
Clean Air Store/CNG fueling station	89,947	97,424	123,625	143,433	197,318
Total business-type activities program revenues	89,947	97,424	123,625	143,433	197,318
Total primary government program revenues	$ 143,220,096	$ 175,587,462	$ 192,166,525	$ 201,182,145	$ 219,434,941
Net (Expense) Revenue					
Governmental activities	(27,692,702)	11,567,762	$ 19,813,365	$ 23,499,484	$ 10,801,705
Business-type activities	(63,536)	(68,373)	(78,816)	(82,171)	(20,730)
Total primary government net (expenses) revenue	$ (27,756,238)	$ 11,499,389	$ 19,734,549	$ 23,417,313	$ 10,780,975
General Revenues and Other Changes in Net Assets					
Governmental Activities:					
Grants and subventions - restricted to non-specific stationary source programs	$ 2,962,415	$ 2,964,713	$ 2,962,539	$ 2,962,418	$ 2,943,638
Mobile sources - restricted to non-specific mobile source programs	6,229,842	6,282,933	-	-	-
Interest	845,849	1,273,901	2,887,395	4,012,295	3,950,198
Lease revenue	372,707	338,961	364,326	365,559	366,924
Penalties/settlement	12,232,181	11,295,895	16,074,370	13,211,151	5,190,492
Subscriptions	36,301	29,512	19,214	22,315	11,378
Other	799,732	2,992,685	545,430	847,899	116,842
Transfers	-	-	16,595	(9,703,906)	-
Total governmental activities	23,479,027	25,178,600	22,869,869	11,717,731	12,579,472
Business-type Activities					
Interest	1,112	-	-	-	-
Transfers	-	-	(16,595)	-	-
Total business-type activities	1,112	-	(16,595)	-	-
Total primary government revenue	$ 23,480,139	$ 25,178,600	$ 22,853,274	$ (7,823,649)	$ 12,579,472
Change in Net Assets					
Governmental activities	$ (4,213,675)	$ 36,746,362	$ 42,683,233	$ 35,217,215	$ 23,381,177
Business-type activities	(62,424)	(68,373)	(95,411)	(82,171)	(20,730)
Total primary government	$ (4,276,099)	$ 36,677,989	$ 42,587,822	$ 35,135,044	$ 23,360,447

* In fiscal years prior to FY 2008 Interest on Long-Term Debt was included in the Functional Activities.

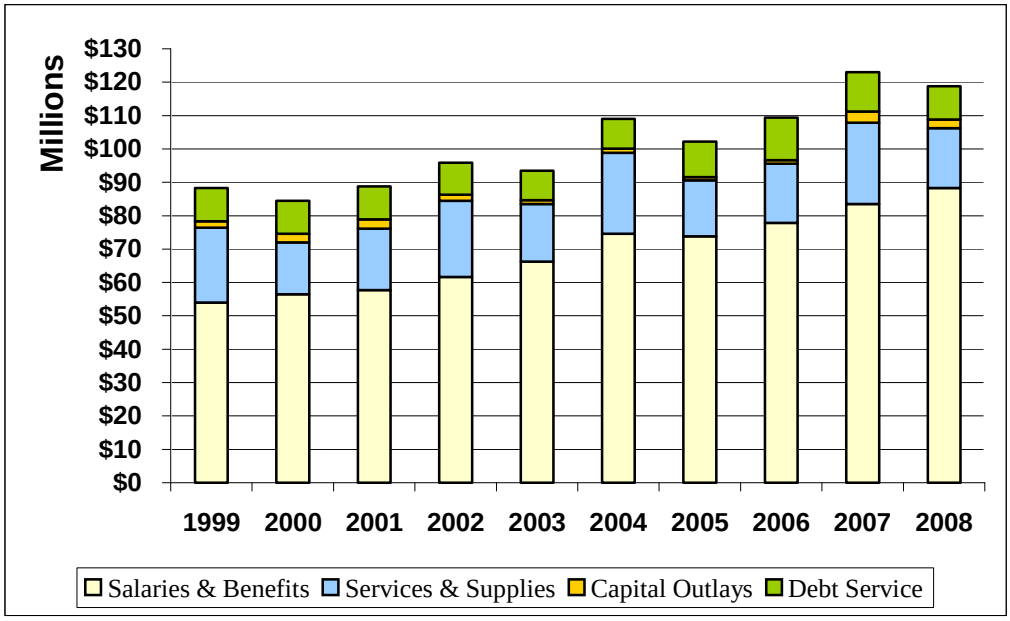
SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
Schedule 3
Fund Balances of Government Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund										
Reserved	$ 26,024,018	$ 4,985,280	$ 8,632,387	$ 9,695,144	$ 7,616,882	$ 7,732,923	$ 4,778,503	$ 4,841,814	$ 6,892,073	$ 7,369,361
Unreserved	15,685,167	20,491,915	24,970,898	34,425,246	37,177,128	33,709,091	45,023,178	56,475,321	37,287,900	46,073,449
Total general fund	$ 41,709,185	$ 25,477,195	$ 33,603,285	$ 44,120,390	$ 44,794,010	$ 41,442,014	$ 49,801,681	$ 61,317,135	$ 44,179,973	$ 53,442,810
All Other Governmental Funds										
Reserved for encumbrances & inventory	$	$ -	$ -	$ 82,398,441	$ 75,231,282	$ 70,495,534	$ 78,570,628	$ 91,723,747	$ 129,812,105	$ 131,473,169
Reserved for debt service	-	-	-	-	-	-	-	-	19,541,377	17,381,723
Unreserved, reported in:										
Special revenue funds	47,643,548	84,472,743	175,866,922	126,511,697	122,728,691	125,236,025	145,382,341	162,143,706	150,942,757	160,202,854
Capital Projects funds	76,840	-	-	-	-	-	-	-	-	-
Total all other governmental funds	$ 47,720,388	$ 84,472,743	$ 175,866,922	$ 208,910,138	$ 197,959,973	$ 195,731,559	$ 223,952,969	$ 253,867,453	$ 300,296,239	$ 309,057,746

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

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenues:										
Emission fees	$ 20,387,407	$ 24,755,365	$ 24,318,240	$ 23,542,903	$ 20,118,430	$ 19,497,850	$ 19,434,549	$ 33,582,422	$ 21,771,497	$ 23,100,073
Annual operating fees	23,601,408	23,127,214	23,106,793	26,192,638	27,422,331	28,487,923	28,876,817	30,991,226	34,610,682	38,970,949
Permit fees	6,162,848	8,925,225	9,918,394	13,961,148	13,111,610	11,202,036	14,114,680	14,765,144	16,120,262	18,105,901
Mobile sources / Clean fuels	52,380,059	53,517,207	53,876,089	55,982,295	56,942,057	58,177,471	65,197,128	82,389,525	67,582,066	69,028,689
Emission reduction fees	-	-	17,223,928	2,300,000	13,054,700	375,000	-	-	-	-
Air Toxics	1,098,478	1,233,376	1,753,022	1,413,000	1,575,096	1,429,658	1,614,851	1,186,492	1,897,395	1,981,259
Transportation	771,013	717,368	649,664	664,733	688,278	748,006	869,554	895,194	1,145,806	914,870
State subvention	2,960,026	2,962,521	6,069,654	6,053,883	4,394,639	4,021,970	4,024,268	4,022,094	4,021,970	4,003,263
Federal grant	3,540,119	4,722,731	4,201,547	6,531,262	6,005,869	8,443,715	6,988,187	5,876,040	8,067,682	7,828,903
State grant	-	-	53,642,620	40,707,602	6,666,447	10,425,742	11,253,989	6,514,346	25,340,534	39,677,362
Interest	5,755,521	5,938,718	8,549,236	9,576,467	6,384,743	3,678,244	5,444,958	12,087,846	17,485,429	16,899,125
Lease revenue	158,917	112,969	141,772	231,099	348,743	372,707	338,961	364,326	365,559	366,924
Source test/analysis fees	193,672	297,975	258,535	308,169	382,502	342,909	321,526	401,487	528,653	491,080
Hearing Board	343,052	262,977	427,769	319,969	276,677	373,924	251,212	655,553	469,041	411,537
Penalties/settlements	3,217,263	4,352,331	20,180,727	4,583,093	5,795,147	12,232,181	36,295,895	16,074,370	13,281,151	5,190,492
Contracts	11,090									-
Subscriptions	98,258	64,236	63,113	55,628	46,565	36,301	29,512	19,214	22,315	11,378
Reclaim & executive order mitigation	-	-	-	16,524,066	626,187	601,086	772,526	842,214	4,919,852	-
Contributions	588,855	535,463								-
Other revenue	3,112,065	12,923,404	6,826,109	13,053,128	14,602,070	6,162,453	6,945,716	4,228,680	4,830,452	4,835,290
Total revenues	124,380,051	144,449,080	231,207,212	222,001,083	178,442,091	166,609,176	202,774,329	214,896,173	222,460,346	231,817,095
Expenditures:										
Salaries and employee benefits	53,982,139	56,450,869	57,712,043	61,650,177	66,242,716	74,539,634	73,791,627	77,858,212	83,488,915	88,320,801
Insurance	961,746	1,002,590	963,050	1,034,296	1,031,651	1,110,014	1,044,518	1,193,345	1,265,932	1,255,842
Rent	1,115,376	1,202,269	1,078,350	721,083	725,320	709,158	783,674	776,438	472,023	486,487
Supplies & merchandise purchased	2,475,922	2,487,057	2,845,119	3,024,880	3,093,574	2,045,772	2,235,088	2,274,844	2,890,495	3,365,065
Contract and special services	27,854,429	31,456,841	36,764,224	74,035,983	99,410,200	74,643,873	73,961,781	72,936,559	75,431,666	99,753,587
Maintenance	925,734	794,871	786,547	979,146	942,576	1,011,913	995,624	1,120,620	1,101,589	1,814,293
Travel and auto	462,841	457,998	446,901	437,566	452,749	445,745	433,606	478,091	606,658	622,446
Utilities	1,116,489	1,152,793	1,203,225	1,633,992	1,663,243	1,463,778	1,414,156	1,680,754	1,685,742	1,599,055
Communications	673,373	772,237	589,937	527,902	524,011	553,238	491,337	463,665	489,779	493,285
Settlement expense										-
Uncollectible accounts	199,678	225,396	156,094	100,779	121,849	374,712	210,871	(38,037)	4,788	649,425
Other expenditures	16,588,759	15,925,973	16,122,103	22,016,693	4,289,650	4,201,304	(815,944)	933,008	1,441,100	1,063,386
Capital outlay	2,440,548	2,188,225	3,166,714	2,656,041	1,393,713	2,135,572	1,010,373	1,130,264	2,749,059	1,388,559
Debt service:										
Principal	5,101,064	5,335,818	5,673,289	5,737,655	6,025,000	6,040,000	6,350,000	7,510,000	7,870,000	8,270,000
Interest	4,905,462	4,475,778	4,179,347	3,859,569	2,802,384	2,914,873	4,286,541	5,165,067	3,967,067	4,710,521
Total expenditures	118,803,560	123,928,715	131,686,943	178,415,762	188,718,636	172,189,586	166,193,252	173,482,830	183,464,813	213,792,752
Excess (deficiency) of revenues over (under) expenditures	5,576,491	20,520,365	99,520,269	43,585,321	(10,276,545)	(5,580,410)	36,581,077	41,413,343	38,995,533	18,024,343
Other financing sources (uses):										
Transfer in	-	21,406,545	291,950	547,149	7,398,853	14,700,000	291,950	105,095	4,387,758	23,973,905
Transfer out	-	(21,406,545)	(291,950)	(572,149)	(7,398,853)	(14,700,000)	(291,950)	(88,500)	(4,091,664)	(23,973,905)
Special and extraordinary	-	-	-	-	-	-	-	-	(10,000,000)	-
Total other financing sources (uses)	-	-	-	(25,000)	-	-	-	16,595	(9,703,906)	-
Net change in fund balances	$ 5,576,491	$ 20,520,365	$ 99,520,269	$ 43,560,321	$ (10,276,545)	$ (5,580,410)	$ 36,581,077	$ 41,429,938	$ 29,291,627	$ 18,024,343
Debt service as a percentage of noncapital expenditures	8.6%	8.1%	7.7%	5.5%	4.7%	5.3%	6.4%	7.4%	6.6%	6.1%

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

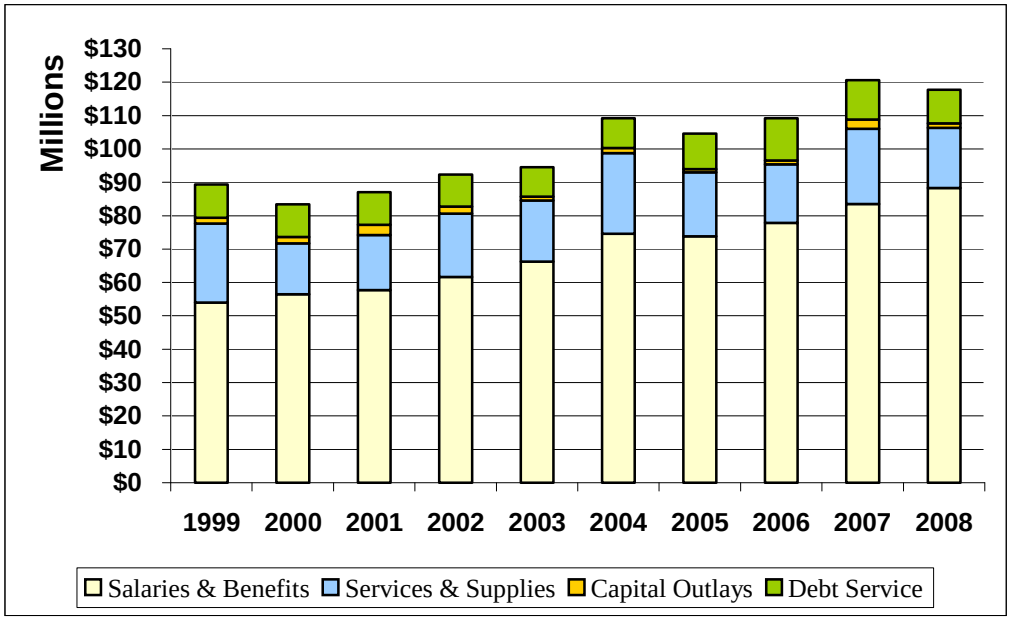


Year	Salaries & Benefits	Services & Supplies	Capital Outlays	Debt Service	Total Expenditures
1999	53,982,139	22,428,955	1,916,009	10,006,526	88,333,629
2000	56,450,869	15,541,026	2,639,293	9,857,197	84,488,385
2001	57,712,043	18,438,222	2,778,896	9,852,641	88,781,802
2002	61,650,177	22,773,687	1,859,416	9,554,569	95,837,849
2003	66,242,716	17,275,182	1,155,130	8,827,384	93,500,412
2004	74,539,634	24,273,579	1,266,240	8,954,873	109,034,326
2005	73,791,627	16,803,682	949,713	10,636,541	102,181,563
2006	77,858,212	17,719,906	1,100,222	12,675,067	109,353,407
2007	83,488,915	24,400,215	3,273,369	11,837,067	122,999,566
2008	88,320,801	17,937,120	2,579,407	9,980,521	118,817,849

See Notes Associated with Financial Charts page 82.

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
1999	53,982,139	23,638,243	1,743,935	10,006,526	89,370,843
2000	56,450,869	15,238,185	1,914,777	9,811,596	83,415,427
2001	57,712,043	16,517,122	2,998,691	9,852,641	87,080,497
2002	61,650,177	18,967,367	2,142,659	9,597,224	92,357,427
2003	66,242,716	18,352,510	1,151,786	8,827,384	94,574,396
2004	74,539,634	24,245,021	1,490,545	8,954,873	109,230,073
2005	73,791,627	19,191,298	942,278	10,636,541	104,561,744
2006	77,858,212	17,564,242	1,076,407	12,675,067	109,173,928
2007	83,488,915	22,558,459	2,749,059	11,837,067	120,633,500
2008	88,320,801	17,992,898	1,388,559	9,980,521	117,682,779

See Notes Associated with Financial Charts page 82.

Source:
South Coast Air Quality Management District Audited Financial Statements

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

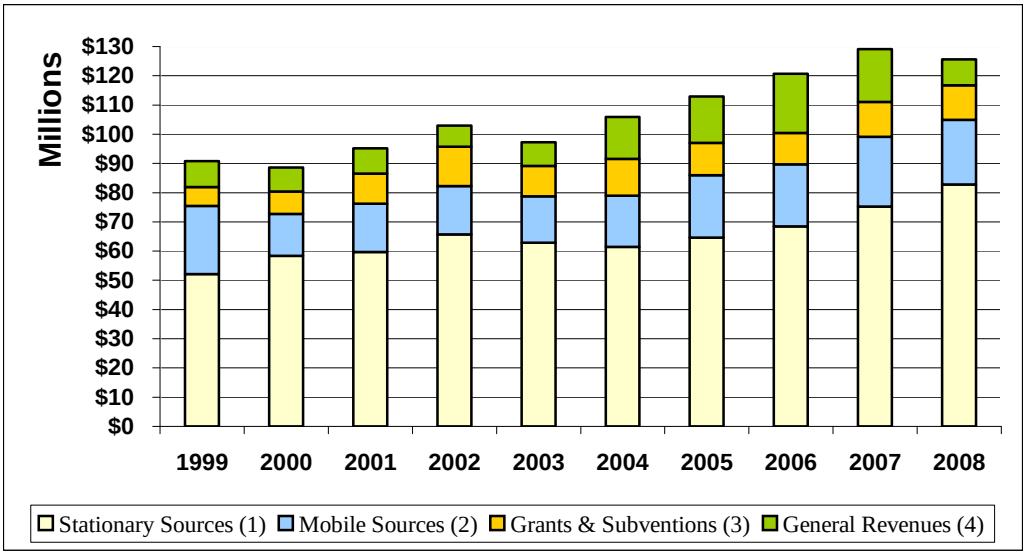
	Governmental Activities					
Fiscal Year	Installment Sale Revenue Bonds	Pension Obligation Bonds	Equipment Installment Purchase Agreement	Total Primary Government	Percentage of Total Revenues (a)	Per Capita (b)
1999	$97,840	$70,508	-	$168,348	185.36%	$11
2000	91,334	67,443	-	158,777	179.23%	10
2001	84,834	64,376	-	149,210	156.72%	10
2002	77,081	61,310	-	138,391	134.49%	9
2003	70,610	58,243	-	128,853	132.50%	8
2004	64,720	133,778	-	198,498	187.48%	12
2005	58,661	129,201	-	187,862	166.37%	11
2006	52,601	122,585	-	175,186	145.17%	10
2007	46,542	115,825	-	162,367	125.77%	9
2008	40,483	108,903	-	149,386	118.94%	9

The South Coast Air Quality Management District is a regional government and is not authorized to issue long-term debt (General Obligation Bonds). The Installment Sale Revenue Bonds were issued by the South Coast Air Quality Management District Building Corporation (a component unit), secured by annual lease payments from the South Coast Air Quality Management District. 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.

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

(b) See Schedule 13 for population data.

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
1999	52,179,703	23,259,971	6,500,145	8,884,650	90,824,469
2000	58,401,760	14,291,583	7,685,252	8,211,387	88,589,982
2001	59,741,735	16,520,766	10,271,201	8,672,885	95,206,587
2002	65,737,827	16,557,487	13,391,051	7,213,167	102,899,532
2003	62,835,710	15,866,701	10,400,508	8,145,097	97,248,016
2004	61,461,482	17,488,127	12,641,698	14,286,770	105,878,077
2005	64,613,635	21,311,536	11,065,286	15,930,954	112,921,411
2006	68,483,189	21,256,610	10,680,461	20,252,527	120,672,787
2007	75,200,253	23,966,240	11,909,248	18,017,839	129,093,580
2008	82,800,004	22,170,322	11,802,166	8,821,192	125,593,684

(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

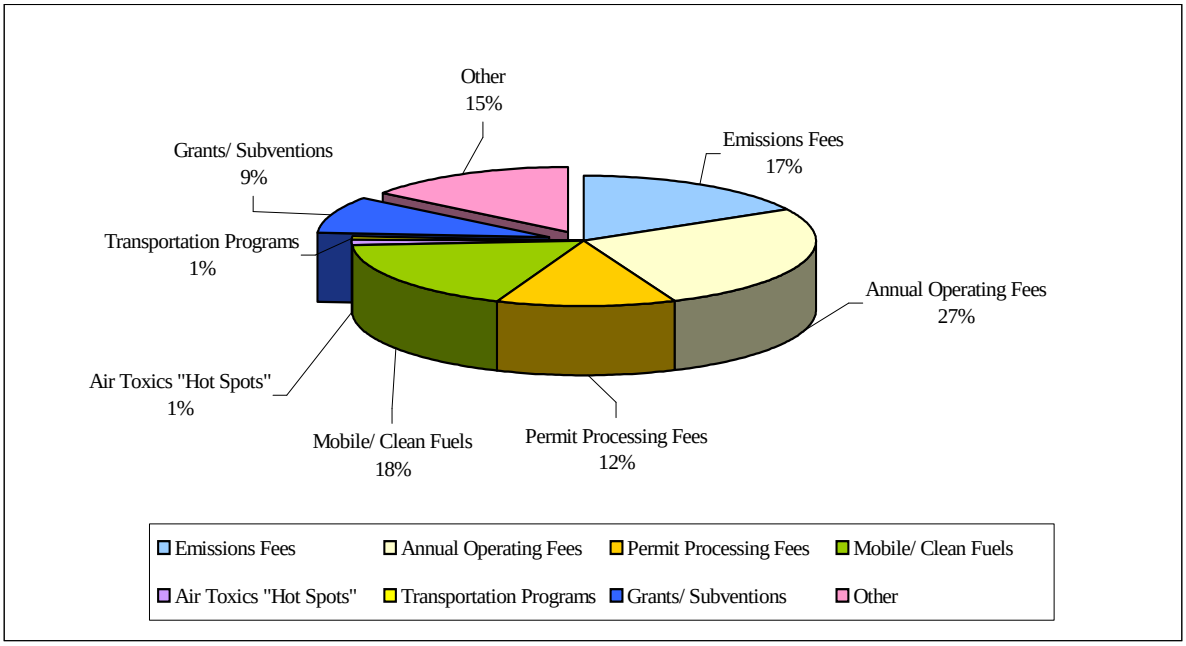
(4) Includes Penalties & Settlements, Interest, Lease Revenue, Other Revenue and Subscriptions

See Notes Associated with Financial Charts page 82.

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



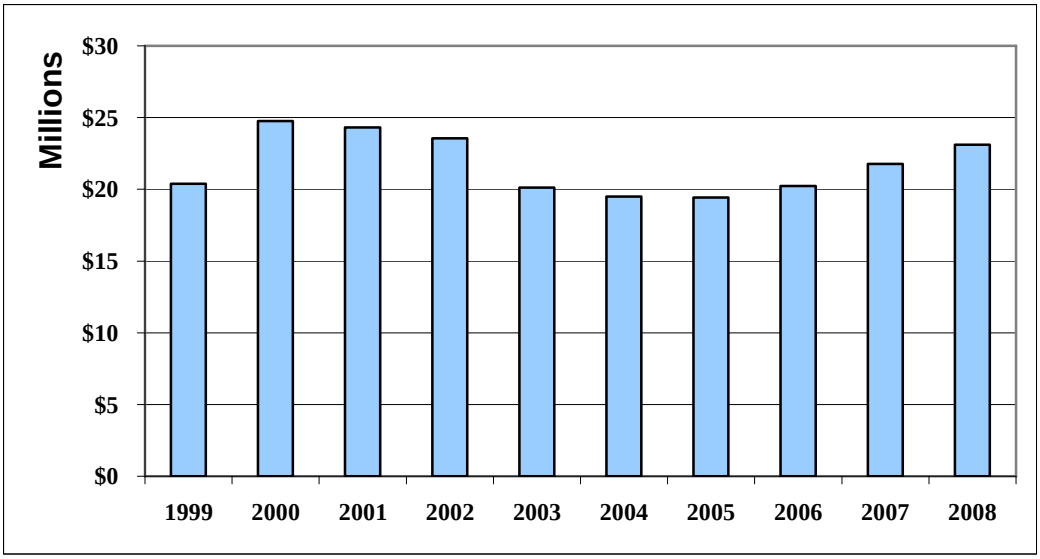
	Fee Source Revenue								
Year	Emissions Fees	Annual Operating Fees	Permit Processing Fees	Mobile/ Clean Fuels	Air Toxics "Hot Spots"	Transportation Programs	Grants/ Subventions	Other	Total
1999	20,387,407	23,601,408	6,162,848	22,488,958	1,480,226	771,013	6,500,145	9,432,464	90,824,469
2000	24,755,365	23,127,214	8,925,225	13,574,215	1,033,004	717,368	7,685,252	8,772,339	88,589,982
2001	24,318,240	23,106,793	9,918,394	15,871,102	1,712,004	649,664	10,271,201	9,359,189	95,206,587
2002	23,542,903	26,192,638	13,961,148	15,892,754	1,413,000	664,733	13,391,051	7,841,305	102,899,532
2003	20,118,430	27,422,331	13,111,610	15,178,423	1,524,160	688,278	10,400,508	8,804,276	97,248,016
2004	19,497,850	28,487,923	11,202,036	16,740,121	1,556,840	748,006	12,641,698	15,003,603	105,878,077
2005	19,434,549	28,876,817	14,114,680	20,441,982	1,614,851	869,554	11,065,286	16,503,692	112,921,411
2006	20,229,322	30,991,226	14,765,144	20,361,416	1,440,457	895,194	10,680,461	21,309,567	120,672,787
2007	21,771,497	34,610,682	16,120,262	22,820,434	1,700,118	1,145,806	11,909,248	19,015,533	129,093,580
2008	23,100,073	38,970,949	18,105,901	21,255,452	1,720,464	914,870	11,802,166	9,723,809	125,593,684

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

See Notes Associated with Financial Charts page 82.

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
1999	20,387,407
2000	24,755,365
2001	24,318,240
2002	23,542,903
2003	20,118,430
2004	19,497,850
2005	19,434,549
2006	20,229,322
2007	21,771,497
2008	23,100,073

See Notes Associated with Financial Charts page 82.

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 decrease in 2008 expenditures from the 2007 level is primarily due to a significant reduction in litigation costs.
- In 2007 the increase in Contract and Special Services of approximately $5M is primarily due to expenditures related to rail-road litigation.
- In 2007 the increase in Capital Outlay of approximately $2M is due mainly due to large purchases of Air Monitoring equipment.
- 2006 was the first year that both principal and interest expenditures were paid for 2004 Pension Obligation Bonds (POBs) issued late in FY 2003-04. (No principal was due for 2004 POBs in 2005).
- The increase in Salaries and Employee Benefits expenditures from 2005 to 2006 relates to labor contract adjustments implemented in 2006.
- Pension Obligation Bonds issued late in FY 2003-04 increased debt service expenditures in 2005.
- The increase in Services and Supplies between 2003 and 2004 relates to $3M in litigation expense for enforcement and $2M in one-time Federal pass-though funds for the Green Airport Initiative.
- The increase in Salaries and Benefits between 2003 and 2004 is due to rising retirement rates.
- The 2000 and 2002 variances in Debt Service between the Budgetary Basis and the GAAP Basis relate to prior-year encumbrances for lease payments on cargo vans.

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

- The decrease in 2008 expenditures from the 2007 level is primarily due to a significant reduction in litigation costs.
- In 2007 the increase in Contract and Special Services of approximately $4.5M is primarily due to expenditures related to rail-road litigation.
- In 2007 the increase in Capital Outlay of approximately $1.7M is due mainly due to large purchases of Air Monitoring equipment.
- 2006 was the first year that both principal and interest expenditures were paid for 2004 Pension Obligation Bonds (POBs) issued late in FY 2003-04. (No principal was due for 2004 POBs in 2005).
- The increase in Salaries and Employee Benefits expenditures from 2005 to 2006 relates to labor contract adjustments implemented in 2006.
- Pension Obligation Bonds issued late in FY 2003-04 increased debt service expenditures in 2005.
- The increase in Services and Supplies between 2003 and 2004 relates to $3M in litigation expense for enforcement and $2M in one-time Federal pass-though funds for the Green Airport Initiative.
- The increase in Salaries and Benefits between 2003 and 2004 is due to rising retirement rates.
- The 2000 and 2002 variances in Debt Service between the Budgetary Basis and the GAAP Basis relate to prior-year encumbrances for lease payments on cargo vans.

Schedule 8 - Revenues by Major Source (General Fund)

- The decrease in 2008 revenue from 2007 is mainly due to declining Penalties and Settlements revenues offset by a 10% increase in Emissions Fees, Annual Operating Fees, and Permit Processing Fees.
- The increase in the Stationary Sources type revenue is primarily due to a 10% increase in annual operating permit renewal fee in 2007. In addition, RECLAIM device-based annual renewal fees were billed in 2007 for the first time.

- Although AQMD collected approximately $13 million in Penalties and Settlements in 2007 this was less compared to approximately $16 million collected in 2006 hence the decrease in General Revenue in 2007.
- The increase in Stationary Sources Revenue in 2006 relates to the fee increase for Annual Operating Fees that took effect on July 1, 2005.
- General revenues increased in 2006 because the South Coast AQMD received several one-time large penalties/settlements from facilities that were found to be not in compliance with SCAQMD rules and regulations.
- Mobile Sources revenue increased in 2005 due to reimbursements for Clean Fuels projects and an increase in the number of registered vehicles.
- The increase in Stationary Source revenue in 2005 relates to a permit processing fee increase, additional expedited permit processing fees, and an increase in permit processing fee adjustments over the prior year.
- The increase in General Revenues in 2004 relates to a substantial penalty settlement.
- The increase in 2001 and 2002 Grants and Subventions revenue relates to supplemental compliance grants and the increase in 2004 is associated with one-time Federal pass-through funds for the Green Airport Initiative.
- The decrease in Mobile Sources revenue in 2000 is due to the creation of a special Clean Fuels fund in September 1999 once the funding was re-authorized.

Schedule 9 - Revenues by Fee Source (General Fund)

- The decrease in 2008 revenue from 2007 is mainly due to declining Penalties and Settlements revenues offset by a 10% increase in Emissions Fees, Annual Operating Fees, and Permit Processing Fees.
- The increase in Annual Operating Fees is primarily due to a 10% increase in the annual operating permit renewal fee in 2007. In addition, RECLAIM device-based annual renewal fees were billed in 2007 for the first time.
- Other revenues increased in 2006 because the South Coast AQMD received several one-time large penalties/settlements from facilities that were found to be not in compliance with SCAQMD rules and regulations.
- Annual Operating Fees increased in 2006 due to the fee increase that took effect on July 1, 2005.
- Mobile Sources revenue increased in 2005 due to reimbursements for Clean Fuels projects and an increase in the number of registered vehicles.
- The increase in Stationary Source revenue in 2005 relates to a permit processing fee increase, additional expedited permit processing fees, and an increase in permit processing fee adjustments over the prior year.
- The increase in Other Revenues in 2004 relates to a substantial penalty settlement.

Schedule 10 – Emission Fee Revenues

- There was an increase in Emission Fees revenue in 2008 related to a 10% fee increase. However, the impact on the revenue is lower than the 10% due to a general decline in emissions.
- The trend shows a continued reduction in emission fee revenues due to lower emissions as a result of additional emission controls placed on the Basin's emitters.
- There was an increase in Emission Fees in 2007 due to a 10% increase in rate. However, the impact on the revenue is less due to a general decrease in emissions.
- The small increase in 2006 is due to a fee increase that was effective July 1, 2005.
- The increase in emission fee revenues in fiscal years 2000-2002 relates to additional emission fee payments associated with the generation of increased emissions during the California energy crisis.

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

Payer	FY 2007-08			FY 1997-98		
	Payment	Rank	% of Total Emission Fee	Payment	Rank	% of Total Emission Fee
BP West Coast Products (Formerly ARCO)	$ 2,060,184	1	8.9%	$ 2,013,364	1	10.3%
Exxon Mobil Corporation (Formerly Mobil Oil Corporation)	1,979,605	2	8.6%	1,350,284	3	6.9%
Chevron Products	1,764,790	3	7.6%	1,947,768	2	10.0%
Tesoro Refining and Marketing (Formerly Equilon)	1,415,106	4	6.1%	993,231	4	5.1%
Conoco Phillips* (Formerly Union Oil)	1,276,739	5	5.5%	-	-	-
Ultramar Incorporated	848,634	6	3.7%	538,083	8	2.8%
California Portland Cement	771,564	7	3.3%	675,145	7	3.5%
Conoco Phillips* (Formerly Unocal Refinery))	566,655	8	2.5%	-	-	-
Paramount Petroleum	288,112	9	1.2%	153,936	17	0.8%
Rhodia Incorporated	262,961	10	1.1%	-	-	-
Mountainview Generating Station	254,833	11	1.1%	-	-	-
Dart Container Corporation	225,240	12	1.0%	-	-	-
BP West Coast Products (Formerly ARCO CQC Kiln)	222,616	13	1.0%	335,675	9	1.7%
City of Long Beach, SERRF Project	214,328	14	0.9%	-	-	-
Southern California Gas Company	209,833	15	0.9%	180,559	15	0.9%
Los Angeles County Sanitation District	195,331	16	0.8%	-	-	-
Southern California Edison (Avalon)	169,803	17	0.7%	333,705	10	1.7%
Anheuser-Busch Incorporated	157,815	18	0.7%	-	-	-
All American Asphalt	152,581	19	0.7%	-	-	-
Colmac Energy	150,443	20	0.7%	-	-	-
Tosco Refining Company*	-	-	-	888,846	5	4.5%
Tosco Refining Company*	-	-	-	687,669	6	3.5%
Filtrol Corporation	-	-	-	261,639	11	1.3%
Owens-Brockway Glass Container	-	-	-	238,554	12	1.2%
California Steel Industries	-	-	-	191,022	13	1.0%
City of Los Angeles DWP	-	-	-	188,521	14	1.0%
TAMCO	-	-	-	161,405	16	0.8%
Tomkins Industries-Lasco Products Group	-	-	-	143,681	18	0.7%
Aera Energy LLC	-	-	-	133,571	19	0.7%
Johns Manville Corporation	-	-	-	129,976	20	0.7%
Total Paid by Largest Payers at a Single Location	$ 13,187,173		57.1%	$ 11,546,634		59.1%
Total Emissions Based Fees Paid by All Emitteres	$ 23,100,073			$ 19,547,649		

*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 6 million cars.

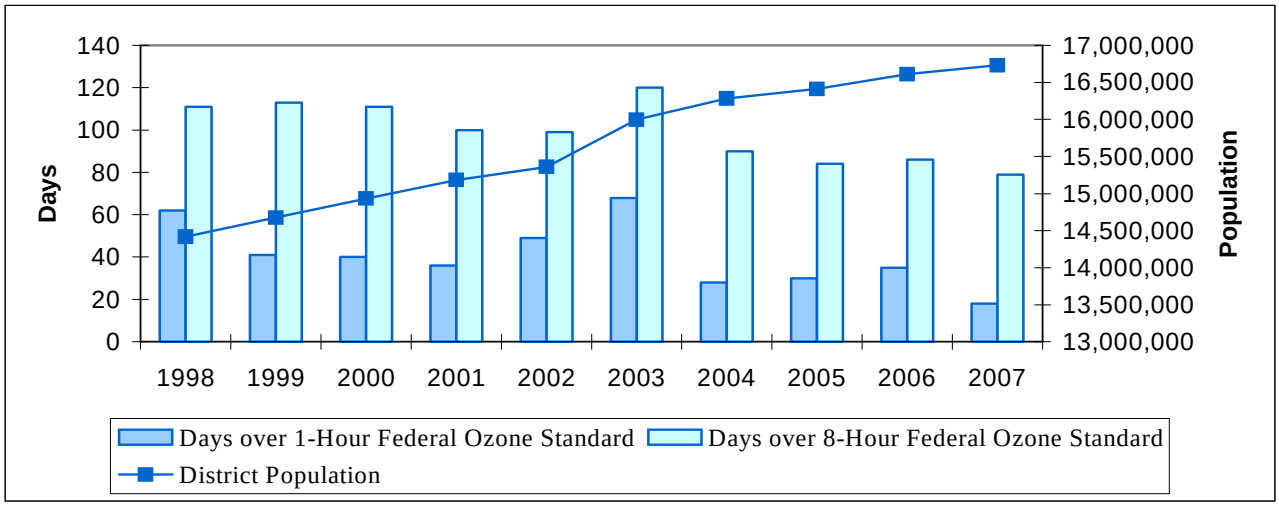
Orange County is the second most populated county in the state and lies south of Los Angeles County. When created in 1889, Orange County was named for its abundance of orange groves and thriving agricultural industry. Today, the largest industry employers are trade, transportation, and utilities, professional 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 of Riverside County increased from approximately 1.5 million residents in 2000 to approximately 2.1 million in 2007 making Riverside the fastest growing county in California. 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 fourth-highest populated county in California and is projected to be home to more than 2.8 million residents by 2020, an increase of 65 percent over current figures. 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



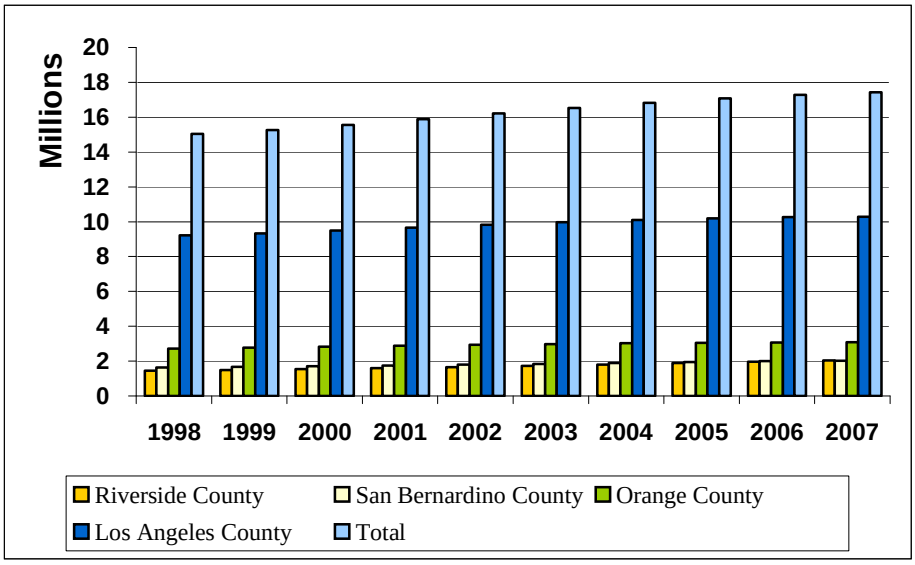
Year	Days over 1-Hour Federal Ozone Standard	Days over 8-Hour Federal Ozone Standard	District Population
1998	62	111	14,418,809
1999	41	113	14,676,671
2000	40	111	14,934,529
2001	36	100	15,184,359
2002	49	99	15,362,284
2003	68	120	15,997,078
2004	28	90	16,284,400
2005	30	84	16,409,969
2006	35	86	16,607,472
2007	18	79	16,730,092

Notes:

- The average number of days in the Basin exceeding the federal standard over the three-year period of 1999-01 decreased by 80% for ozone and by 97% for carbon monoxide from the 1976-78 period.
- The average number of days in the Basin exceeding the federal PM10 standard decreased by 86% between the 1985-87 and 1999-01 periods.
- 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 2004 and 2005.
- In 2005, the federal government implemented the 8-hour ozone National Ambient Air Quality Standard.

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

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

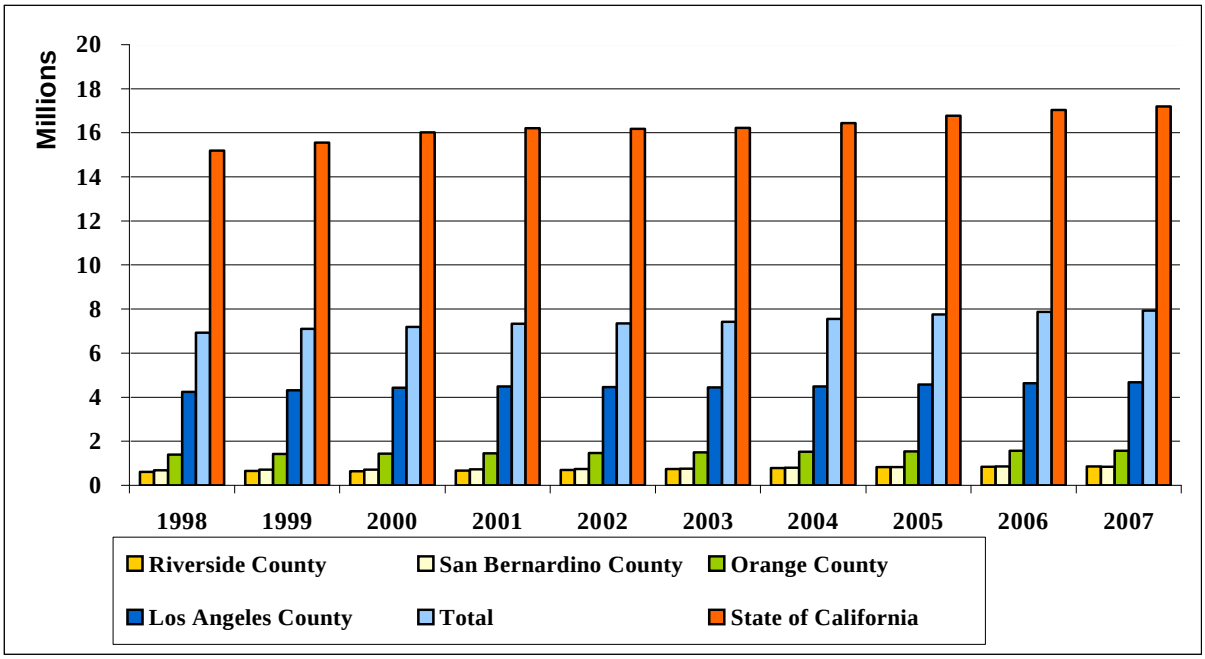


Year	Riverside County	San Bernardino County	Orange County	Los Angeles County	Total	% Increase
1998	1,451,400	1,637,900	2,724,500	9,225,800	15,039,600	1.25%
1999	1,490,500	1,666,600	2,776,100	9,330,100	15,263,300	1.49%
2000	1,533,800	1,701,700	2,829,800	9,487,400	15,552,700	1.90%
2001	1,590,000	1,746,800	2,891,300	9,663,500	15,891,600	2.18%
2002	1,653,500	1,793,300	2,941,100	9,829,700	16,217,600	2.05%
2003	1,725,900	1,842,300	2,984,300	9,980,200	16,532,700	1.94%
2004	1,805,500	1,896,200	3,021,600	10,101,500	16,824,800	1.77%
2005	1,885,600	1,948,500	3,050,400	10,191,100	17,075,600	1.49%
2006	1,966,600	1,994,000	3,071,900	10,258,000	17,290,500	1.26%
2007	2,034,840	2,026,325	3,089,707	10,275,914	17,426,786	0.79%

* The SCAQMD encompasses all of Orange County and parts of the Los Angeles, Riverside, and San Bernardino Counties, representing over 17 million residents.

Source:
California Department of Finance - Demographic Research Unit

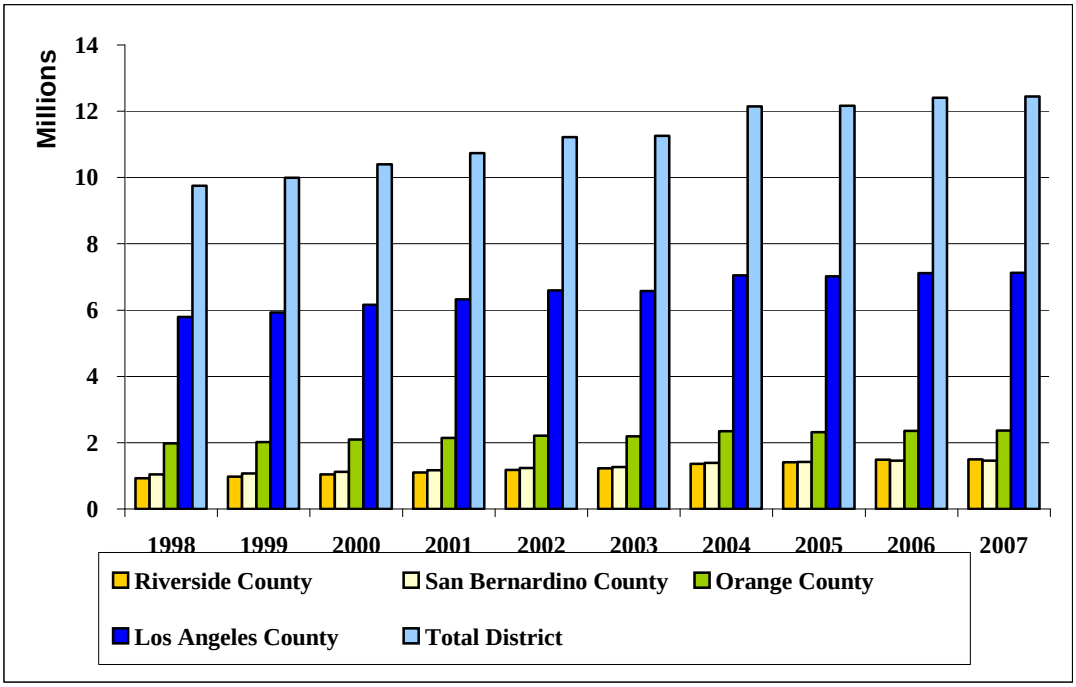
SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
Schedule 14
Los Angeles, Orange, Riverside, San Bernardino
Counties, and State of California Civilian Employment
Last Ten Calendar Years



Year	Riverside County	San Bernardino County	Orange County	Los Angeles County	Total	State of California
1998	615,900	680,100	1,385,300	4,246,100	6,927,400	15,203,700
1999	653,600	712,600	1,422,100	4,309,400	7,097,700	15,566,900
2000	643,900	703,600	1,428,400	4,424,900	7,200,800	16,024,300
2001	672,000	724,500	1,453,400	4,483,400	7,333,300	16,220,000
2002	701,800	743,200	1,456,500	4,447,100	7,348,600	16,180,800
2003	731,500	758,300	1,484,200	4,440,800	7,414,800	16,227,000
2004	775,900	788,700	1,516,400	4,477,900	7,558,900	16,444,500
2005	816,500	816,800	1,544,800	4,581,100	7,759,200	16,782,300
2006	842,000	842,300	1,568,300	4,631,600	7,884,200	17,029,300
2007	853,800	835,100	1,568,800	4,675,300	7,933,000	17,208,900

Source:
The ten-year trend data included in this chart has been updated to incorporate the most current State of California Employment Development Department statistics.

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	Orange County	Los Angeles County	Total District
1998	928,902	1,040,583	1,983,612	5,796,505	9,749,602
1999	972,920	1,070,746	2,019,066	5,926,920	9,989,652
2000	1,038,067	1,118,158	2,091,397	6,155,565	10,403,187
2001	1,100,221	1,168,442	2,140,909	6,323,102	10,732,674
2002	1,182,492	1,238,451	2,207,172	6,595,178	11,223,293
2003	1,221,720	1,266,233	2,196,060	6,578,648	11,262,661
2004	1,365,087	1,391,982	2,346,741	7,044,975	12,148,785
2005	1,411,893	1,417,323	2,317,229	7,014,718	12,161,163
2006	1,482,716	1,458,344	2,352,832	7,111,211	12,405,103
2007	1,498,957	1,453,252	2,367,673	7,121,385	12,441,267

* The AQMD encompasses all of Orange County, and parts of Los Angeles, Riverside, and San Bernardino Counties. Paid vehicle registrations within the AQMD jurisdiction is approximately 12 million for 2007.

Source:
California Department of Motor Vehicles - Estimated Fee Paid Vehicle Registrations by County

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

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
FUNCTION:										
Executive Office	9	8	15	9	8	11	11	11	10	10
Clerk of the Boards	6	6	6	6	5	6	6	6	6	6
District Counsel	12	12	11	10	11	10	10	10	10	11
District Prosecutor	18	16	14	22	23	23	22	21	20	19
Finance	43	43	43	45	46	44	45	43	43	44
Administrative & Human	33	34	33	37	37	34	34	34	35	36
Information Management	43	47	46	46	48	47	45	45	48	50
Planning, Rule Development & Area Sources	131	104	93	99	116	116	110	108	109	102
Public Affairs	41	64	59	52	42	36	34	36	35	37
Science & Technology	118	121	130	142	141	136	132	136	145	151
Engineering & Compliance	268	270	279	303	295	289	284	293	289	304
Total	722	725	729	771	772	752	733	743	750	770

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

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

	Fiscal Year							
Program Category	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
Advance Clean Air Technology								
Contracts awarded	158	287	411	211	263	180	304	295
Total Funding awarded	$ 33,713,906	$ 96,287,361	$ 74,782,923	$ 36,644,126	$ 54,723,323	$ 79,893,504	$ 133,603,750	$ 91,309,725
Ensure Compliance with Clean Air Rules								
Inspections	42,386	45,440	50,868	48,898	45,702	35,161	35,039	33,742
Notices of Violations	2,666	2,922	3,558	2,408	2,412	1,759	2,864	1,321
Hearing Board Orders for Abatement	n/a	47	74	58	81	61	49	30
Hearing Board Appeals	n/a	21	12	18	23	12	12	22
Customer Service								
Public Information Requests	9,967	5,615	7,257	5,555	5,477	4,956	4,651	3,528
Community/Public Meetings attended	112	72	84	53	92	118	182	145
Small Business Assistance Contacts	n/a	n/a	1,826	3,979	3,641	1,812	2,289	2,680
Develop Programs to Achieve Clean Air								
Transportation Plans processed	1,460	1,360	1,323	1,316	1,402	1,426	1,502	1,534
Emission Inventory Updates	272	642	289	126	359	229	284	439
Develop Rules to Achieve Clean Air								
Rules Developed	61	32	29	38	59	35	24	29
Monitoring Air Quality								
Samples Analyzed by the Laboratory	16,096	22,730	24,186	26,618	34,174	37,889	14,683	31,530
Source Testing Analyses/Evaluations/Reviews	533	484	649	752	706	598	830	794
Timely Review of Permits								
Applications Processed	11,975	17,844	10,925	10,406	11,459	9,747	9,481	9,599
Applications Received	10,970	11,086	10,138	10,431	10,996	9,222	8,261	9,297
Policy Support								
News releases	62	38	28	41	34	48	44	51
Media Calls	1,250	1,300	1,350	1,300	1,400	n/a	643	684
Media Inquiries Completed	n/a	n/a	n/a	n/a	n/a	268	604	684

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

	2004	2005	2006	2007	2008
Function/Program					
Ensure Compliance with Clean Air Rules					
Number of vehicles assigned to field inspection	118	117	117	121	120
Monitoring Air Quality					
Number of air monitoring stations	35	35	35	35	35
Number of air monitoring instruments installed in the air monitoring stations to measure air quality	259	259	259	259	259

South Coast Air Quality Management District

Demographic and Miscellaneous Statistics

Established:	February 1, 1977
Area Covered:	10,743 Square Miles
Counties Included in District:	All of Orange County and parts of Los Angeles, Riverside, and San Bernardino Counties
Population:	16,730,092 (In 2007)
Unemployment Rate:	Los Angeles County (5.0%), Orange (3.9%), Riverside (6.2%), and San Bernardino (5.6%) counties (In 2007)
Transportation:	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
Visitor Destinations:	Disneyland, Knott's Berry Farm, Magic Mountain, motion picture and television studios and the Rose Bowl
Number of Registered Vehicles Within AQMD Jurisdiction:	12,370,990 (In 2007)
Average Daily Miles Traveled Per Vehicle:	33 (CY 2007 data)
Examples of Stationary Sources of Air Pollution Regulated:	Oil Refineries, power plants, paint spray booths, incinerators, manufacturing facilities, dry cleaners, and service stations.
Number of Sources:	Over 28,400 operating locations with approximately 76,500 permits.
Number of Air Monitoring Stations:	35
Full-time Authorized Positions:	850
Adopted FY 2008-09 Budget:	$132,110,915
Key Federal, State, and Local Air Agencies:	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.

Key Historical Dates in Southland Smog Control

- **1945** City of Los Angeles establishes Bureau of Smoke Control.
- **1947** Governor Earl Warren signs AB 1, allowing county air pollution control districts (APCD). L.A. County establishes APCD requiring permits for all major industries.
- **1950** Orange County APCD established.
- **1955** Highest ozone level ever recorded in Southland - .68 parts per million.
- **1955** Los Angeles APCD launches Smog Emergency Warning System.
- **1956** Los Angeles establishes first air quality monitoring network of 15 stations.
- **1957** San Bernardino and Riverside County APCDs formed.
- **1963** First Federal Clean Air Act enacted.
- **1967** California Air Resources Board (CARB) created. Federal Air Quality Act allows California to set and enforce more stringent auto standards than the rest of the nation.
- **1969** First state ambient air quality standards enacted.
- **1970** U.S. Environmental Protection Agency created. In 1970 the Federal Clean Air Act becomes a cornerstone of modern air pollution control.
- **1977 South Coast Air Quality Management District formed through merger of Los Angeles, Orange, Riverside, and San Bernardino APCDs.**
- **1984** California's Smog Check program takes effect.
- **1987** AQMD establishes ridesharing requirements for region's employers.
- **1988** California Clean Air Act adopted. Last Stage 2 episode recorded.
- **1989** AQMD adopts first Air Quality Management Plan (AQMP) to show attainment of clean air standards.
- **1990** Federal Clean Air Act Amendments require new programs for smog, toxics and protection of the Earth's ozone layer.
- **1993** RECLAIM (REgional CLean Air Incentives Market) emissions trading program adopted.
- **1997** AQMD adopts Environmental Justice Initiatives.
- **2000** AQMD adopts Air Toxics Control Plan and first series of Clean Fleet Rules.
- **2001** AQMD implements the State's Lower Emission School Bus Program.
- **2002** AQMD adopts phase-out of toxic chemical at dry cleaners.
- **2005** The Southland achieves federal carbon monoxide standards.
- **2005** The Southland experiences one of the cleanest smog seasons on record.
- **2006** AQMD approves $36M to clean up port pollution
- **2007** The Southland experiences one of the cleanest smog seasons on record

AQMD 2008

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

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