

COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2009



SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
DIAMOND BAR, CALIFORNIA



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 actions on the community and businesses.

South Coast
Air Quality Management District

Diamond Bar, California

Comprehensive Annual Financial Report
Year Ended June 30, 2009

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

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

Comprehensive Annual Financial Report
Year Ended June 30, 2009

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SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

GOVERNING BOARD

June 30, 2009

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

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

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

JOSIE GONZALES
County of San Bernardino Representative

RONALD O. LOVERIDGE
County of Riverside
Cities Representative

DENNIS YATES
County of San Bernardino
Cities Representative

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 22, 2009

Chairman, Governing Board and Citizens
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, 2009.

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.

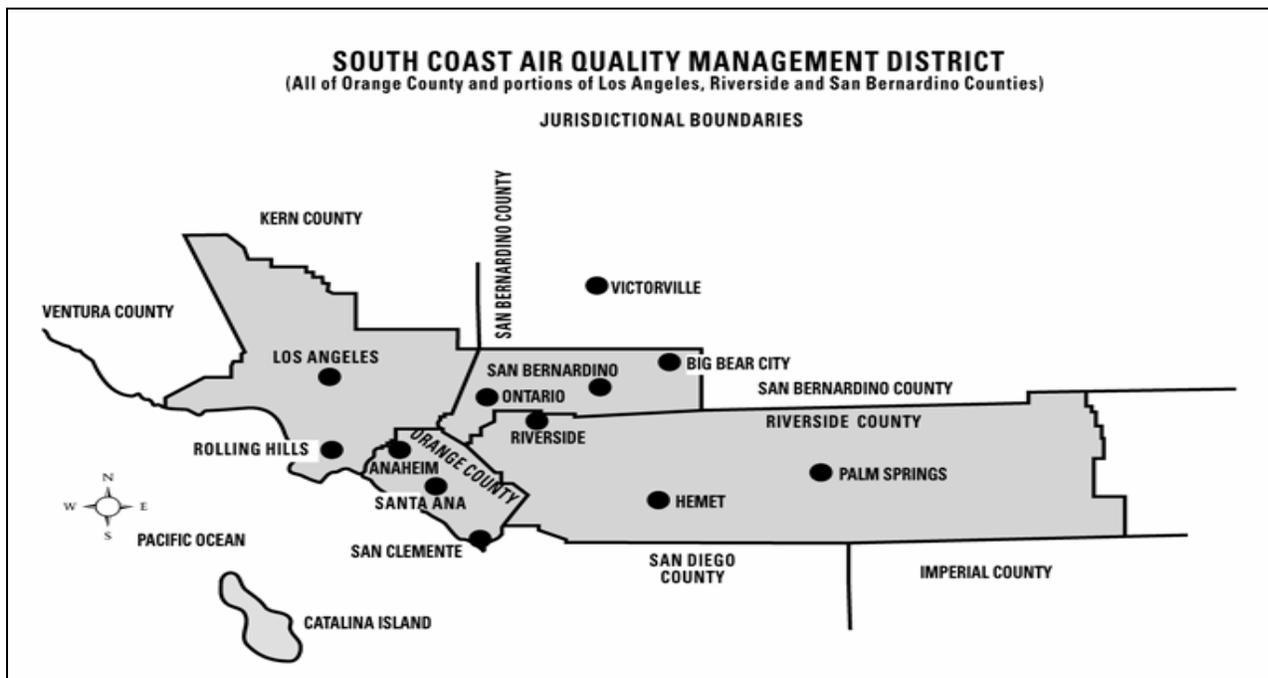
The AQMD's financial statements have been audited by Thompson, Cobb, Bazilio & Associates, Certified Public Accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the AQMD for the fiscal year ended June 30, 2009 are free of material misstatements. 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, 2009 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 General Counsel. The Executive Officer in turn appoints the heads of the various agency departments.

Southern California has the most serious air quality problem in the country. A combination of poor atmospheric ventilation, a capping temperature inversion, bordering mountains and sunny days act to enhance smog formation and effectively trap pollutants in the Basin. 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 66% of its general fund revenue is derived from fees paid by stationary sources that emit air pollution; 16% 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; 10% 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, 2008-09 reflects funded staffing levels that are 28% (324 FTEs) below 1991-92 levels and expenditures, when adjusted for inflation, that are 38% less than the 1991-92 period.

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 2009 exceeded estimates due to several significant one-time penalty settlements. 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 increased 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, have helped close the gap between AQMD's program expenditures and its revenues.

Long-term Financial Planning

Unreserved fund balance in the General Fund (40% 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 prior fiscal years with air pollution violators which for fiscal year 2009 resulted in penalties of approximately \$6.0 million over revenue estimates. 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. With the deterioration in the financial markets and the ratings downgrade of the GIC provider, the AQMD in February 2009 elected to terminate its GIC agreement without penalty and setup a separate debt service fund with its treasurer to provide debt service payments through 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

The AQMD Governing Board, in anticipation of increasing retirement rates due to significant losses experienced by its pension system, established a new designation in its fund balance for Retirement Actuarial Increases and set-aside \$5,000,000 in FY 2008-09. In June 2009 the Governing Board approved a \$4,000,000 increase in this designation as part of the FY 2009-10 budget adoption, bringing the total designation to \$9,000,000. This designation is expected to offset retirement rate increases over the next two to three years as the Board pursues legislative changes necessary to lower future retirement costs.

Due to the continued economic challenges facing many businesses in southern California, the Board, as part of the FY 2009-10 budget adoption in June 2009, enhanced its Budget Stabilization designation by approximately \$1,000,000, bringing it to \$8,000,000 and completed negotiations with its represented employees resulting in a one-year labor agreement that held salaries flat and provided a modest increase in its health care benefits to cover increases in insurance premiums.

Major Initiatives

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

During the next year and beyond, the AQMD will continue to develop control measures to reduce smog-forming and toxic air pollutants; pursue a federal waiver allowing for the continued implementation of all of its fleet rules; implement the 2007 AQMP; MATES III; expand its Environmental Justice programs; and pursue its legislative goals.

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

Air Quality

Air Toxics Study Shows Overall Decrease in Cancer Risk

A multi-year study on toxic air pollution in the Southland showed an overall 8 percent decrease in cancer risk from air pollution but increases in some areas of the region. The study, released as a draft in January 2008 and revised this year using improved computer modeling and emissions inventory methodologies, showed an overall decrease in the cancer risk from air pollution in the region from 931 in 1 million to 853 in 1 million from 1998-1999 to 2005. About 84 percent of all cancer risk from air pollution is due to diesel exhaust from trucks, trains, ships, locomotives and other diesel equipment. The remaining risk is due to toxic emissions from gasoline-powered motor vehicles, businesses and industrial facilities. The AQMD will use the results of MATES III to develop policy initiatives and will continue efforts at the state and national levels to reduce toxic air pollution.

Climate Change Policy

The AQMD approved a Climate Change Policy designed to complement the agency's existing programs for criteria and toxic pollutants and the goals of AB 32, the California Global Warming

Solutions Act of 2006. The new policy is designed to further protect public health, assist businesses and local governments in implementing climate change measures, ensure information on climate change is shared with the public, and decrease the agency's own carbon footprint. Key elements of the policy include updating AQMD's guidance document for local governments so they can consider the inclusion of greenhouse gas reduction strategies in their general plans; enhancing local guidance for California Environmental Quality Act compliance to help with the quantification and mitigation of greenhouse gas emissions; and updating the greenhouse gas inventory for the region.

Air Filtration Project in South Bay Schools

Following a successful pilot program this year, the AQMD awarded \$1.125 million to provide high-efficiency air filtration devices at schools in communities surrounding the Valero oil refinery in Wilmington. Air filtration devices range in cost from less than \$100 for a high-efficiency filter for use in existing heating, ventilation and air conditioning (HVAC) units to about \$8,500 for a stand-alone air filtration device used in schools without existing HVAC systems.

Emission Reductions

Strengthens Rules for Natural Gas-Fired Boilers and Heaters

The AQMD amended rules 1146 & 1146.1 that will require thousands of natural gas-fired boilers, steam generators and heaters operated by schools, hospitals, and industrial and commercial facilities throughout the region to meet more stringent NO_x emission limits. There are 1,150 facilities in the region operating more than 2,100 natural gas-fired boilers, steam generators and heaters. The rule amendments are expected to reduce NO_x emissions by about 1.2 tons per day by 2016 for larger units and 0.3 tons per day by 2015 for smaller units.

First-Ever Compressed Natural Gas Drayage Trucks at Ports

As part of the overall effort to cut down on pollutants stemming from port activities, the AQMD is co-sponsoring a demonstration of four compressed natural gas (CNG) drayage trucks. The project is the first to demonstrate the use of CNG, a clean-burning low-carbon fuel, in drayage trucks at the ports. CNG technology can provide the necessary power and range needed to make these short-haul deliveries from the port while having 33 percent lower life-cycle costs than a comparable new diesel truck. Earlier in the year, AQMD and the Port of Los Angeles introduced a heavy-duty electric short-haul drayage truck. Also the first of its kind, the demonstration truck can pull a 60,000-pound cargo container at a top speed of 40 mph and it has a range of between 30 to 60 miles per battery charge.

Emission Reduction Incentive Programs

Air Quality Investment Program for Greenhouse Gases

The AQMD adopted the Greenhouse Gas Reduction Program, which will implement an air quality investment program for the SoCal Climate Solutions Exchange. This will encourage voluntary actions and allow the agency to collect funds, pool those funds and use them to implement greenhouse gas reduction projects through a competitive bidding process. Fossil-fuel burning and other emissions including methane are now widely recognized by the scientific community as culprits behind a rapid rise in carbon dioxide levels in the Earth's atmosphere. Potential climate change impacts include a 90 percent loss of the Sierra snow pack, the sea level

rising between 22 to 30 inches and three to four times the number of heat wave days. Health problems are also expected to result from global warming.

\$68 Million Available to Help Replace Dirty Diesel School Buses

Signaling a dramatic acceleration in the effort to replace the region's aging, dirty diesel school buses, the AQMD announced nearly \$68 million in funding to help school districts purchase clean-burning compressed natural gas buses. The funding will help replace about 330 model year 1977 to 1986 diesel school buses with new compressed natural gas (CNG) buses and retrofit about 1,000 model year 1994 and newer diesel school buses with particulate traps. Funds, from Proposition 1B approved by voters in November 2006, will be divided with \$47.4 million available for diesel school bus replacement and \$20 million for retrofits. Funding is also included to help pay for the necessary fueling infrastructure. AQMD has awarded \$955,000 to four school districts to replace all nine remaining pre-1977 diesel school buses in the region.

Since 2000, AQMD has approved more than \$106 million to replace 626 older diesel school buses with 540 new CNG and 86 new lower-emitting diesel buses, and to retrofit 2,777 diesel buses with particulate traps. CNG school buses on average emit six times less smog- and particulate-forming nitrogen oxides than the diesel buses they replace.

Southland Professional Gardeners Help to Reduce Region's Air Pollution

For the third year in a row, AQMD will exchange 1,500 older leaf blowers for a low-polluting and lower-noise model manufactured by STIHL. The new blowers will be sold for \$200 plus tax, representing a \$270 discount from the retail price of \$470. The old blowers will be scrapped. Exchanging the older backpack blowers for new ones will help protect public health by reducing at least 14 tons of smog-forming pollution a year.

AQMD's leaf blower exchange program is modeled on the agency's highly successful residential lawn mower exchange program. Since 2003, AQMD has exchanged nearly 24,000 highly polluting gas-powered mowers for zero-emitting electric models.

"Healthy Hearths" Incentive Program, Website

The AQMD has unveiled a consumer incentive program that encourages homeowners to replace wood-burning fireplaces with cleaner-burning gas log sets. The agency also launched a new website, www.healthyhearths.org, featuring a video to help educate residents about the harmful emissions of wood smoke, which causes four times more fine particulate air pollution than all the power plants in the region. The six-minute Healthy Hearths video, broken up into three segments, explains the need for cleaner-burning fireplaces and the campaign's positive impact on air quality and public health. While much discussion of air pollution tends to focus on mobile sources such as cars and trucks, an often-overlooked fact is that residential fireplaces are sources of harmful, and even deadly, emissions. The California Air Resources Board has estimated that all PM_{2.5} pollution, including wood smoke, is linked to 6,200 premature deaths annually in Southern California.

Economy

"Helping Hand" Initiative

In light of the current economic recession, the AQMD's Governing Board set in motion an initiative to help support the local economy including a networking opportunity between clean

air technology developers and potential funding sources. The four elements of the Helping Hand initiative include:

- sponsoring a Clean Air Technology Conference designed to expedite the introduction of new, low-emission technologies needed to help clean the Southland's air by introducing investment bankers and venture capitalists with clean air technology developers;
- co-sponsoring educational training through community colleges on proper installation and care of new vehicle technologies. It will ensure that available new low- and zero-emission technologies are properly installed and cared for after their introduction;
- partnering with cities and counties to co-sponsor local tree planting projects and thereby create healthy urban forests. Near-term cost barriers to regional tree planting will be reduced and greenhouse gas benefits and other pollutant reductions would be achieved as well; and
- enhancing AQMD's customer service activities for permit applicants and permit holders. This would include offering a one-year extension for already-issued Permits-to-Construct, limiting current requirements for the upfront purchase of RECLAIM trading credits for new equipment by facility operators to the first year of operation and conducting monthly Saturday permit assistance open houses at AQMD.

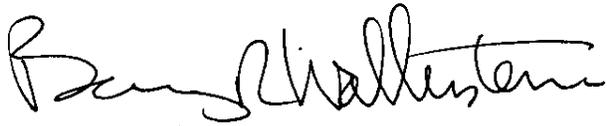
Awards and Acknowledgements

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, 2008. 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.

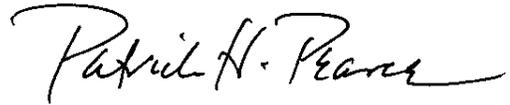
The preparation of our comprehensive annual financial report was made possible by the dedicated services of the accounting, financial analyst and management staff of the Finance Office. These members have our sincere appreciation for the contribution made in the preparation of this report.

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, 2008

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.

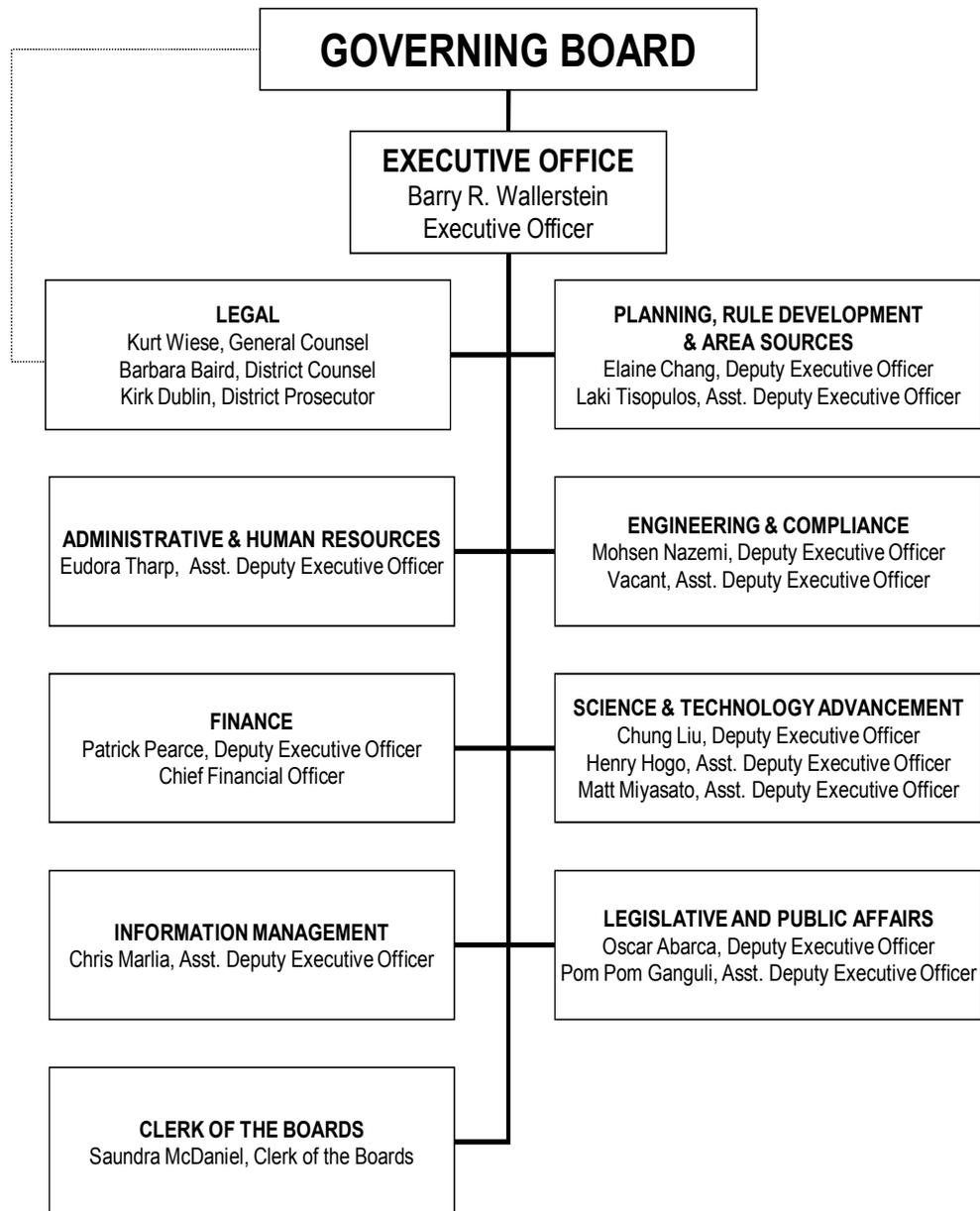


President

Executive Director

South Coast Air Quality Management District, California Organizational Chart

June 30, 2009



THOMPSON, COBB, BAZILIO & ASSOCIATES, PC

CERTIFIED PUBLIC ACCOUNTANTS AND MANAGEMENT, SYSTEMS, AND FINANCIAL CONSULTANTS

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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, 2009, 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, 2009, 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 22, 2009 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 22, 2009

Thompson, Cobb, Bazilio & Associates, PC

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009**

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, 2009. Please read it in conjunction with the accompanying transmittal letter, the basic financial statements, and the accompanying notes to those financial statements.

A. Financial Highlights

- Total assets of the AQMD were \$526.7 million and total liabilities were \$138.6 million at June 30, 2009. The assets exceeded liabilities by \$388.1 million (net assets). Of this amount, \$47.3 million (unrestricted net assets), may be used to meet the AQMD's ongoing obligations to creditors.
- For the year ended June 30, 2009, total net assets increased by \$42.9 million. Total revenues from all sources were \$273.8 million and total expenses for all functions/programs were \$230.9 million.
- As of the close of the fiscal year, the AQMD's governmental funds reported combined ending fund balances of \$398.0 million, an increase of \$35.5 million in comparison to the prior year. Of the \$398.0 million combined ending fund balances, \$63.6 million represents the fund balance of the General Fund.
- Out of the total General Fund balance of \$63.6 million at the end of the fiscal year, Reserved Fund Balance was \$7.3 million, Designated Fund Balance was \$20.7 million, and Undesignated Fund Balance was \$35.6 million or 27% of general fund expenditures.
- The AQMD's net capital assets decreased by \$613,000 from the prior year.
- The AQMD's long term debt decreased by \$8.3 million or 8.0% 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.

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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.

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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 28 individual special revenue funds and one debt service fund in addition to the General Fund. Nine of the special revenue funds and the debt service fund 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 19 non-major special revenue funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds, 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.

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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.

The schedule below presents a condensed Statement of Net Assets as of June 30, 2009 compared with the prior fiscal year.

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

	Governmental Activities		Business-Type Activities		TOTAL	
	<u>FY 2008-09</u>	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2007-08</u>
Current and other assets	\$ 433,194	\$ 385,382	\$ 200	\$ 162	\$ 433,394	\$ 385,544
Investment	-	17,303	-	-	-	17,303
Prepaid pension assets	46,072	46,469	-	-	46,072	46,469
Capital assets	47,167	47,780	52	139	47,219	47,919
Total assets	<u>526,433</u>	<u>496,934</u>	<u>252</u>	<u>301</u>	<u>526,685</u>	<u>497,235</u>
Long-term liabilities outstanding	101,570	109,884	-	-	101,570	109,884
Other liabilities	37,018	42,116	9	18	37,027	42,134
Total liabilities	<u>138,588</u>	<u>152,000</u>	<u>9</u>	<u>18</u>	<u>138,597</u>	<u>152,018</u>
Net Assets:						
Invested in capital assets, net of related debt	16,757	12,745	52	139	16,809	12,883
Restricted for:						
Pension assets	(10,335)	3,089	-	-	(10,335)	3,089
Debt Service	-	17,382	-	-	-	17,382
Restricted for grants & other special uses	334,362	291,676	-	-	334,362	291,676
Unrestricted	47,061	20,042	191	144	47,252	20,187
Total net assets	<u>\$ 387,845</u>	<u>\$ 344,934</u>	<u>\$ 243</u>	<u>\$ 283</u>	<u>\$ 388,088</u>	<u>\$ 345,217</u>

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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 \$388.1 million.

The largest portion of the AQMD's net assets (84%) 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 pension assets show negative net assets of \$10.3 million. These are amortized through 2020. The debt service installment schedules for the 1995 and 2004 Pension Obligation Bonds will be fully paid by 2022 and 2024 respectively.

The AQMD executed a Guaranteed Investment Contract (GIC) and Escrow Agreement in December 2006 to economically defease a portion of its debt. With the downgrading of the GIC provider rating during the current weak economic condition, the AQMD in February 2009 terminated its GIC agreement without penalty. A Debt Service Fund was set up to provide debt service payments through 2014.

The remaining portion of AQMD's net assets (12%) 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 \$42.9 million compared with the prior fiscal year. Most of the increase represents receipt of state grants from Carl Moyer SB 1107 and AB 923 in FY 2008-09.

Program revenues increased by \$39.6 million, an 18% change from the prior year. These are largely due to an increase in emission fees, annual operating fees and an increase of approximately \$34 million in state grants in special revenue funds. General revenue increased by \$2.2 million, compared with the prior fiscal year which can be attributed mainly to the increase in Penalties & Settlements.

Expenses increased by \$22.2 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, 2009 compared with the prior fiscal year can be found on the following page.

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>TOTAL</u>	
	<u>FY 2008-09</u>	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2007-08</u>
Revenues:						
Program Revenues:						
Fees and charges – stationary sources	\$ 92,704	\$ 82,826	\$ -	\$ -	\$ 92,704	\$ 82,826
Fees and charges – mobile sources	24,128	22,170	-	-	24,128	22,170
Operating grants and subventions	8,782	8,858	-	-	8,782	8,858
Restricted special revenue sources	133,185	105,383	-	-	133,185	105,383
General Revenues:						
Grants and subventions – not restricted to specific programs	2,935	2,944	-	-	2,935	2,944
Penalties and settlements	9,470	5,190	-	-	9,470	5,190
Interest	1,962	3,950	-	-	1,962	3,950
Other revenues	430	496	-	-	430	496
CNG fuel sales	-	-	170	197	170	197
Total revenues	<u>273,596</u>	<u>231,817</u>	<u>170</u>	<u>197</u>	<u>273,766</u>	<u>232,014</u>
Expenses:						
Advance clean air technology	7,112	7,114	-	-	7,112	7,114
Ensure compliance with clean air rules	43,823	39,463	-	-	43,823	39,463
Customer service	7,442	6,697	-	-	7,442	6,697
Develop programs to achieve clean air	10,216	7,969	-	-	10,216	7,969
Develop rules to achieve clean air	8,433	8,391	-	-	8,433	8,391
Monitoring air quality	14,067	12,866	-	-	14,067	12,866
Timely review of permits	26,205	24,581	-	-	26,205	24,581
Policy support	4,783	3,630	-	-	4,783	3,630
Interest on long-term debt	4,325	4,615	-	-	4,325	4,615
Special funds activities	104,278	93,110	-	-	104,278	93,110
Other expenses	-	-	210	218	210	218
Total expenses	<u>230,684</u>	<u>208,436</u>	<u>210</u>	<u>218</u>	<u>230,894</u>	<u>208,654</u>
Increase (decrease) in net assets, before transfers	<u>-</u>	<u>23,381</u>	<u>(40)</u>	<u>(21)</u>	<u>42,872</u>	<u>23,360</u>
Transfers	42,912	-	-	-	-	-
Increase (decrease) in net assets	<u>\$ 42,912</u>	<u>\$ 23,381</u>	<u>\$ (40)</u>	<u>\$ (21)</u>	<u>\$ 42,872</u>	<u>\$ 23,360</u>

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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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 2008-09. 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 FY 2007-08 to FY 2008-09:

- **Mobile Sources Air Pollution Reduction Fund:** In FY 2008-09 revenue decreased overall by \$1.4 million. The main reason for the decrease was interest revenue decreased by \$1.1 million due to lower cash balances, along with an approximate 1.7% decline in the rate of return.
- **Clean Fuels Fund:** In FY 2008-09 revenue in this fund increased overall by \$2.5 million. The main reason for the increase was a one-time EPA grant in the amount of \$4.9 million for the funding of Heavy Duty LNG Trucks.
- **Carl Moyer Fund:** This fund 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. In FY 2008-09 revenue increased overall by \$14.1 million. Revenue amounts in the fund will vary from year-to-year based on how CARB disburses SB1107 grant funds to AQMD. For example, the FY 2008-09 revenue amount includes revenue from CARB program years 06-07 and 07-08.
- **Carl Moyer Fund AB 923 Fund:** This fund was established in November 2007 to separately report the Carl Moyer AB 923 program activities. In FY 2008-09 revenue increased overall by \$3.2 million. The main reason for the increase is that in FY 2007-08 only ten months of revenue was recorded in this fund. In addition, due to significantly larger cash balances in this fund, interest earnings increased by \$0.6 million.

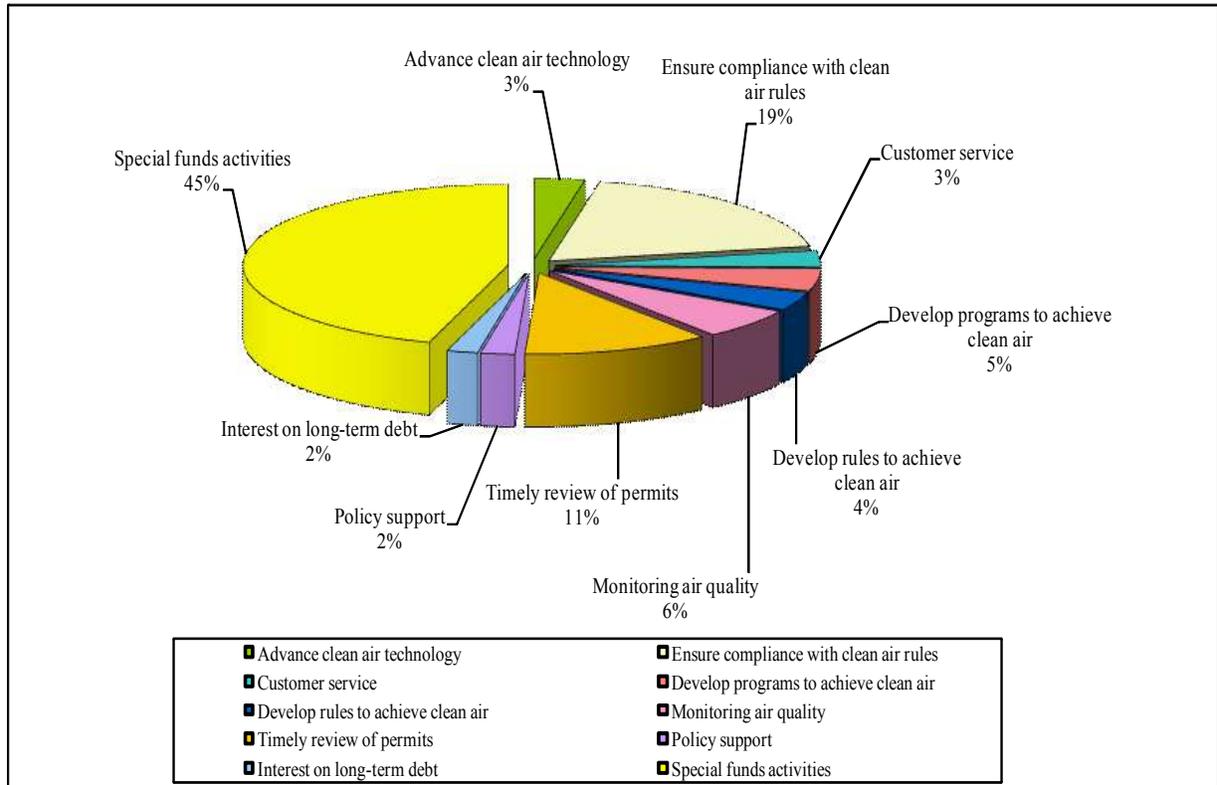
**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
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- **Rule 1309.1 Priority Reserve Fund:** In FY 2008-09 interest revenue decreased by \$0.5 million due to lower cash balances, along with an approximate 1.7% decline in the rate of return.
- **BP ARCO Fund:** In FY 2008-09 interest revenue decreased by \$0.5 million due to lower cash balances, along with an approximate 1.7% decline in the rate of return.
- **Prop 1B Goods Movement Fund:** This fund was set up in FY 2007-08 to receive funds from the voter approved bond funding under Proposition 1B to implement programs that reduce emissions from the movement of freight or “goods” along California’s trade corridors. In January 2008, \$25 million of the bond funds was made available for Early Grant projects by CARB. In FY 2008-09, the first grant awards totaling \$13.4 million were received for projects to replace pre-2003 heavy-duty diesel trucks with 2007 or newer diesel and LNG trucks.

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 \$40,000 from \$283,000 to \$243,000. The decrease is primarily due to the depreciation of the Business-type Activities capital assets and the increase in liabilities.

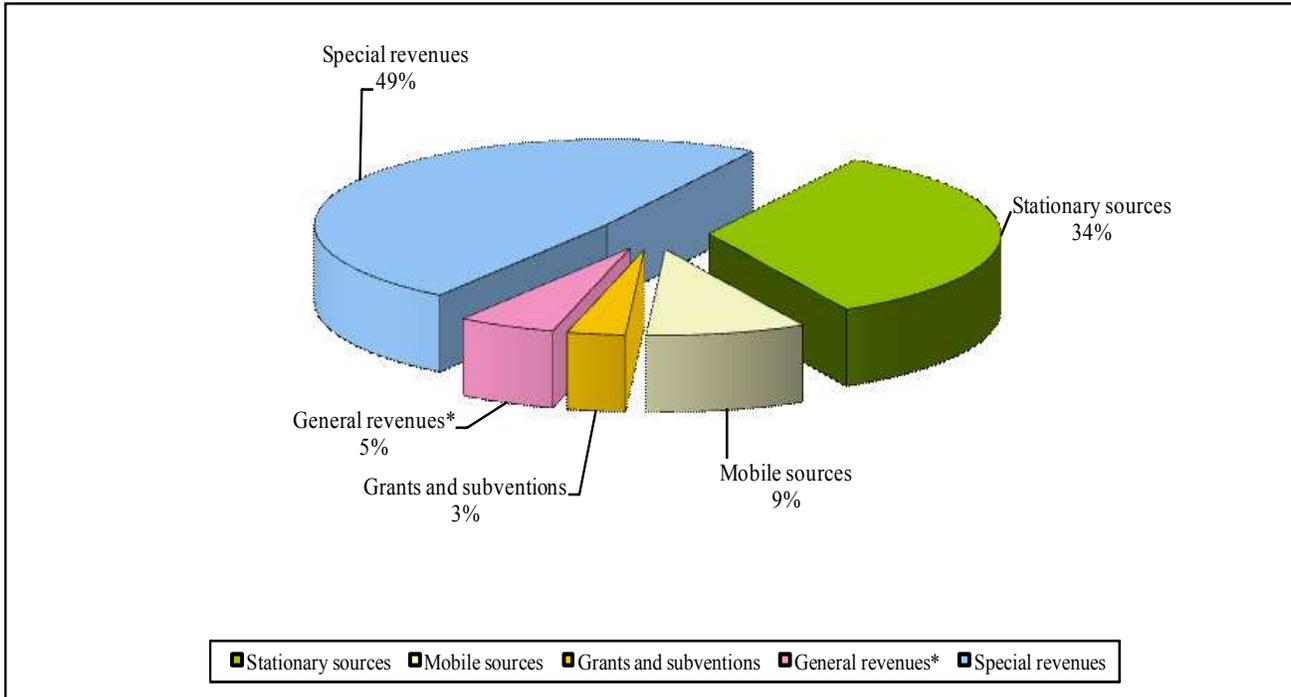
**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
EXPENSES BY ACTIVITY
Government Activities
FY 2008-09**



Activity	FY 08-09	FY 07-08	FY 06-07	FY 05-06	FY 04-05	FY 03-04
Advance clean air technology	\$ 7,111,931	\$ 7,113,642	\$ 7,067,528	\$ 5,808,530	\$ 5,011,874	\$ 7,255,854
Ensure compliance with clean air rules	43,823,112	39,463,040	42,699,519	36,727,226	37,666,189	38,536,722
Customer service	7,441,806	6,696,664	8,687,842	11,592,984	10,532,066	10,965,904
Develop programs to achieve clean air	10,216,378	7,969,413	8,721,816	7,811,791	7,106,133	7,910,778
Develop rules to achieve clean air	8,433,410	8,390,762	7,350,795	8,046,177	8,130,305	7,915,483
Monitoring air quality	14,067,041	12,866,270	12,229,451	11,794,227	11,591,430	11,883,527
Timely review of permits	26,205,282	24,580,945	24,508,757	23,191,423	21,403,924	21,408,261
Policy support	4,782,531	3,630,367	3,442,207	2,948,274	2,954,538	2,523,809
Interest on long-term debt	4,325,460	4,614,842	-	-	-	-
Special funds activities	104,277,915	93,109,973	62,831,313	64,308,902	59,525,817	62,422,513
Total	\$ 230,684,866	\$208,435,918	\$ 177,539,228	\$ 172,229,534	\$ 163,922,276	\$ 170,822,851

Source: Statement of Activities

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REVENUES BY MAJOR SOURCE
Government Activities
FY 2008-09



Source	FY 08-09	FY 07-08	FY 06-07	FY 05-06	FY 04-05	FY 03-04
Stationary sources	\$ 92,703,725	\$ 82,825,774	\$ 75,200,253	\$ 68,792,294	\$ 64,925,373	\$ 61,932,425
Mobile sources	24,128,436	22,170,323	23,966,240	20,991,833	14,716,865	10,787,342
Grants and subventions	8,782,322	8,858,458	8,946,833	8,035,387	8,100,573	9,679,283
General revenues*	14,796,424	12,579,473	21,421,637	22,853,273	25,178,600	23,479,027
Special revenues	133,185,494	105,383,067	92,925,386	94,223,386	87,747,227	60,731,099
Total	\$ 273,596,401	\$ 231,817,095	\$ 222,460,349	\$ 214,896,173	\$ 200,668,638	\$ 166,609,176

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

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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
(amounts expressed in thousands)**

	<u>Total Cost of Program Activities</u>	<u>Net Cost of Program Activities</u>
Advance clean air technology	\$ 7,112	\$ 5
Ensure compliance with clean air rule	43,823	4,971
Customer service	7,442	717
Develop programs to achieve clean air	10,216	802
Develop rules to achieve clean air	8,433	983
Monitoring air quality	14,067	454
Timely review of permits	26,205	(4,975)
Policy support	4,783	576
Interest on long-term debt	4,325	(4,325)
Special funds activities	104,278	28,907
Total	\$ <u>230,684</u>	\$ <u>28,115</u>

The program activities are described as follows:

- **Advance Clean Air Technology** – Identify technologies from anywhere in the world that may have application in reducing emissions from mobile and stationary sources in 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.

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- **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 \$398.0 million, an increase of \$35.5 million in comparison with the prior year. Approximately 84% of these fund balances (\$334.4 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 \$63.6 million. The unreserved fund balance was \$56.3 million; designations were \$20.7 million or 32.5% 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 43% of total General

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Fund expenditures, while total fund balance represents 49% 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 2008-09 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 2008-09 adopted budget represented a \$6.6 million (5.2%) increase over the FY 2007-08 adopted budget. The FY 2008-09 adopted budget included a 6% salary savings; which represents 53 unfilled positions; and a increase of approximately \$0.6 million in the services, supplies and equipment budget. On a budgetary basis, actual FY 2008-09 General Fund revenues exceeded expenditures by \$8.3 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 the expenses related to the biennial audit. The AB 2766 program is audited every other year. In FY 2007-08, the fund did not incur audit expenses. 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 in this fund is pass-through and 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 decreased due to expenditures exceeding revenues. 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. Since October 2007, the requirement for water-heater compliance with Rule 1121 had to be met for newly manufactured water-heaters, thus leading to less mitigation fee revenue for every new (manufactured prior to October 2007) water-heater sold. Also, as indicative of the economic downturn, interest rates were lower which lead to a decrease in interest earnings.
- **Mobile Sources Air Pollution Reduction Fund** – The fund balance decreased compared with the prior year due to expenditures exceeding revenues. 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. Also, as indicative of the economic downturn, interest rates were lower which lead to a decrease in interest earnings.
- **Clean Fuels Program Fund** – The fund balance decreased compared with the prior year due to expenditures exceeding revenue in FY 2008-09. 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. Also, as indicative of the economic downturn, interest rates were lower which lead to a decrease in interest earnings.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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- **Carl Moyer Program Fund** – The fund balance increased compared with the prior year due to revenues exceeding expenditures in FY 2008-09. 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 AB 923 Fund** – The fund balance increased due to revenues exceeding expenditures in FY 2008-09. 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. In addition, mobile source revenue increased. In FY 2007-08 this fund was created to separately record AB 923 revenue and only ten months of revenue were recorded.
- **Rule 1309.1 Priority Reserve Fund** – The fund balance decreased compared with the prior year due to expenditures exceeding revenue in FY 2008-09. 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. Also, as indicative of the economic downturn, interest rates were lower which lead to a decrease in interest earnings.
- **BP ARCO Fund** – The fund balance decreased compared with the prior year due to expenditures exceeding revenue in FY 2008-09. 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. Also, as indicative of the economic downturn, interest rates were lower which lead to a decrease in interest earnings.
- **Prop 1B Goods Movement Fund** – This fund was established in FY 2008-09. The increase in fund balance is due to revenues 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.
- **Debt Service Fund** - The fund balance decreased compared with the prior year due to annual payment of \$3 million to defease a portion of AQMD's debt service on Pension Obligation Bonds. This decrease was partially offset by the interest earned during the year.

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

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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 FY 2008-09 adopted budget compared to the amended budget reflects an increase in appropriations of \$10.5 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 FY 2008-09 from the following agencies:

EPA - \$2,192,000 for the following programs: Photochemical Assessment Monitoring Stations (PAMS), PM 2.5 Monitoring, Community-Scale Air Toxics Monitoring Program, and the National Air Toxics Monitoring Program.

Department of Homeland Security - \$439,000 for an enhanced particulate monitoring program.

Department of Energy - \$964,000 for the advancement of plug-in hybrid electric vehicles.

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

Clean Fuels Fund - \$645,000 to support Clean Fuels Program activities such as technical assistance, expert consultations, public outreach, technical conference sponsorships, advance technology vehicle leases, and the advancement of plug-in hybrid vehicles.

Carl Moyer AB 923 Fund - \$300,000 for support of various Carl Moyer Program activities such as public outreach, technical conference sponsorships, technical assistance and expert consultations.

Air Quality Investment Fund - \$126,000 for the outreach and administrative expenses of the Mow Down Air Pollution Program 2009, which exchanged gas-powered lawn mowers with electric mowers.

Mobile Sources Air Pollution Reduction Fund - \$59,000 for payment of the Mobile Sources Air Pollution Reduction Review Committee's miscellaneous administrative and travel expenses.

Designation for Litigation and Enforcement - \$850,000 for outside counsel to represent and advise both AQMD and AQMD Hearing Board on legal matters related to environmental law.

Designation for Facility Refurbishing - \$1,710,000 for refurbishment projects at the AQMD Diamond Bar Headquarters.

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The remaining \$3,215,000 increase can be attributed to transfers from the Undesignated Fund Balance for the following: database development and software implementation; assessment of alternative compliance monitoring methodologies; evaluation of emission control technologies for reducing sulfur oxides emissions from stationary sources; CEQA analysis for rail yard expansion; develop and perform training in nuisance odor identification; high-efficiency air filtration devices for schools in the Los Angeles and Long Beach Unified School Districts; videoconference systems for offsite location; and for various building construction projects. In addition, a transfer out was approved to fund conference expenditures for the Green Tech Connect Forum.

For FY 2008-09, actual revenues exceeded the final budget by \$7,830,000 or 6% and expenditure savings were \$10,541,000 or 7%.

The main reason that actual revenue exceeded the final budgeted revenue was due to the AQMD receiving large settlements from several facilities; these settlements were not anticipated at the time the budget was developed.

The expenditure savings can be mainly attributed to only filling critical vacant positions. Salary savings were budgeted at 6% while the actual was 7%. Additionally, expenditure savings were achieved by delaying budgeted contract work and building refurbishment projects to the following year and budgeted fixed assets were not purchased or the purchases were postponed to FY 2009-10.

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 \$47.2 million (net of accumulated depreciation of \$62.1 million) as of June 30, 2009. 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 Note V under the Notes to the 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 \$101.6 million, including the current portion of \$10 million. Of this amount, \$30.4 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 \$56.4 million represents the Pension Obligation Bonds. The 1995 series (outstanding balance of \$14.7 million) and the 2004 Series issued in June 2004 with \$41.7 million outstanding balance retired the Unfunded Actuarial Accrued Liability due to San Bernardino County Employees Retirement Association as of June 30, 2004. Other long-

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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term debt includes general claims and workers' compensation claims payable of \$1.1 million and compensated absences of \$13.7 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 2009-10 expenditure budget decreases by 8% compared to the FY 2008-09 amended budget. The budget reflects a decrease of \$10.9 million in expenditures from the FY 2008-09 Amended Budget and a \$0.4 million decrease from the FY 2008-09 Adopted Budget. These decreases reflect lower contracts and professional services expenditures. The FY 2009-10 Adopted Budget includes the full cost increase associated with AQMD's labor agreements, which in the long term will continue to 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 addition, the FY 2009-10 Adopted Budget includes a 5% vacancy factor reflecting the agency's efforts to reduce program costs.

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. The impact on both businesses and the financial markets from the economic downturn has resulted in lower estimates for the FY 2009-10 revenues received from fees, grants, and other revenues. In FY 2009-10 revenues are projected to decrease by approximately \$3.3 million from the FY 2008-09 adopted budget, with retirement costs increasing by approximately \$0.8 million. In order to finance the FY 2009-10 Budget, prior year revenue that was set-aside (designated) for specific programs such as enhanced compliance and permit streamlining along with undesignated fund balance were utilized to balance the budget. Estimated revenues for FY 2009-10 are \$126.8 million along with \$4.9 million of prior year revenue 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 2009-10 expenditure budget is \$131.7 million and includes 855 authorized positions. Compared to FY 1991-92, this reflects a reduction of 26% in authorized positions. Program costs, however, will exceed by \$18.7 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, 2009

<u>Assets</u>	Primary Government			Component Unit
	Governmental Activities	Business- type Activities	Total	SCAQMD Building Corporation
Current Assets:				
Cash and cash equivalents	\$ 409,768,445	\$ 195,548	\$ 409,963,993	\$ 242,874
Interest receivable	2,078,350	809	2,079,159	609,057
Due from other governmental agencies	16,183,598	-	16,183,598	-
Due from other non-governmental funds	1,500,000	-	1,500,000	-
Accounts receivable, net	3,609,511	3,534	3,613,045	-
Inventories	54,460	-	54,460	-
Other assets	-	-	-	179,119
Total current assets	433,194,364	199,891	433,394,255	1,031,050
Noncurrent Assets:				
Investments	-	-	-	-
Prepaid pension assets	46,072,132	-	46,072,132	-
Capital assets:				
Land	8,829,792	-	8,829,792	-
Depreciable building and improvements and equipment, net	38,337,250	51,664	38,388,914	-
Total capital assets	47,167,042	51,664	47,218,706	-
Total noncurrent assets	93,239,174	51,664	93,290,838	-
Total assets	526,433,538	251,555	526,685,093	1,031,050
Liabilities				
Current Liabilities:				
Accounts payable and accrued liabilities	20,256,280	8,535	20,264,815	-
Interest payable	1,813,993	-	1,813,993	609,057
Salaries and benefits payable	4,946,007	-	4,946,007	-
Unearned revenue	10,001,990	-	10,001,990	-
Long term debt - due within one year	10,025,785	-	10,025,785	-
Total current liabilities	47,044,055	8,535	47,052,590	609,057
Noncurrent Liabilities:				
Long term debt - due in more than one year	91,543,793	-	91,543,793	-
Total noncurrent liabilities	91,543,793	-	91,543,793	-
Total liabilities	138,587,848	8,535	138,596,383	609,057
Net Assets				
Investment in capital assets, net of related debt	16,757,042	51,664	16,808,706	-
Restricted for:				
Pension assets	(10,334,764)	-	(10,334,764)	-
Restricted for grants and other special uses	334,362,120	-	334,362,120	-
Unrestricted	47,061,292	191,356	47,252,648	421,993
Total net assets	\$ 387,845,690	\$ 243,020	\$ 388,088,710	\$ 421,993

See accompanying notes to the basic financial statements.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2009**

Functions/ Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Fees and Charges		Operating Grants and Subventions	Restricted Special Revenues Sources *	Governmental Activities **	Business-Type Activities	Total	SCAQMD Building Corporation
		Stationary Sources **	Mobile Sources						
Primary Government:									
Governmental Activities:									
Advance clean air technology	\$ 7,111,931	\$ -	7,087,403	30,000	\$ -	\$ 5,473	\$ -	\$ 5,473	\$ -
Ensure compliance with clean air rules	43,823,112	43,812,508	1,905,102	3,076,128	-	4,970,625	-	4,970,625	-
Customer service	7,441,806	5,740,034	2,262,928	155,632	-	716,788	-	716,788	-
Develop programs to achieve clean air	10,216,378	6,419,234	4,515,702	83,045	-	801,603	-	801,603	-
Develop rules to achieve clean air	8,433,410	7,873,021	1,285,940	257,594	-	983,145	-	983,145	-
Monitoring air quality	14,067,041	3,639,490	6,317,830	4,564,138	-	454,417	-	454,417	-
Timely review of permits	26,205,282	20,614,381	-	615,785	-	(4,975,115)	-	(4,975,115)	-
Policy support	4,782,531	4,605,057	753,531	-	-	576,057	-	576,057	-
Interest on long-term debt	4,325,460	-	-	-	-	(4,325,460)	-	(4,325,460)	-
Restricted for grants and other special uses *	104,277,915	-	-	-	133,185,494	28,907,579	-	28,907,579	-
Total governmental activities	230,684,866	92,703,725	24,128,436	8,782,322	133,185,494	28,115,112	-	28,115,112	-
Business-type Activities:									
CNG fueling station	210,120	-	-	-	-	-	(210,120)	(210,120)	-
Total business-type activities	210,120	-	-	-	-	-	(210,120)	(210,120)	-
Total primary government	\$ 230,894,986	\$ 92,703,725	\$ 24,128,436	\$ 8,782,322	\$ 133,185,494	28,115,112	(210,120)	27,904,992	-
Component Unit:									
SCAQMD Building Corporation	\$ -	\$ -	\$ -	\$ -	\$ -	-	-	-	1,513,885
Total component unit	\$ -	\$ -	\$ -	\$ -	\$ -	-	-	-	1,513,885
General Revenues **: 									
Grants and subventions - not restricted to specific stationary source programs						2,934,513	-	2,934,513	-
Interest						1,962,431	-	1,962,431	4,793
Lease revenue***						379,440	-	379,440	-
Penalties/ settlement						9,469,694	-	9,469,694	-
Subscriptions						15,519	-	15,519	-
Other						34,827	-	34,827	1,413,116
CNG fuel sales****						-	169,917	169,917	-
Total general revenues						14,796,424	169,917	14,966,341	1,417,909
Change in net assets						42,911,536	(40,203)	42,871,333	(95,976)
Net assets - July 1, 2008						344,934,154	283,223	345,217,377	517,969
Net assets - June 30, 2009						\$ 387,845,690	\$ 243,020	\$ 388,088,710	\$ 421,993

* 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.

*** Part of General Fund Revenue not related to any program activities for cleaning the air; related expenses are not separately tracked.

**** Reported as gross sales with related expenses under Business-type activities.

See accompanying notes to the basic financial statements.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2009**

<u>Assets</u>	General	Air Quality Improvement Fund	Mobile Sources Air Pollution Reduction Fund	Air Quality Investment Fund	Clean Fuels Program Fund	Carl Moyer Fund	CMP AB 923 Fund
Cash and cash equivalents	\$ 76,416,218	\$ 1,761,826	\$ 53,974,353	\$ 28,428,346	\$ 51,299,929	\$ 66,917,319	\$ 47,988,868
Interest receivable	385,496	12,779	263,560	146,315	232,216	398,500	221,633
Due from other governmental agencies	4,078,334	3,233,264	2,407,000	-	2,454,000	-	4,011,000
Due from other funds	569,697	-	-	23,780	-	-	322,931
Accounts receivable, net	1,742,143	-	-	2,473	539,810	-	-
Inventories	54,460	-	-	-	-	-	-
Total assets	<u>\$ 83,246,348</u>	<u>\$ 5,007,869</u>	<u>\$ 56,644,913</u>	<u>\$ 28,600,914</u>	<u>\$ 54,525,955</u>	<u>\$ 67,315,819</u>	<u>\$ 52,544,432</u>
<u>Liabilities and Fund Balances</u>							
Liabilities:							
Accounts payable and accrued liabilities	\$ 5,224,782	\$ 5,032,345	\$ 1,951,295	\$ 203,030	\$ 1,286,375	\$ 4,309,303	\$ 79,869
Salaries and benefits payable	4,946,007	-	-	-	-	-	-
Due to other funds	343,601	-	134,333	44,975	204,369	131,283	-
Unearned revenue	9,103,989	-	-	-	-	-	-
Total liabilities	<u>19,618,379</u>	<u>5,032,345</u>	<u>2,085,628</u>	<u>248,005</u>	<u>1,490,744</u>	<u>4,440,586</u>	<u>79,869</u>
Fund Balances:							
Reserved for encumbrances	7,263,972	(16,029)	26,256,389	4,413,472	22,432,330	49,203,792	11,292,533
Reserved for inventories	54,461	-	-	-	-	-	-
Unreserved:							
General fund	56,309,536	-	-	-	-	-	-
Special revenue funds	-	(8,447)	28,302,896	23,939,437	30,602,881	13,671,441	41,172,030
Total fund balances	<u>63,627,969</u>	<u>(24,476)</u>	<u>54,559,285</u>	<u>28,352,909</u>	<u>53,035,211</u>	<u>62,875,233</u>	<u>52,464,563</u>
Total liabilities and fund balances	<u>\$ 83,246,348</u>	<u>\$ 5,007,869</u>	<u>\$ 56,644,913</u>	<u>\$ 28,600,914</u>	<u>\$ 54,525,955</u>	<u>\$ 67,315,819</u>	<u>\$ 52,544,432</u>

See accompanying notes to the basic financial statements.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2009**

<u>Assets</u>	Rule 1309.1 Priority Reserve Fund	BP ARCO Settlement Projects Fund	Prop 1B Goods Movement Fund	Debt Service Fund	Other Governmental Funds	Total
Cash and cash equivalents	\$ 20,458,409	\$ 19,317,018	\$ 3,229,245	\$ 14,949,326	\$ 25,027,588	\$ 409,768,445
Interest receivable	107,153	98,868	17,748	64,919	129,163	2,078,350
Due from other governmental agencies	-	-	-	-	-	16,183,598
Due from other funds	-	-	7,756	-	1,512,065	2,436,229
Accounts receivable, net	-	-	-	-	1,325,085	3,609,511
Inventories	-	-	-	-	-	54,460
Total assets	<u>\$ 20,565,562</u>	<u>\$ 19,415,886</u>	<u>\$ 3,254,749</u>	<u>\$ 15,014,245</u>	<u>\$ 27,993,901</u>	<u>\$ 434,130,593</u>
 <u>Liabilities and Fund Balances</u>						
Liabilities:						
Accounts payable and accrued liabilities	\$ 753,843	\$ 31,914	\$ -	\$ -	\$ 1,383,524	\$ 20,256,280
Salaries and benefits payable	-	-	-	-	-	4,946,007
Due to other funds	-	-	54,124	-	23,544	936,229
Unearned revenue	-	-	-	-	898,000	10,001,989
Total liabilities	<u>753,843</u>	<u>31,914</u>	<u>54,124</u>	<u>-</u>	<u>2,305,068</u>	<u>36,140,505</u>
Fund Balances:						
Reserved for encumbrances	6,796,613	96,542	1,682,120	-	8,530,505	137,952,239
Reserved for inventories	-	-	-	-	-	54,461
Unreserved:	-	-	-	-	-	-
General fund	-	-	-	-	-	56,309,536
Special revenue funds	<u>13,015,106</u>	<u>19,287,430</u>	<u>1,518,505</u>	<u>15,014,245</u>	<u>17,158,328</u>	<u>203,673,852</u>
Total fund balances	<u>19,811,719</u>	<u>19,383,972</u>	<u>3,200,625</u>	<u>15,014,245</u>	<u>25,688,833</u>	<u>397,990,088</u>
Total liabilities and fund balances	<u>\$ 20,565,562</u>	<u>\$ 19,415,886</u>	<u>\$ 3,254,749</u>	<u>\$ 15,014,245</u>	<u>\$ 27,993,901</u>	<u>\$ 434,130,593</u>

See accompanying notes to the basic financial statements.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
June 30, 2009**

Total fund balances – total governmental funds	\$397,990,088
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.	46,072,132
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.	47,167,042
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.	(1,813,993)
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	(86,816,896)
General and auto liability	(96,500)
Workers' compensation	(962,426)
Compensated absences	<u>(13,693,757)</u>
Net assets of governmental activities	<u>\$387,845,690</u>

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, 2009

Revenues:	General Fund	Air Quality Improvement Fund	Mobile Sources Air Pollution Reduction Fund	Air Quality Investment Fund	Clean Fuels Program Fund	Carl Moyer Fund	CMP AB 923 Fund	Rule 1309.1 Priority Reserve Fund	BP ARCO Settlement Project Fund	Prop 1B Goods Movement Fund	Debt Service Fund	Other Governmental Funds	Total
Emission fees	\$ 24,826,356	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,826,356
Annual renewal fees	43,285,892	-	-	-	-	-	-	-	-	-	-	-	43,285,892
Area Sources	1,226,651	-	-	-	-	-	-	-	-	-	-	-	1,226,651
Permit processing fees	20,396,188	-	-	-	-	-	-	-	-	-	-	-	20,396,188
Mobile sources/clean fuels	21,271,679	-	14,441,099	-	7,525,111	-	22,849,130	-	-	-	-	-	66,087,019
Air Toxics "Hot Spots"	1,947,813	-	-	-	-	-	-	-	-	-	-	78,436	2,026,249
Transportation programs	894,440	-	-	-	-	-	-	-	-	-	-	-	894,440
State subvention	3,994,067	-	-	-	-	-	-	-	-	-	-	-	3,994,067
Federal grant	7,622,767	-	-	-	4,922,000	-	-	-	-	-	-	-	12,544,767
State grant	2,062,317	-	-	-	-	58,530,181	-	-	-	13,424,626	-	-	74,017,124
Interest	1,962,431	45,859	1,366,142	727,051	1,257,540	1,746,090	876,913	542,153	488,388	125,999	632,522	677,238	10,448,326
Lease revenue	379,440	-	-	-	-	-	-	-	-	-	-	-	379,440
Source test/analysis fees	579,607	-	-	-	-	-	-	-	-	-	-	-	579,607
Hearing Board fees	436,385	-	-	-	-	-	-	-	-	-	-	-	436,385
Penalties/settlements	9,469,694	-	-	-	-	-	-	-	-	-	-	-	9,469,694
Subscriptions	15,519	-	-	-	-	-	-	-	-	-	-	-	15,519
Other revenues	39,661	-	(125)	870,779	26,000	-	-	-	-	-	-	2,032,362	2,968,677
Total revenues	140,410,907	45,859	15,807,116	1,597,830	13,730,651	60,276,271	23,726,043	542,153	488,388	13,550,625	632,522	2,788,036	273,596,401
Expenditures:													
Current:													
Salaries and employee benefits	95,793,414	-	-	-	-	-	-	-	-	-	-	-	95,793,414
Insurance	1,228,273	-	-	-	-	-	-	-	-	-	-	-	1,228,273
Rent	524,712	-	-	-	-	-	-	-	-	-	-	-	524,712
Supplies	3,035,346	-	-	-	-	-	-	-	-	-	-	-	3,035,346
Contract and special services	10,571,194	70,335	18,309,527	1,916,700	15,278,913	37,401,073	13,571,917	2,565,049	702,294	10,350,000	-	4,160,342	114,897,344
Maintenance	1,423,541	-	-	-	-	-	-	-	-	-	-	-	1,423,541
Travel and auto	746,705	-	-	-	-	-	-	-	-	-	-	-	746,705
Utilities	1,713,817	-	-	-	-	-	-	-	-	-	-	-	1,713,817
Communications	560,274	-	-	-	-	-	-	-	-	-	-	-	560,274
Uncollectible accounts	562,419	-	-	15,721	-	-	-	-	-	-	-	105,805	683,945
Other expenditures	861,594	-	(50,245)	-	(37,287)	(81,087)	-	-	(247)	-	-	(895)	691,833
Capital outlay	3,670,377	-	-	-	-	-	-	-	-	-	-	-	3,670,377
Debt service:													
Principal	6,895,000	-	-	-	-	-	-	-	-	-	1,800,000	-	8,695,000
Interest	3,242,290	-	-	-	-	-	-	-	-	-	1,200,000	-	4,442,290
Total expenditures	130,828,956	70,335	18,259,282	1,932,421	15,241,626	37,319,986	13,571,917	2,565,049	702,047	10,350,000	3,000,000	4,265,252	238,106,871
Excess (deficiency) of revenues over (under) expenditures before transfers	9,581,951	(24,476)	(2,452,166)	(334,591)	(1,510,975)	22,956,285	10,154,126	(2,022,896)	(213,659)	3,200,625	(2,367,478)	(1,477,216)	35,489,530
Other Financing Sources (uses):													
Transfers in	830,513	-	-	23,780	729,300	72,551	9,096,309	107,125	-	-	14,926,921	121,400	25,907,899
Transfers out	(227,305)	-	(58,876)	(126,000)	(670,000)	(9,825,609)	(72,551)	-	-	-	(14,926,921)	(637)	(25,907,899)
Total other financing sources (uses)	603,208	-	(58,876)	(102,220)	59,300	(9,753,058)	9,023,758	107,125	-	-	-	120,763	-
Net change in fund balance	10,185,159	(24,476)	(2,511,042)	(436,811)	(1,451,675)	13,203,227	19,177,884	(1,915,771)	(213,659)	3,200,625	(2,367,478)	(1,356,453)	35,489,530
Fund balances, July 1, 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	-	17,381,723	27,045,286	362,500,558
Fund balances, June 30, 2009	\$ 63,627,969	\$ (24,476)	\$ 54,559,285	\$ 28,352,907	\$ 53,035,211	\$ 62,875,234	\$ 52,464,565	\$ 19,811,718	\$ 19,383,972	\$ 3,200,625	\$ 15,014,245	\$ 25,688,833	\$ 397,990,088

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, 2009**

Net change in fund balances – total governmental funds-	\$35,489,530
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.	3,670,377
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.	(4,282,873)
Amortization of prepaid pension asset 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.	(397,018)
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.	8,695,000
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. The following amount represents the change in accrued interest from the prior year.	116,830
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	(504,225)
General and auto liability/workers' compensation claims	<u>123,915</u>
Change in net assets of governmental activities	<u>\$42,911,536</u>

See accompanying notes to the basic financial statements.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009**

		Business-type Activities - Enterprise Funds
		CNG Fueling Station Fund
<u>Assets</u>		
Current Assets:		
Cash and cash equivalents	\$	195,548
Interest receivable		809
Accounts receivable		3,534
Total current assets		199,891
Noncurrent Assets:		
Capital assets, net of accumulated depreciation		51,664
Total noncurrent assets		51,664
Total assets		251,555
 <u>Liabilities</u>		
Current Liabilities:		
Accounts payable and accrued liabilities		8,535
Total liabilities		8,535
 <u>Net Assets</u>		
Invested in capital assets, net of related debt		51,664
Unrestricted		191,356
Total net assets	\$	243,020

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, 2009

	Business-type Activities - Enterprise Funds
	CNG Fueling Station Fund
Revenue:	
Merchandise sales	\$ 169,917
Total operating revenue	169,917
Expenses:	
Depreciation	87,171
Other expenses	122,949
Total operating expenses	210,120
Operating income (loss)	(40,203)
Total net assets, July 1, 2008	283,223
Total net assets, June 30, 2009	\$ 243,020

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, 2009**

	Business-type Activities - Enterprise Funds
	CNG Fueling Station Fund
<u>Cash Flows from Operating Activities:</u>	
Cash received from merchandise sales	\$ 165,574
Cash received from interest earnings	5,236
Cash payment for goods and services	(131,952)
Net cash provided by operating activities	38,858
Beginning cash balance, July 1, 2008	156,690
Ending cash balance, June 30, 2009	\$ 195,548

Reconciliation of Operating Income to Net Cash
Provided by Operating Activities:

Operating income (loss)	\$ (40,203)
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	87,171
Decrease (increase) in interest receivable	694
Decrease (increase) in receivable	199
Increase (decrease) in accounts payable and accrued liabilities	(9,003)
Total adjustments	79,061
Net cash provided by operating activities	\$ 38,858

See accompanying notes to the basic financial statements.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS – FIDUCIARY FUNDS
June 30, 2009**

<u>Assets</u>	<u>Agency Funds</u>	<u>Retirement Benefit Trust Fund</u>
Cash and cash equivalents	\$ 1,551,194	\$ 1,572,015
Interest receivable	-	6,553
Due from other funds	-	96
 Total assets	 <u>\$ 1,551,194</u>	 <u>1,578,664</u>
 <u>Liabilities</u>		
Liabilities:		
Accounts payable & accrued liabilities	\$ <u>1,551,194</u>	<u>18,853</u>
Total liabilities	\$ <u><u>1,551,194</u></u>	<u>18,853</u>
 <u>Net Assets</u>		
Net assets held in trust for retirement benefit		<u>1,559,811</u>
Total net assets		\$ <u>1,559,811</u>

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, 2009**

	<u>Retirement Benefit Trust Fund</u>
<u>Additions:</u>	
Contributions	\$ 388
Interest	<u>38,007</u>
Total additions	<u>38,395</u>
 <u>Deductions:</u>	
Other expenses	<u>206,457</u>
Total deductions	<u>206,457</u>
Change in net assets	<u>(168,062)</u>
Net assets held in trust for retirement benefits, July 1, 2008	<u>1,727,873</u>
Net assets held in trust for retirement benefits, June 30, 2009	\$ <u><u>1,559,811</u></u>

See accompanying notes to the basic financial statements.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Financial 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.

As required by accounting principles Generally Accepted in the United States of America (GAAP) that are established by the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the primary government and its component units, which are legally separate organizations.

The 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 Accounting Principles Generally Accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

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 using the 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.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

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, BP ARCO Settlement Projects Fund, Proposition 1B Funding-Goods Movement, and Debt Service Fund in addition to the General Fund.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

ongoing operations. The principal operating revenues of AQMD's enterprise fund are sale of CNG fuel. Operating expenses include the cost of sales, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

AQMD has elected not to apply the option allowed in Paragraph 7 of GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Activities*, that is to apply all FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements.

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 \$281 million and over 9,375 tons of emissions reduced. This special fund was established in FY 1991-92.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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- 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, \$44.6 million in projects have been awarded to purchase over 30,144 tons of emission reductions. During fiscal year 2009, twelve contracts were awarded in the amount of \$2.35 million.
 - ✓ RECLAIM AQIP - Established in fiscal year 2001 to separately account for the generation of NO_x (Oxides of Nitrogen) credits at stationary and mobile sources for use by certain small or new RECLAIM (Regional Clean Air Incentives Market) participants. AQIP stands for Air Quality Investment Program.
 - ✓ RECLAIM and Executive Order Mitigation - Established in fiscal year 2001 to account for mitigation fee payments made by power generators in lieu of emission offsets. Proceeds are used to generate RECLAIM Trading Credits (RTCs) to offset excess emissions.
 - ✓ Rule 1121 Mitigation Fee Program – Established in fiscal year 2004 to issue program announcements for projects under the Rule 1121 Mitigation Fee Program. Under Rule 1121 – Control of Nitrogen Oxides (NO_x) from Residential Type, Natural Gas Fired Water Heaters, emission mitigation fees are collected from water heater manufacturers to fund stationary and mobile source emission reduction projects targeted at offsetting NO_x 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 951 projects totaling \$162.6 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 5,462 vehicles and 22 infrastructure/charging stations, totaling \$179 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. In fiscal year 2007, AB923 funds were used to replace 17 pre-1977 and 139 pre-1987 school buses in the amount of \$21.1 million.
- 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

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

light-duty trucks. Its program expansion also includes hydrocarbon and particulate matter pollution reduction. In fiscal year 2008, AB923 funds were used to replace 7 pre-1977 and 101 pre-1987 school buses in the amount of \$16.3 million.

- Rule 1309.1 Priority Reserve Fund - Established in fiscal year 2001 to account for mitigation fees paid for Particulate Matter \leq 10 microns (PM₁₀) 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 PM₁₀ 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.
- Prop 1B Funding - Goods Movement Fund – This fund was established in fiscal year 2008 to account for voter approved transportation bond dollars. A portion of these would be allocated to CARB and passed through to AQMD to implement programs that reduce emissions from movement of freight or “goods” along California’s trade corridors.
- 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.

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 fiduciary 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 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.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 June 30, 2009**

D. Assets, Liabilities and Net Assets or Equity

1. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the AQMD considered 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 reported at fair value, except for certain short-term money market investments, which are reported at cost.

3. Capital Assets and Depreciation

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

Land, equipment, buildings and improvements are reported 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.

The costs of normal maintenance and repairs that do not add to the value of the capital asset or materially extend capital assets lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. 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:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	15-30 years
Equipment	5-7 years

4. Inventories

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

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

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 Obligations

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

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of unreserved fund balance in the general fund represent tentative management plans that are subject to change.

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.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
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The following table shows reserved and unreserved fund balances as of June 30, 2009:

	<u>General</u> <u>Fund</u>	<u>Major</u> <u>Governmental</u> <u>Funds</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u>
Reserved for:				
Encumbrances	\$ 7,263,972	\$ 122,157,762	\$ 8,530,505	\$ 137,952,239
Inventories	54,460	-	-	54,460
Total reserved fund balances	<u>7,318,432</u>	<u>122,157,762</u>	<u>8,530,505</u>	<u>138,006,699</u>
Unreserved, designated for:				
Self-insurance	2,000,000	-	-	2,000,000
Litigation/enforcement	150,000	-	-	150,000
Permit streamlining	737,540	-	-	737,540
Equipment replacement	2,000,000	-	-	2,000,000
Facility refurbishing	894,239	-	-	894,239
Budget stabilization	6,927,377	-	-	6,927,377
Unemployment claims	80,000	-	-	80,000
Enhanced compliance activities	2,876,154	-	-	2,876,154
Retirement Act Inc	5,000,000	-	-	5,000,000
Unreserved, undesignated	<u>35,644,226</u>	<u>171,501,280</u>	<u>32,172,573</u>	<u>239,318,079</u>
Total unreserved fund balances	<u>56,309,536</u>	<u>171,501,280</u>	<u>32,172,573</u>	<u>259,983,389</u>
Total fund balances	<u>\$ 63,627,968</u>	<u>\$ 293,659,042</u>	<u>\$ 40,703,078</u>	<u>\$ 397,990,088</u>

E. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Adoption of New GASB Pronouncements

During fiscal year 2009, no new GASB pronouncements were adopted.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
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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, 2009.

	Primary Government	Component Unit
Cash on hand	\$ 718,467	\$ -
Cash in bank	148,003	242,874
Cash equivalents in pooled investments	412,220,731	-
Cash, cash equivalents, and investments	\$ 413,087,201	\$ 242,874

DEPOSITS

At June 30, 2009, the carrying amount of the AQMD's bank deposits was \$148,003 and the bank balance was \$119,791. The entire amount was covered by federal depository insurance.

At June 30, 2009, the carrying amount and bank balance of the AQMD's component unit bank deposits was \$242,874 which was covered by federal depository insurance.

INVESTMENTS

At June 30, 2009 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 \$412,220,731 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 32 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.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
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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 debt rating of AA – from S&P or a debt rating of 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, 2009. 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.

Due to changes in financial markets, the AQMD terminated its Guaranteed Investment Contract with the Municipal Bond Insurance Association (MBIA, Inc.) in February 2009 at no cost to the AQMD. The original contract was entered in December 2006. The Debt Service Fund was then established with AQMD Treasurer (LA County Treasurer.)

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
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	Investment Maturities		
	<u>Fair</u> <u>Value</u>	<u><1</u> <u>Year</u>	<u>1-2</u> <u>years</u>
Cash:			
On hand	\$ 718,467	\$ -	\$ -
In bank	148,003	-	-
Total cash	<u>866,470</u>	<u>-</u>	<u>-</u>
Cash equivalents:			
Investment in Los Angeles County's Pooled Surplus Investment (PSI) Fund	372,281,036	191,728,356	180,552,680
Investment in Local Agency Investment Fund	<u>39,939,695</u>	<u>39,939,695</u>	<u>-</u>
Total cash equivalents	<u>412,220,731</u>	<u>231,668,051</u>	<u>180,552,680</u>
Total cash, cash equivalents, & investments	<u>\$ 413,087,201</u>	<u>\$ 231,668,051</u>	<u>\$ 180,552,680</u>

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 deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. 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, 2009, 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, 2009, the AQMD had \$39,939,695 deposited in LAIF. The amount invested is unrated as to credit quality.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
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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, 2009 consists of the following:

Department of Motor Vehicles	
AB 923	\$ 4,011,000
AB 2766	10,017,000
AB 2766 Audit Fee	24,264
Environmental Protection Agency	
Section 105 Base Grant	765,531
Section 105 PAMS Grant	453,594
Section 103 Community Scale Air Toxics Grant	27,819
Department of Homeland Security Special Monitoring	419,818
City of Los Angeles	
Emission Test of Refuse Trucks	450,000
Engine Lubrication on PM Emissions from Mobile Sources	10,000
General Services Administration (Lease)	4,572
Total	<u>\$16,183,598</u>

Accounts Receivable consists of the following at June 30, 2009:

Air toxics "Hot Spots", emission fees, permits, annuals and source testing	\$3,049,610
Clean fuels/stationary sources	544,810
Miscellaneous receivables	618,091
Subtotal	4,212,511
Less: Allowance for doubtful accounts	(603,000)
Total	<u>\$3,609,511</u>

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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IV. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The Interfund Receivables and Payables for year ending June 30, 2009 are as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Air Toxics Trust Fund	\$ 23,544
General Fund	Mobile Sources Air Pollution Reduction Fund	134,333
General Fund	Air Quality Investment Fund	44,975
General Fund	Clean Fuels Program Fund	204,369
General Fund	Carl Moyer Fund	108,352
General Fund	Prop 1B Funding - Goods Movement	54,124
Air Quality Investment Fund	General Fund	23,780
Carl Moyer Program AB 923	General Fund	300,000
Carl Moyer Program AB 923	Carl Moyer Fund	22,931
Prop 1B Funding - Goods Movement	General Fund	7,756
CEQA Green House Gas Mitigation Fund	General Fund	12,065
CEQA Green House Gas Mitigation Fund	Accounting Agency Fund	1,500,000
Total		<u>\$ 2,436,229</u>

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.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
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Interfund transfers for the year ended June 30, 2009, consisted of the following amounts:

Fund Transferred From	Fund Transferred To									Total
	General Fund	Debt Service Fund	Clean Fuels Conference Fund	Air Quality Investment Fund	Clean Fuels Program Fund	Carl Moyer Fund	Rule 1309.1 Priority Reserve Fund	Natural Gas Vehicle Partnership Fund	CMP AB 923 Fund	
General Fund	\$ -	\$ -	\$ 96,400	\$ 23,780	\$ -	\$ -	\$ 107,125	\$ -	\$ -	\$ 227,305
Guaranteed Investment Contract Trust		14,926,920	-	-	-	-	-	-	-	14,926,920
Mobile Sources Air Pollution Reduction Fund	58,876	-	-	-	-	-	-	-	-	58,876
Air Quality Investment Fund	126,000	-	-	-	-	-	-	-	-	126,000
Clean Fuels Program Fund	645,000	-	-	-	-	-	-	25,000	-	670,000
Carl Moyer Fund	-	-	-	-	729,300	-	-	-	9,096,309	9,825,609
Natural Gas Vehicle Partnership Fund	637	-	-	-	-	-	-	-	-	637
CMP AB 923 Fund	-	-	-	-	-	72,551	-	-	-	72,551
Total	\$ 830,513	\$ 14,926,920	\$ 96,400	\$ 23,780	\$ 729,300	\$ 72,551	\$ 107,125	\$ 25,000	\$ 9,096,309	\$ 25,907,898

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
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The AQMD Governing Board approved the following:

- Transfer of \$58,876 from the Mobile Sources Air Pollution Reduction Fund to the General Fund and appropriate that amount to facilitate the payment of MSRC Miscellaneous Direct and Travel Costs.
- Transfer of \$126,000 from the Air Quality Investment Fund to the General Fund to assist in implementing AQMD's "Mow Down Air Pollution 2009" program.
- Transfer of \$600,000 from the Clean Fuels Program Fund to the General Fund to cover the expenses for the administrative, outreach, education and other directly-related activities.
- Transfer of \$45,000 from the Clean Fuels Program Fund to the General Fund to cover the estimated costs of Professional and Special Services.
- Transfer of \$332 from the Natural Gas Vehicle Partnership Fund to the General Fund to reimburse the AQMD for the meeting expenses incurred with the April 2008 Steering Committee meeting.
- Transfer of \$305 from the Natural Gas Vehicle Partnership Fund to the General Fund to cover the miscellaneous expenses for the meeting incurred with the July 2008 Steering Committee meeting.
- Transfer of \$96,400 from the General Fund to the Clean Fuels Conference Special Revenue Fund to cover conference expenditures for the Green Tech Connect Forum.
- Transfer of \$729,300 from the Carl Moyer Fund to the Clean Fuels Program Fund to utilize this turn-back funds for different contracts.
- Transfer of \$25,000 from the Clean Fuels Fund to the Natural Gas Vehicle Partnership Fund as AQMD's contribution
- Transfer of 14,926,920 from the Guaranteed Investment Contract Trust to the Debt Service Fund.
- Transfer of \$23,780 from the General Fund to the Air Quality Investment Fund to reimburse the money for Lawn Mower Exchange Program.
- Transfer of \$72,551 from the Carl Moyer Program AB 923 Special Revenue Fund to the Carl Moyer Fund due to the new fund set-up for all AB 923 transactions.
- Transfer of \$9,096,309 un-spent funds including interest earnings from the Carl Moyer Fund to the Carl Moyer Program AB 923 Special Revenue Fund.
- In FY 2006-07, \$107,125 was transferred from the Priority Reserve Special Revenue Fund to the General Fund for a locomotive project. This project was not implemented so the funds are being returned from the General Fund to the Priority Reserve Special Revenue Fund.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

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. Capital asset activities for the year ended June 30, 2009 were as follows:

	<u>Balance July 1, 2008</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2009</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 8,829,792	\$ -	\$ -	\$ 8,829,792
Total capital assets not being depreciated	<u>8,829,792</u>	<u>-</u>	<u>-</u>	<u>8,829,792</u>
Capital Assets being Depreciated:				
Buildings and improvements	73,933,096	673,522	-	74,606,618
Equipment	<u>22,860,770</u>	<u>2,996,855</u>	<u>-</u>	<u>25,857,625</u>
Total capital assets being depreciated	<u>96,793,866</u>	<u>3,670,377</u>	<u>-</u>	<u>100,464,243</u>
Less Accumulated Depreciation for:				
Buildings and improvements	(40,286,621)	(2,484,319)	-	(42,770,940)
Equipment	<u>(17,557,499)</u>	<u>(1,798,554)</u>	<u>-</u>	<u>(19,356,053)</u>
Total accumulated depreciation	<u>(57,844,120)</u>	<u>(4,282,873)</u>	<u>-</u>	<u>(62,126,993)</u>
Net capital assets being depreciated	<u>38,949,746</u>	<u>(612,496)</u>	<u>-</u>	<u>38,337,250</u>
Net capital assets, governmental activities	<u>\$ 47,779,538</u>	<u>\$ (612,496)</u>	<u>\$ -</u>	<u>\$ 47,167,042</u>
Business-type Activities:				
Compressed natural gas (CNG)				
Fueling station	\$ 610,200	\$ -	\$ -	\$ 610,200
Total capital assets being depreciated	<u>610,200</u>	<u>-</u>	<u>-</u>	<u>610,200</u>
Less accumulated depreciation	<u>(471,365)</u>	<u>(87,171)</u>	<u>-</u>	<u>(558,536)</u>
Net capital assets, business-type activities	<u>\$ 138,835</u>	<u>\$ (87,171)</u>	<u>\$ -</u>	<u>\$ 51,664</u>

For the year ended June 30, 2009, the depreciation expense of \$4,282,873 was charged to the AQMD's functions/programs in the governmental activities as follows:

Advance clean air technology	\$ 224,488
Ensure compliance with clean air rules	1,590,929
Customer service	178,102
Develop programs to achieve clean air	214,009
Develop rules to achieve clean air	194,180
Monitoring air quality	1,206,150
Timely review of permits	607,550
Policy support	<u>67,465</u>
Total depreciation expense	<u>\$4,282,873</u>

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

VI. LONG-TERM DEBT

The following is a summary of long-term obligation transactions of the AQMD for the year ended June 30, 2009:

	<u>Balance</u> <u>July 1, 2008</u>	<u>Addition</u>	<u>Reduction</u>	<u>Balance</u> <u>June 30, 2009</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>	<u>Amounts Due</u> <u>in More Than</u> <u>One Year</u>
Governmental Activities:						
Claims payable:						
General liability	\$ 11,926	\$ 95,000	\$ 10,426	\$ 96,500	\$ 50,000	\$ 46,500
Workers' compensation	1,170,915	27,853	236,342	962,426	200,000	762,426
Compensated absences	13,189,532	1,243,799	739,574	13,693,757	610,786	13,082,971
Installment Sale Obligation:						
Building	35,035,000	-	4,625,000	30,410,000	4,665,000	25,745,000
Installment pension obligation bonds	<u>60,476,896</u>	<u>-</u>	<u>4,070,000</u>	<u>56,406,896</u>	<u>4,500,000</u>	<u>51,906,896</u>
Total	<u>\$109,884,269</u>	<u>\$1,366,652</u>	<u>\$9,681,342</u>	<u>\$101,569,579</u>	<u>\$10,025,786</u>	<u>\$91,543,793</u>

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 interest rates range from 5.68% to 7.70% with maturity date of February 1, 2022. 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, 2009, \$2,400,000 in principal and \$663,933 in interest were paid on the bonds. The principal balance outstanding at June 30, 2009 amounted to \$14,696,896.

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

Year Ending June 30	Principal	Interest	Total
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	<u>\$ 14,696,896</u>	<u>\$ 25,151,501</u>	<u>\$ 39,848,397</u>

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
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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. The interest rates range from 5.27% to 5.93% with maturity date of August 1, 2023. During the fiscal year ended June 30, 2009, \$1,670,000 in principal and \$2,350,014 in interest were paid on the bonds. The principal balance outstanding at June 30, 2009 amounted to \$41,710,000.

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

Year Ending				
June 30	Principal	Interest	Total	
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	<u>20,895,000</u>	<u>3,870,440</u>		<u>24,765,440</u>
Total	<u>\$ 41,710,000</u>	<u>\$ 20,261,030</u>	<u>\$</u>	<u>61,971,030</u>

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, 2009, the 1989 Series B bonds were fully paid.

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, 2009, the remaining principal balance on the Series 1992 bonds is \$8,615,000. The remaining balances 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.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
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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%. 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. As of June 30, 2009 the remaining principal balance on the Series 2002 bonds is \$21,795,000.

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

Year Ending June 30	Principal	Interest	Total
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	<u>3,875,000</u>	<u>82,340</u>	<u>3,957,340</u>
Total	<u>\$30,410,000</u>	<u>\$4,019,260</u>	<u>\$34,429,260</u>

Allocation of Interest Expenses

Total interest expenses on long-term debt for the year ended June 30, 2009 amounted to \$4,325,460. 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.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

As of June 30, 2009, \$96,500 and \$962,426, 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, 2009 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, 2008 and 2009:

	<u>General and Auto Liability</u>	<u>Workers' Compensation</u>	<u>Totals</u>
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	<u>\$ 11,926</u>	<u>\$ 1,170,915</u>	<u>\$ 1,182,841</u>
Claims payable, July 1, 2008	\$ 11,926	\$ 1,170,915	\$ 1,182,841
Current year claims and changes in estimates	95,000	27,853	122,853
Claims payments	(10,426)	(236,342)	(246,768)
Claims payable, June 30, 2009	<u>\$ 96,500</u>	<u>\$ 962,426</u>	<u>\$ 1,058,926</u>

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, 2009 amounted to \$13,603,498 (\$24,060 to LACERA and \$13,579,438 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 2008-09 there were only two active LACERA members.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009**

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, 2009 was \$121,384. The AQMD's contribution for the same period was \$24,060. Copies of LACERA's annual financial report may be obtained from their executive office: 300 N. Lake Avenue, Pasadena, CA 91101.

Three-Year Trend Information for the Plan

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Annual Pension Cost</u> <u>(APC)</u>	<u>Percentage of APC</u> <u>Contributed</u>
2009	\$24,060	100%
2008	23,044	100%
2007	20,876	100%

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.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009**

The required employer contribution rates for the year ended June 30, 2009 were 22.89% for management, confidential and any employee who started before July 1, 1979 and 19.81% 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, 2009, the AQMD's annual pension cost and actual contributions for its 792 employees who are SBCERA members were \$13,579,438 compared with \$11,863,947 the previous year. The AQMD employee contributions to the plan amounted to \$4,028,143. The required contributions for the year ended June 30, 2009 were determined as part of the June 30, 2006 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% to 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

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
2009	\$13,579,438	100%	-
2008	11,863,947	100%	-
2007	21,640,097*	100%	-

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

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 June 30, 2009**

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. LACERA administers a cost-sharing multiple employer defined benefit Other Post-Employment Benefit (OPEB) on behalf of Los Angeles County and its participating agencies. AQMD is one of the participating agencies.

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, 2009, total payments amounted to \$206,457.

At June 30, 2009, the AQMD's Retirement Benefit Trust Fund has a balance of \$1,572,015 to cover the OPEB costs of 57 AQMD retirees who retired from LACERA. As a result of LACERA's clean-up projects, there were a total of 57 AQMD retirees. Currently, there are only two active members.

Actuarial valuation of the retiree medical, dental/vision and life insurance benefits was conducted in conjunction with LACERA to establish the AQMD's actuarial liability. The actuarial assumptions used in OPEB actuarial valuations are intended to estimate the future experience of the eligible members for benefit payments and the projected benefit flow and anticipated investment earnings.

The following is a summary of the actuarial assumptions and methods:

Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Remaining Period	30 years
Actuarial Assumptions	
Investment Rate of Return	5%
Projected Salary Increases	4%
Records and Data	Medical, Dental, and Vision Premiums, Financial Information, and the Age, Service and Income Records for Active and Inactive Members and their Survivors
Growth in Membership	No growth in the Active Membership of LACERA

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009

The Schedule of Funding Progress below shows the information from the recent Actuarial Valuation Report.

Actuarial Valuation Date	Accrued Liabilities	Actuarial Value of Assets	Unfunded Liabilities (UL) [(B)-(A)]	Funded Ratio [(B)/(A)]	Annual Covered Payroll	UL As a % of Payroll [(C)/(E)]
June 22, 2009	\$178,188	\$195,595	\$17,407	110%	\$118,007	14.75%

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. 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, 2009, investments with a fair value of \$73,147,097 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.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009**

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 \$1,505,988 at fiscal year ended June 30, 2009.

Operating Leases

Rental expense for noncancelable operating leases was \$279,762 for the year ended June 30, 2009. Future minimum lease payments under noncancelable operating leases of the AQMD total as follows:

Year Ending June 30	<u>Amount</u>
2010	\$ 280,787
2011	283,243
2012	<u>34,097</u>
Total	<u>\$ 598,127</u>

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.

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 \$350,000. Funds are set aside to cover any such claims, and the costs of defending the suit are recognized as they are incurred.

W.M. Barr is a retail supplier of solvents in the District, and is seeking a writ of mandate compelling the District to rescind its Rule 1143 and declaring Rule 1143 to be void. This action includes a claim by the petitioner for \$250,000 in attorney's fees. Funds are set aside to cover any such claims. The costs of defense 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, 2009.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
GENERAL FUND - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) SCHEDULE
For the Year Ended June 30, 2009**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Emission fees	\$ 23,985,500	\$ 23,985,500	\$ 24,826,356	\$ 840,856
Annual renewal fees	43,423,200	43,423,200	43,285,892	(137,308)
Area Sources	-	-	1,226,651	1,226,651
Permit processing fees	18,055,000	18,055,000	20,396,188	2,341,188
Mobile sources / clean fuels	22,717,500	22,717,500	23,333,996	616,496
Air toxics "Hot Spots"	1,799,200	1,799,200	1,947,813	148,613
Transportation programs	947,300	947,300	894,440	(52,860)
State subvention	4,022,000	4,022,000	3,994,067	(27,933)
Federal grant	7,119,800	9,659,101	7,622,767	(2,036,334)
State miscellaneous	-	-	-	-
Interest	2,600,000	2,600,000	1,962,431	(637,569)
Lease income	362,300	362,300	379,440	17,140
Source test/analysis fees	475,700	475,700	579,607	103,907
Hearing Board fees	520,500	520,500	436,386	(84,114)
Penalties/settlements	3,500,000	3,500,000	9,469,694	5,969,694
Subscriptions	14,000	14,000	15,519	1,519
Other revenue	500,000	500,000	39,660	(460,340)
Total revenues	130,042,000	132,581,301	140,410,907	7,829,606
Expenditures:				
Current:				
Salaries and employee benefits	100,035,370	100,331,805	95,793,414	4,538,391
Insurance	1,244,362	1,255,843	1,228,273	27,570
Rent	567,216	579,420	520,487	58,933
Supplies	2,974,393	3,648,639	3,111,925	536,714
Contract and special services	9,445,097	15,857,158	13,002,734	2,854,424
Maintenance	1,458,053	2,531,385	1,407,615	1,123,770
Travel and auto	564,062	883,650	746,705	136,945
Utilities	1,825,863	1,825,863	1,713,817	112,046
Communications	672,504	694,124	560,274	133,850
Uncollectible accounts	-	-	562,419	(562,419)
Other	1,224,104	1,169,183	878,179	291,004
Capital outlays	1,962,600	3,699,163	2,409,605	1,289,558
Debt service:				
Principal	6,895,000	6,895,000	6,895,000	-
Interest	3,242,291	3,242,291	3,242,290	1
Total expenditures	132,110,915	142,613,524	132,072,737	10,540,787
Net change in budgetary fund balances	\$ (2,068,915)	\$ (10,032,223)	\$ 8,338,170	\$ 18,370,393

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, 2009**

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 2008-09 was prepared and subsequently adopted at the May 2008 meeting of the Governing Board. The Fiscal Year 2008-09 Adopted Budget and the final fee schedules became effective on July 1, 2008.

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 \$10,502,609 and revenue adjustments of \$2,539,301 were approved by the Governing Board in Fiscal Year 2008-09.

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, 2009:

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2009**

Expenditures and encumbrances (budgetary basis), June 30, 2009	\$132,072,737
Add: payments on encumbrances open at July 1, 2008	5,131,050
Less: encumbrances open at June 30, 2009	<u>(6,374,831)</u>
Expenditures (GAAP basis), June 30, 2009	<u>\$130,828,956</u>

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

NOTE 3 – USE OF FUND BALANCE & INTERFUND TRANSFERS TO BALANCE BUDGET

When the Fiscal Year 2008-09 budget was adopted the Governing Board approved the use of \$2,068,915 from prior-year revenue that was designated for Budget Stabilization, Permit Streamlining and Enhanced Compliance to balance the budget. Mid-year adjustments appropriated an additional \$7,963,308 from the following: prior year revenue designated for Facilities Refurbishment and Litigation and Enforcement, Interfund Transfers, and Undesignated Fund Balance.

The following schedule details the use of fund balance and interfund transfers to balance the budget.

	<u>Fiscal Year 2008-09</u>		
	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>
Net Change in Budgetary Funds (see schedule on pg. 59)	<u>\$ (2,068,915)</u>	<u>\$ (10,032,223)</u>	<u>\$ 8,338,170</u>
Other Financing Sources (Uses)/Increases:			
Designation for Budget Stabilization	\$ (1,072,623)	\$ (1,072,623)	\$ (1,072,623)
Designation for Permit Streamlining	(259,217)	(259,217)	(259,217)
Designation for Enhanced Compliance	(737,075)	(737,075)	(737,075)
Designation for Litigation & Enforcement		(850,000)	(850,000)
Designation for Facility Refurbishment		(1,709,563)	(1,024,466)
Transfers in		(1,130,181)	(806,404)
Transfers out		96,400	96,400
Undesignated Fund Balance		<u>(4,369,964)</u>	<u>12,991,555</u>
Total Change in Other Financing Sources	<u>\$ (2,068,915)</u>	<u>\$ (10,032,223)</u>	<u>\$ 8,338,170</u>

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
OTHER SUPPLEMENTARY INFORMATION
June 30, 2009**

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 \$64.5 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 289 new Compressed Natural Gas (CNG) buses and 86 new lower emitting diesel buses. It has also enabled public school

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
OTHER SUPPLEMENTARY INFORMATION
June 30, 2009**

districts and private contractors to retrofit PM traps on 2,557 diesel buses, as well as install retrofit trap devices on 11 stationary back-up generators on or near school property. The funding amount and the number of new CNG buses are lower than reported last year. The differences are reported under Carl Moyer AB 923 Program Fund, a major fund, which was established in fiscal year 2008.

- 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.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
OTHER SUPPLEMENTARY INFORMATION
June 30, 2009**

- 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 PM₁₀ (Particulate Matter ≤ 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 from the BP ARCO Settlement Fund was transferred to the Brain and Lung Tumor & Air Pollution Foundation in FY 2008-09 to fund research projects at local universities and research institutions.
- CEQA Green House Gas Mitigation Fund – This fund was established in fiscal year 2009 under Rule 2702 for Green House Gas (GHG) emission reductions. It received \$1.5 million from Chevron Products Company to offset Green House Gas emission as part of its Product Reliability and Optimization (PRO+) Project Mitigation Monitoring Plan.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2009**

	Special Revenue				
<u>Assets</u>	<u>Air Quality Studies Fund</u>	<u>Air Toxics Fund</u>	<u>Advanced Technology Fund</u>	<u>Air Quality Assistance Fund</u>	<u>Clean Fuels Conference Fund</u>
Cash and cash equivalents	\$ 62,771	\$ 868,683	\$ 83,700	\$ 1,499,360	\$ 330,619
Interest receivable	320	4,640	426	6,628	-
Due from other funds	-	-	-	-	-
Accounts receivable, net	-	1,250,085	-	-	-
Total assets	<u>\$ 63,091</u>	<u>\$ 2,123,408</u>	<u>\$ 84,126</u>	<u>\$ 1,505,988</u>	<u>\$ 330,619</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable & accrued liabilities	\$ -	\$ 408,434	\$ -	\$ -	\$ -
Due to other funds	-	23,543	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	<u>-</u>	<u>431,977</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Reserved for encumbrances	-	-	-	-	8,600
Unreserved	63,091	1,691,431	84,126	1,505,988	322,019
Total fund balances	<u>63,091</u>	<u>1,691,431</u>	<u>84,126</u>	<u>1,505,988</u>	<u>330,619</u>
Total liabilities and fund balances	<u>\$ 63,091</u>	<u>\$ 2,123,408</u>	<u>\$ 84,126</u>	<u>\$ 1,505,988</u>	<u>\$ 330,619</u>

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2009**

<u>Assets</u>	Special Revenue		
	Lower-Emission School Bus Fund	Zero Emission Vehicle Incentive Fund	AES Settlement Projects Fund
	Fund	Fund	Fund
Cash and cash equivalents	\$ 8,944,066	\$ 619,053	\$ 3,209,027
Interest receivable	41,065	3,154	19,829
Due from other funds	-	-	-
Accounts receivable, net	-	-	-
Total assets	\$ 8,985,131	\$ 622,207	\$ 3,228,856
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable & accrued liabilities	\$ 949,658	\$ -	\$ -
Due to other funds	-	-	-
Unearned revenue	898,000	-	-
Total liabilities	1,847,658	-	-
Fund Balances:			
Reserved for encumbrances	3,864,487	60,000	2,157,411
Unreserved	3,272,986	562,207	1,071,445
Total fund balances	7,137,473	622,207	3,228,856
Total liabilities and fund balances	\$ 8,985,131	\$ 622,207	\$ 3,228,856

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2009**

<u>Assets</u>	Special Revenue				
	CARB ERC Bank Fund	LADWP Settlement Fund	State-Emissions Mitigation Fund	Natural Gas Vehicle Partner Fund	State BUG Program Fund
Cash and cash equivalents	\$ 551,480	\$ 382,073	\$ 4,218,002	\$ 367,313	\$ 328,026
Interest receivable	2,810	1,951	24,014	1,560	1,671
Due from other funds	-	-	-	-	-
Accounts receivable, net	-	-	-	75,000	-
Total assets	\$ 554,290	\$ 384,024	\$ 4,242,016	\$ 443,873	\$ 329,697
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable & accrued liabilities	\$ -	\$ 417	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	-	417	-	-	-
Fund Balances:					
Reserved for encumbrances	27,696	-	1,356,888	122,800	-
Unreserved	526,594	383,607	2,885,128	321,073	329,697
Total fund balances	554,290	383,607	4,242,016	443,873	329,697
Total liabilities and fund balances	\$ 554,290	\$ 384,024	\$ 4,242,016	\$ 443,873	\$ 329,697

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2009**

Assets	Special Revenue						Total
	Asthma & Brain Cancer Research Fund	Dry Cleaners		CBE / OCE Settlement Agreement Fund	Health Effects Research Fund	CEQA Green House Gas Mitigation Fund	
		Financial Incentives Grant Program Fund	Rule 1173 Mitigation Fee Fund				
Cash and cash equivalents	\$ 117,479	\$ 725,819	\$ 2,139,872	\$ 556,867	\$ 23,379	\$ -	\$ 25,027,588
Interest receivable	762	3,871	9,407	-	395	6,659	129,163
Due from other funds	-	-	-	-	-	1,512,065	1,512,065
Accounts receivable, net	-	-	-	-	-	-	1,325,085
Total assets	\$ 118,241	\$ 729,690	\$ 2,149,279	\$ 556,867	\$ 23,774	\$ 1,518,724	\$ 27,993,901
Liabilities and Fund Balances							
Liabilities:							
Accounts payable & accrued liabilities	\$ -	\$ -	\$ -	\$ 25,016	\$ -	\$ -	\$ 1,383,524
Due to other funds	-	-	-	-	-	-	23,544
Unearned revenue	-	-	-	-	-	-	898,000
Total liabilities	-	-	-	25,016	-	-	2,305,068
Fund Balances:							
Reserved for encumbrances	28,838	-	595,254	308,531	-	-	8,530,505
Unreserved	89,403	729,690	1,554,025	223,320	23,774	1,518,724	17,158,328
Total fund balances	118,241	729,690	2,149,279	531,851	23,774	1,518,724	25,688,833
Total liabilities and fund balances	\$ 118,241	\$ 729,690	\$ 2,149,279	\$ 556,867	\$ 23,774	\$ 1,518,724	\$ 27,993,901

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, 2009**

	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"	\$ -	\$ 78,436	\$ -	\$ -	\$ -
Interest	1,559	41,101	2,078	34,796	-
Other revenue	-	20,112	-	-	7,250
Total revenues	<u>1,559</u>	<u>139,649</u>	<u>2,078</u>	<u>34,796</u>	<u>7,250</u>
Expenditures:					
Contract and special services	-	15,556	-	-	30,553
Other operating expenditures	-	-	-	-	-
Uncollectible accounts	-	105,805	-	-	-
Total expenditures	<u>-</u>	<u>121,361</u>	<u>-</u>	<u>-</u>	<u>30,553</u>
Excess (deficiency) of revenues over (under) expenditures before transfers	<u>1,559</u>	<u>18,288</u>	<u>2,078</u>	<u>34,796</u>	<u>(23,303)</u>
Other financing sources (uses)					
Transfers in	-	-	-	-	96,400
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>96,400</u>
Net change in fund balances	<u>1,559</u>	<u>18,288</u>	<u>2,078</u>	<u>34,796</u>	<u>73,097</u>
Fund balances, July 1, 2008	<u>61,532</u>	<u>1,673,143</u>	<u>82,048</u>	<u>1,471,192</u>	<u>257,522</u>
Fund balances, June 30, 2009	<u>\$ 63,091</u>	<u>\$ 1,691,431</u>	<u>\$ 84,126</u>	<u>\$ 1,505,988</u>	<u>\$ 330,619</u>

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 NON-MAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009**

	Special Revenue		
	Lower-Emission School Bus Fund	Zero Emission Vehicle Incentive Fund	AES Settlement Projects Fund
Revenues:			
Air Toxics "Hot Spots"	\$ -	\$ -	\$ -
Interest	201,023	15,373	97,646
Other	-	-	-
Total revenues	<u>201,023</u>	<u>15,373</u>	<u>97,646</u>
Expenditures:			
Contract and special services	115,032	-	738,964
Other operating expenditures	-	-	-
Uncollectible accounts	-	-	-
Total expenditures	<u>115,032</u>	<u>-</u>	<u>738,964</u>
Excess (deficiency) of revenues over (under) expenditures before transfers	<u>85,991</u>	<u>15,373</u>	<u>(641,318)</u>
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>85,991</u>	<u>15,373</u>	<u>(641,318)</u>
Fund balances, July 1, 2008	<u>7,051,482</u>	<u>606,834</u>	<u>3,870,174</u>
Fund balances, June 30, 2009	<u>\$ 7,137,473</u>	<u>\$ 622,207</u>	<u>\$ 3,228,856</u>

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 NON-MAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2009**

	Special Revenue				
	CARB ERC Bank Fund	LADWP Settlement Fund	State-Emissions Mitigation Fund	Natural Gas Vehicle Partner Fund	State BUG Program Fund
Revenues:					
Air Toxics "Hot Spots"	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	13,695	9,559	126,180	7,691	8,146
Other	-	-	-	155,000	-
Total revenues	<u>13,695</u>	<u>9,559</u>	<u>126,180</u>	<u>162,691</u>	<u>8,146</u>
Expenditures:					
Contract and special services	-	4,892	968,029	52,483	-
Other operating expenditures	-	-	(1,950)	1,055	-
Uncollectible accounts	-	-	-	-	-
Total expenditures	<u>-</u>	<u>4,892</u>	<u>966,079</u>	<u>53,538</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures before transfers	<u>13,695</u>	<u>4,667</u>	<u>(839,899)</u>	<u>109,153</u>	<u>8,146</u>
Other financing sources (uses)					
Transfers in	-	-	-	25,000	-
Transfers out	-	-	-	(637)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,363</u>	<u>-</u>
Net change in fund balances	<u>13,695</u>	<u>4,667</u>	<u>(839,899)</u>	<u>133,516</u>	<u>8,146</u>
Fund balances, July 1, 2008	<u>540,595</u>	<u>378,940</u>	<u>5,081,915</u>	<u>310,357</u>	<u>321,551</u>
Fund balances, June 30, 2009	<u>\$ 554,290</u>	<u>\$ 383,607</u>	<u>\$ 4,242,016</u>	<u>\$ 443,873</u>	<u>\$ 329,697</u>

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2009**

	Special Revenue				
	Asthma & Brain Cancer Research Fund	Dry Cleaners Financial Incentives Grant Program Fund	Rule 1173 Mitigation Fee Fund	CBE/OCE Settlement Agreement Fund	Health Effects Research Fund
Revenues:					
Air Toxics "Hot Spots"	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	4,074	21,015	50,942	-	23,636
Other	-	-	350,000	-	-
Total revenues	4,074	21,015	400,942	-	23,636
Expenditures:					
Contract and special services	50,364	190,000	387,115	107,354	1,500,000
Other operating expenditures	-	-	-	-	-
Uncollectible accounts	-	-	-	-	-
Total expenditures	50,364	190,000	387,115	107,354	1,500,000
Excess (deficiency) of revenues over (under) expenditures before transfers	(46,290)	(168,985)	13,827	(107,354)	(1,476,364)
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balances	(46,290)	(168,985)	13,827	(107,354)	(1,476,364)
Fund balances, July 1, 2008	164,531	898,675	2,135,452	639,205	1,500,138
Fund balances, June 30, 2009	\$ 118,241	\$ 729,690	\$ 2,149,279	\$ 531,851	\$ 23,774

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, 2009**

	CEQA Green House Gas Mitigation Fund	Total
	<u> </u>	<u> </u>
Revenues:		
Air Toxics "Hot Spots"	\$ -	\$ 78,436
Interest	18,724	677,238
Other	<u>1,500,000</u>	<u>2,032,362</u>
Total revenues	<u>1,518,724</u>	<u>2,788,036</u>
Expenditures:		
Contract and special services	-	4,160,342
Other operating expenditures	-	(895)
Uncollectible accounts	<u>-</u>	<u>105,805</u>
Total expenditures	<u>-</u>	<u>4,265,252</u>
Excess (deficiency) of revenues over (under) expenditures before transfers	<u>1,518,724</u>	<u>(1,477,216)</u>
Other financing sources (uses)		
Transfers in	-	121,400
Transfers out	<u>-</u>	<u>(637)</u>
Total other financing sources (uses)	<u>-</u>	<u>120,763</u>
Net change in fund balances	<u>1,518,724</u>	<u>(1,356,453)</u>
Fund balances, July 1, 2008	<u>-</u>	<u>27,045,286</u>
Fund balances, June 30, 2009	<u>\$ 1,518,724</u>	<u>\$ 25,688,833</u>

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND**

For the Year Ended June 30, 2009

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2009</u>
<u>General Purpose Fund</u>				
Assets				
Cash	<u>\$ 94,182</u>	<u>\$3,656,535</u>	<u>\$2,199,523</u>	<u>\$ 1,551,194</u>
Total assets	<u>\$ 94,182</u>	<u>\$3,656,535</u>	<u>\$2,199,523</u>	<u>\$ 1,551,194</u>
Liabilities				
Accounts payable and accrued liabilities	<u>\$ 94,182</u>	<u>\$3,656,535</u>	<u>\$2,199,523</u>	<u>\$ 1,551,194</u>
Total liabilities	<u>\$ 94,182</u>	<u>\$3,656,535</u>	<u>\$2,199,523</u>	<u>\$ 1,551,194</u>

See independent auditor's report.

STATISTICAL SECTION

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

Contents

Financial Trends

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

Revenue Capacity

These schedules contain information to help the reader assess the AQMD's most significant revenue source, the stationary sources.

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

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

	Fiscal Year				
	2005	2006	2007	2008	2009
Governmental Activities					
Investment in capital assets, net of related debt	\$ 6,048,899	\$ 7,712,415	\$ 10,938,387	\$ 12,744,539	\$ 16,757,042
Restricted for pension assets	-	736,200	1,926,145	3,089,145	(10,334,764)
Restricted for debt service	-	-	19,541,377	17,381,723	-
Restricted for specific projects/programs	223,952,969	253,867,453	280,754,862	291,676,023	334,362,120
Unrestricted	11,135,334	24,019,696	8,392,205	20,042,724	47,061,292
Total governmental activities net assets	<u>\$ 241,137,202</u>	<u>\$ 286,335,764</u>	<u>\$ 321,552,976</u>	<u>\$ 344,934,154</u>	<u>\$ 387,845,690</u>
Business-type Activities					
Investment in capital assets, net of related debt	400,375	313,177	226,006	138,835	51,664
Unrestricted	81,160	72,947	77,947	144,388	191,356
Total business-type activities net assets	<u>\$ 481,535</u>	<u>\$ 386,124</u>	<u>\$ 303,953</u>	<u>\$ 283,223</u>	<u>\$ 243,020</u>
Primary Government					
Investment in capital assets, net of related debt	6,449,274	8,025,592	11,164,393	12,883,374	16,808,706
Restricted for pension asset	-	736,200	1,926,145	3,089,145	(10,334,764)
Restricted for debt service	-	-	19,541,377	17,381,723	-
Restricted for grants and other special uses	223,952,969	253,867,453	280,754,862	291,676,023	334,362,120
Unrestricted	11,216,494	24,092,643	8,470,152	20,187,112	47,252,648
Total primary government net assets	<u>\$ 241,618,737</u>	<u>\$ 286,721,888</u>	<u>\$ 321,856,929</u>	<u>\$ 345,217,377</u>	<u>\$ 388,088,710</u>

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Expenses					
Governmental Activities					
Advance clean air technology	\$ 5,011,874	\$ 5,808,530	\$ 7,067,528	\$ 7,113,642	\$ 7,111,931
Ensure compliance with clean air rules	37,666,189	36,727,226	42,699,519	39,463,040	43,823,112
Customer service	10,532,066	11,592,984	8,687,842	6,696,664	7,441,806
Develop programs to achieve clean air	7,106,133	7,811,791	8,721,816	7,969,413	10,216,378
Develop rules to achieve clean air	8,130,305	8,046,177	7,350,795	8,390,762	8,433,410
Monitoring air quality	11,591,430	11,794,227	12,229,451	12,866,270	14,067,041
Timely review of permits	21,403,924	23,191,423	24,508,757	24,580,945	26,205,282
Policy support	2,954,538	2,948,274	3,442,207	3,630,367	4,782,531
Interest on long-term debt *	-	-	-	4,614,842	4,325,460
Restricted for grants and other special uses	59,525,817	64,308,902	62,831,313	93,109,973	104,277,915
Total governmental activities expenses	<u>163,922,276</u>	<u>172,229,535</u>	<u>177,539,228</u>	<u>208,435,918</u>	<u>230,684,866</u>
Business-type Activities:					
Clean Air Store	662	3,653	-	-	-
CNG fueling station	165,135	198,788	225,604	218,048	210,120
Total business-type activities expenses	<u>165,797</u>	<u>202,441</u>	<u>225,604</u>	<u>218,048</u>	<u>210,120</u>
Total primary government expenses	<u>\$ 164,088,073</u>	<u>\$ 172,431,976</u>	<u>\$ 177,764,832</u>	<u>\$ 208,653,966</u>	<u>\$ 230,894,986</u>
Program Revenues					
Government Activities:					
Fees and Charges					
Stationary sources	\$ 64,925,373	\$ 68,792,294	\$ 75,200,254	\$ 82,825,774	\$ 92,703,725
Mobile sources	14,716,865	20,991,833	23,966,240	22,170,323	24,128,436
Operating grants and subventions	8,100,573	8,035,387	8,946,832	8,858,458	8,782,322
Restricted special revenues sources	87,747,227	94,223,386	92,925,386	105,383,068	133,185,494
Total governmental activities program revenues	<u>175,490,038</u>	<u>192,042,900</u>	<u>201,038,712</u>	<u>219,237,623</u>	<u>258,799,977</u>
Business-type Activities:					
Clean Air Store/CNG fueling station	97,424	123,625	143,433	197,318	169,917
Total business-type activities program revenues	<u>97,424</u>	<u>123,625</u>	<u>143,433</u>	<u>197,318</u>	<u>169,917</u>
Total primary government program revenues	<u>\$ 175,587,462</u>	<u>\$ 192,166,525</u>	<u>\$ 201,182,145</u>	<u>\$ 219,434,941</u>	<u>\$ 258,969,894</u>
Net (Expense) Revenue					
Governmental activities	11,567,762	19,813,365	23,499,484	10,801,705	28,115,112
Business-type activities	(68,373)	(78,816)	(82,171)	(20,730)	(40,203)
Total primary government net (expenses) revenue	<u>\$ 11,499,389</u>	<u>\$ 19,734,549</u>	<u>\$ 23,417,313</u>	<u>\$ 10,780,975</u>	<u>\$ 28,074,909</u>
General Revenues and Other Changes in Net Assets					
Governmental Activities:					
Grants and subventions - restricted to non-specific stationary source programs	\$ 2,964,713	\$ 2,962,539	\$ 2,962,418	\$ 2,943,638	\$ 2,934,513
Mobile sources - restricted to non-specific mobile source programs	6,282,933	-	-	-	-
Interest	1,273,901	2,887,395	4,012,295	3,950,198	1,962,431
Lease revenue	338,961	364,326	365,559	366,924	379,440
Penalties/settlement	11,295,895	16,074,370	13,211,151	5,190,492	9,469,694
Subscriptions	29,512	19,214	22,315	11,378	15,519
Other	2,992,685	545,430	847,899	116,842	34,828
Transfers	-	16,595	(9,703,906)	-	-
Total governmental activities	<u>25,178,600</u>	<u>22,869,869</u>	<u>11,717,731</u>	<u>12,579,472</u>	<u>14,796,424</u>
Business-type Activities					
Interest	-	-	-	-	-
Transfers	-	(16,595)	-	-	-
Total business-type activities	<u>-</u>	<u>(16,595)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government revenue	<u>\$ 25,178,600</u>	<u>\$ 22,853,274</u>	<u>\$ (7,823,649)</u>	<u>\$ 12,579,472</u>	<u>\$ 14,796,424</u>
Change in Net Assets					
Governmental activities	\$ 36,746,362	\$ 42,683,233	\$ 35,217,215	\$ 23,381,177	\$ 42,911,536
Business-type activities	(68,373)	(95,411)	(82,171)	(20,730)	(40,203)
Total primary government	<u>\$ 36,677,989</u>	<u>\$ 42,587,822</u>	<u>\$ 35,135,044</u>	<u>\$ 23,360,447</u>	<u>\$ 42,871,333</u>

* 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)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Fund										
Reserved	\$ 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	\$ 7,318,433
Unreserved	<u>20,491,915</u>	<u>24,970,898</u>	<u>34,425,246</u>	<u>37,177,128</u>	<u>33,709,091</u>	<u>45,023,178</u>	<u>56,475,321</u>	<u>37,287,900</u>	<u>46,073,449</u>	<u>56,309,536</u>
Total general fund	<u>\$ 25,477,195</u>	<u>\$ 33,603,285</u>	<u>\$ 44,120,390</u>	<u>\$ 44,794,010</u>	<u>\$ 41,442,014</u>	<u>\$ 49,801,681</u>	<u>\$ 61,317,135</u>	<u>\$ 44,179,973</u>	<u>\$ 53,442,810</u>	<u>\$ 63,627,969</u>
All Other Governmental Funds										
Reserved for encumbrances	\$ -	\$ -	\$ 82,398,441	\$ 75,231,282	\$ 70,495,534	\$ 78,570,628	\$ 91,723,747	\$ 129,812,105	\$ 131,473,169	\$ 130,688,267
Reserved for debt service	-	-	-	-	-	-	-	19,541,377	17,381,723	-
Unreserved, reported in:										
Special revenue funds	<u>84,472,743</u>	<u>175,866,922</u>	<u>126,511,697</u>	<u>122,728,691</u>	<u>125,236,025</u>	<u>145,382,341</u>	<u>162,143,706</u>	<u>150,942,757</u>	<u>160,202,854</u>	<u>203,673,852</u>
Total all other governmental funds	<u>\$ 84,472,743</u>	<u>\$ 175,866,922</u>	<u>\$ 208,910,138</u>	<u>\$ 197,959,973</u>	<u>\$ 195,731,559</u>	<u>\$ 223,952,969</u>	<u>\$ 253,867,453</u>	<u>\$ 300,296,239</u>	<u>\$ 309,057,746</u>	<u>\$ 334,362,119</u>

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SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

Schedule 4

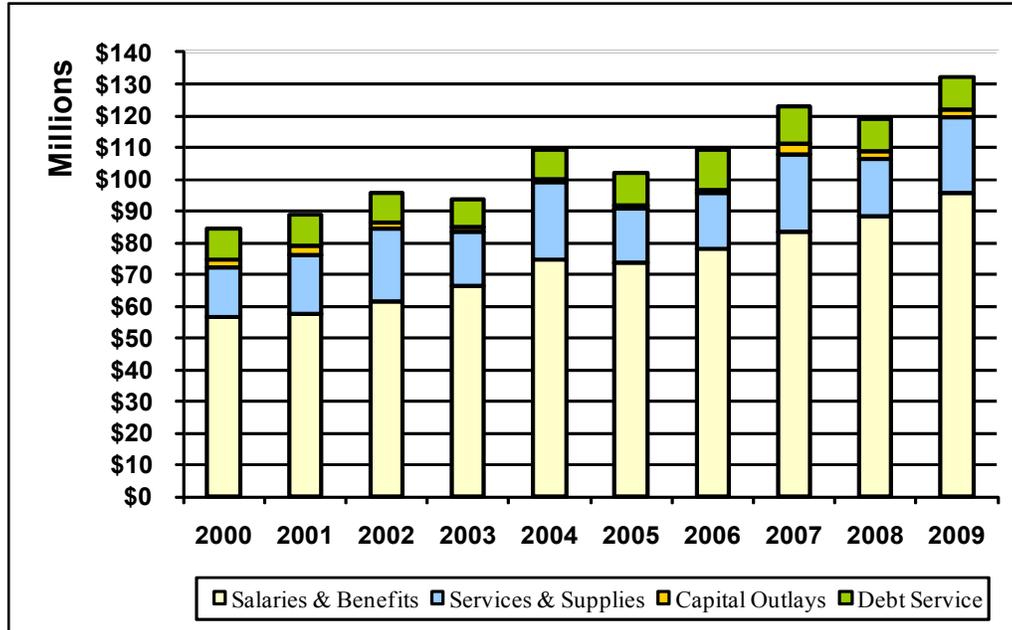
Changes in Fund Balances of Government Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Revenues:										
Emission fees	\$ 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	\$ 24,826,356
Annual operating fees	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	43,285,892
Permit fees	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	20,396,188
Mobile sources / Clean fuels	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	66,087,019
Emission reduction fees	-	17,223,928	2,300,000	13,054,700	375,000	-	-	-	-	-
Air Toxics	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	2,026,249
Area Sources	-	-	-	-	-	-	-	-	-	1,226,651
Transportation	717,368	649,664	664,733	688,278	748,006	869,554	895,194	1,145,806	914,870	894,440
State subvention	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	3,994,067
Federal grant	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	12,544,767
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	74,017,124
Interest	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	10,448,326
Lease revenue	112,969	141,772	231,099	348,743	372,707	338,961	364,326	365,559	366,924	379,440
Source test/analysis fees	297,975	258,535	308,169	382,502	342,909	321,526	401,487	528,653	491,080	579,607
Hearing Board	262,977	427,769	319,969	276,677	373,924	251,212	655,553	469,041	411,537	436,385
Penalties/settlements	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	9,469,694
Subscriptions	64,236	63,113	55,628	46,565	36,301	29,512	19,214	22,315	11,378	15,519
Reclaim & executive order mitigation	-	-	16,524,066	626,187	601,086	772,526	842,214	4,919,852	-	-
Contributions	535,463	-	-	-	-	-	-	-	-	-
Other revenue	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	2,968,677
Total revenues	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	273,596,401
Expenditures:										
Salaries and employee benefits	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	95,793,414
Insurance	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	1,228,273
Rent	1,202,269	1,078,350	721,083	725,320	709,158	783,674	776,438	472,023	486,487	524,712
Supplies & merchandise purchased	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	3,035,346
Contract and special services	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	114,897,344
Maintenance	794,871	786,547	979,146	942,576	1,011,913	995,624	1,120,620	1,101,589	1,814,293	1,423,541
Travel and auto	457,998	446,901	437,566	452,749	445,745	433,606	478,091	606,658	622,446	746,705
Utilities	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	1,713,817
Communications	772,237	589,937	527,902	524,011	553,238	491,337	463,665	489,779	493,285	560,274
Uncollectible accounts	225,396	156,094	100,779	121,849	374,712	210,871	(38,037)	4,788	649,425	683,945
Other expenditures	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	691,833
Capital outlay	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	3,670,377
Debt service:										
Principal	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	8,695,000
Interest	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	4,442,290
Total expenditures	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	238,106,871
Excess (deficiency) of revenues over (under) expenditures	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	35,489,530
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	25,907,899
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)	(25,907,899)
Special and extraordinary	-	-	-	-	-	-	-	(10,000,000)	-	-
Total other financing sources (uses)	-	-	(25,000)	-	-	-	16,595	(9,703,906)	-	-
Net change in fund balances	\$ 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	\$ 35,489,530
Debt service as a percentage of noncapital expenditures	8.1%	7.7%	5.5%	4.7%	5.3%	6.4%	7.4%	6.6%	6.1%	5.6%

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

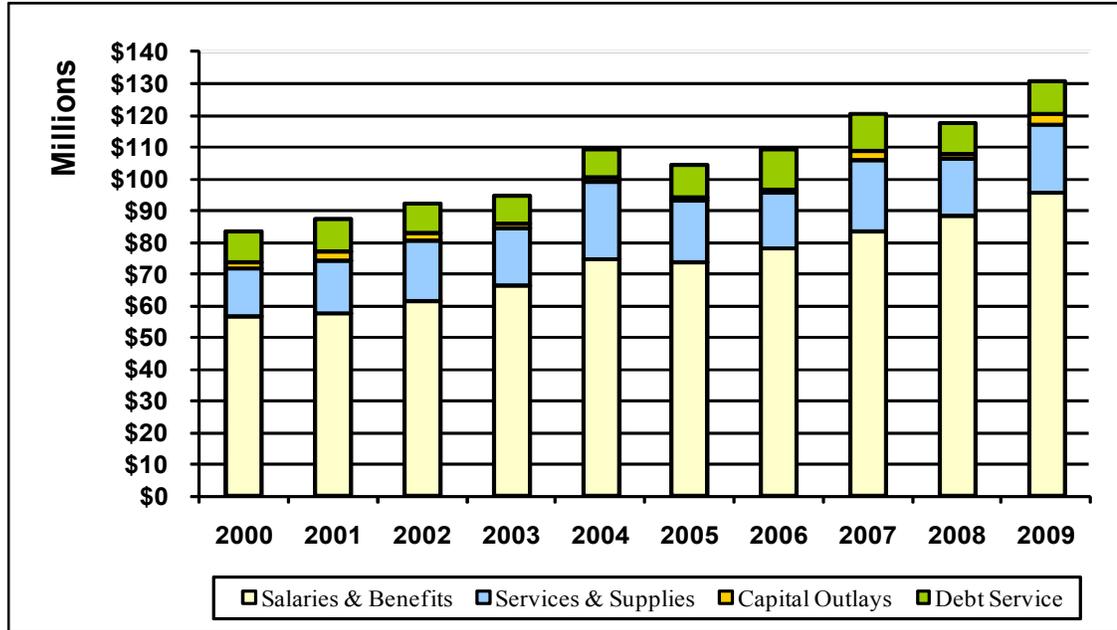


Year	Salaries & Benefits	Services & Supplies	Capital Outlays	Debt Service	Total Expenditures
2000	56,450,869	15,541,026	2,639,293	9,857,197	84,488,385
2001	57,712,043	18,438,222	2,778,896	9,852,641	88,781,802
2002	61,650,177	22,773,687	1,859,416	9,554,569	95,837,849
2003	66,242,716	17,275,182	1,155,130	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
2009	95,793,414	23,732,428	2,409,605	10,137,290	132,072,737

See Notes Associated with Financial Charts page 85.

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
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
2009	95,793,414	21,227,874	3,670,377	10,137,290	130,828,956

See Notes Associated with Financial Charts page 85.

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)

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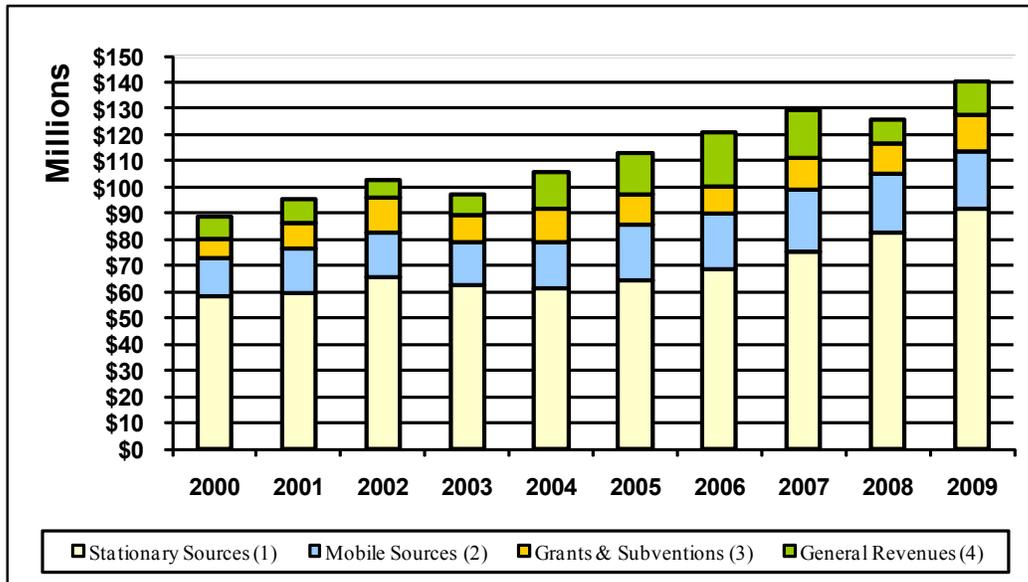
Fiscal Year	Installment Sale Revenue Bonds	Governmental Activities			Total Primary Government	Percentage of Total Revenues (a)	Per Capita (b)
		Pension Obligation Bonds	Equipment Installment Purchase Agreement				
2000	91,334	67,443	-	158,777	179.23%	10	
2001	84,834	64,376	-	149,210	156.72%	10	
2002	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	
2009	34,429	101,819	-	136,248	97.04%	8	

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
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
2009	91,472,243	22,166,119	13,679,151	13,093,394	140,410,907

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

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

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

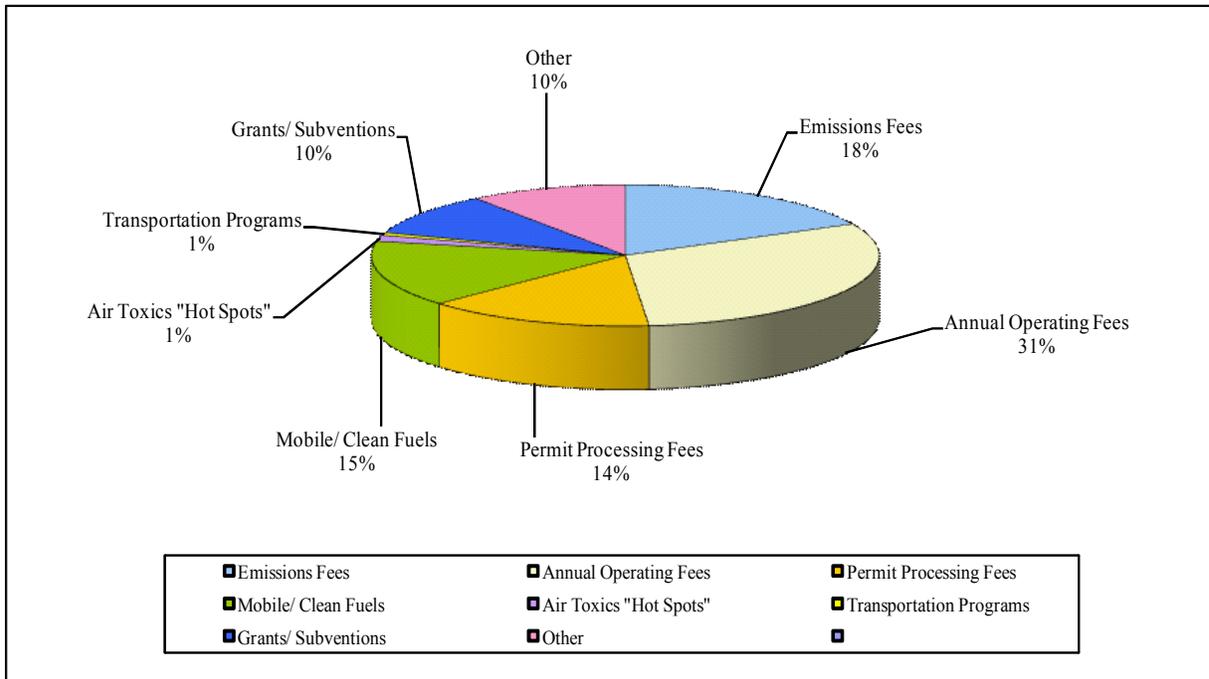
(4) Includes Area Sources, Penalties & Settlements, Interest, Lease Revenue, Other Revenue and Subscriptions

See Notes Associated with Financial Charts page 85.

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



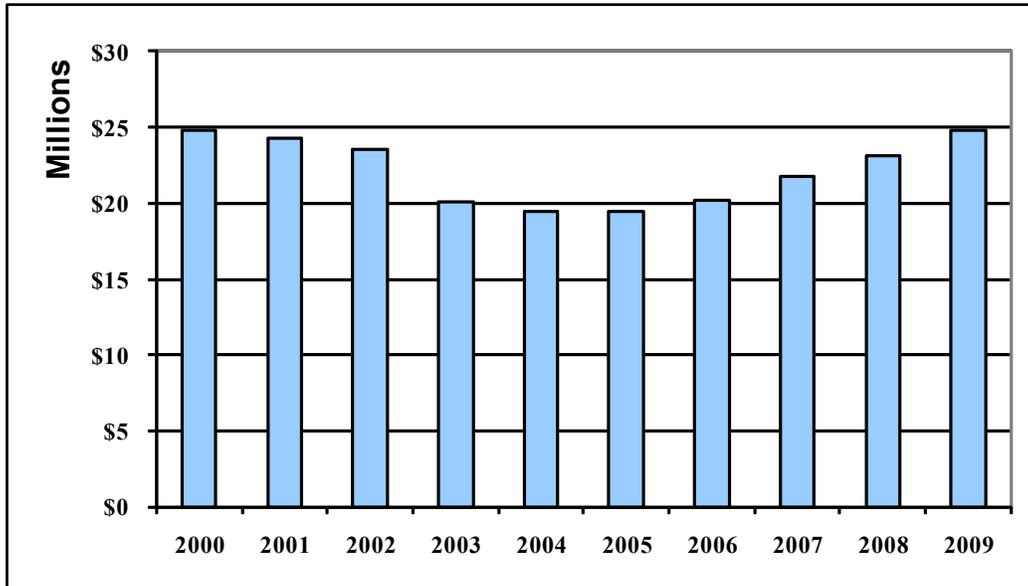
Fee Source Revenue									
Year	Emissions Fees	Annual Operating Fees	Permit Processing Fees	Mobile/ Clean Fuels	Air Toxics "Hot Spots"	Transportation Programs	Grants/ Subventions	Other	Total
2000	24,755,365	23,127,214	8,925,225	13,574,215	1,033,004	717,368	7,685,252	8,772,339	88,589,982
2001	24,318,240	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
2009	24,826,356	43,285,892	20,396,188	21,271,679	1,947,813	894,440	13,679,151	14,109,387	140,410,906

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

See Notes Associated with Financial Charts page 85.

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
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
2009	24,826,356

See Notes Associated with Financial Charts page 85.

Source: South Coast Air Quality Management District Audited Financial Statements

Notes Associated with Financial Charts

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

- The increase in 2009 expenditures from 2008 is mainly due to the hiring of vacant FTEs and rising retirement costs.
- 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-through 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 increase in 2009 expenditures from 2008 is mainly due to the hiring of vacant FTEs and rising retirement costs. In addition, Capital Outlays expenditures increased due to payments on prior year encumbrances.
- 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-through 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.
- The increase in 2009 General Revenues reflects the fact that the number and magnitude of penalties and settlements can vary from year to year.

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)

- In 2009, Annual Operating Fees and Permit Fees increased by 10% in 2009.
- 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

- The 2009 Emission Fees increased due to a 10% fee increase; offset by continued declining emissions.
- 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 2008-09			FY 1998-99		
	Payment	Rank	% of Total Emission Fee	Payment	Rank	% of Total Emission Fee
BP West Coast Products (Formerly ARCO) *	\$ 2,165,954	1	8.7%	\$2,144,762	1	10.5%
Exxon Mobil Corporation (Formerly Mobil Oil Corporation)	2,092,048	2	8.4%	1,457,380	3	7.2%
Conoco Phillips Company (Formerly Tosco Refining Company) *	2,012,357	3	8.1%	928,057	5	4.6%
Chevron Products	1,868,908	4	7.5%	1,870,758	2	9.2%
Tesoro Refining and Marketing (Formerly Equilon)	1,467,571	5	5.9%	1,283,642	4	6.3%
Ultramar Incorporated	646,805	6	2.6%	458,280	8	2.3%
California Portland Cement	513,388	7	2.1%	519,151	7	2.6%
Rhodia Incorporated	357,150	8	1.4%			
City of Long Beach, SERRF Project	326,332	9	1.3%			
BP West Coast Products (Formerly ARCO CQC Kiln) *	315,541	10	1.3%	428,620	9	2.1%
Mountainview Generating Station	247,164	11	1.0%			
Paramount Petroleum	236,448	12	1.0%	136,448	20	0.8%
Anheuser-Busch Incorporated	234,404	13	0.9%			
Dart Container Corporation	212,749	14	0.9%			
Southern California Gas Company	203,479	15	0.8%	186,270	14	0.9%
City of Los Angeles DWP *	182,321	16	0.7%	386,580	10	1.9%
Ball Metal Beverage Container Corporation	181,433	17	0.7%			
Colmac Energy	169,222	18	0.7%			
Equilon Enterprises (Formerly Shell Oil Products) *	167,541	19	0.7%			
RRI Energy Etiwanda, Incorporated	157,427	20	0.6%			
City of Los Angeles DWP *				350,468	12	1.7%
AES Alamitos LLC	-	-	-	363,762	11	1.8%
Owens-Brockway Glass Container, Incorporated	-	-	-	250,522	13	1.2%
Tomkins Industries - Lasco Products Group	-	-	-	149,626	17	0.8%
Tosco Refining Company *				798,304	6	3.9%
AES Huntington Beach, LLC				160,881	15	0.8%
TABC Incorporated				152,062	16	0.8%
Smurfit Newsprint Corporation				143,969	18	0.8%
El Segundo Power, LLC				139,490	19	0.8%
Total Paid by Largest Payers at a Single Location	<u>\$ 13,758,242</u>		55.4%	<u>\$ 12,309,032</u>		61.0%
Total Emissions Based Fees Paid by All Emitters	<u>\$ 24,826,356</u>			<u>\$ 20,340,399</u>		

* Located at separate sites.

*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.

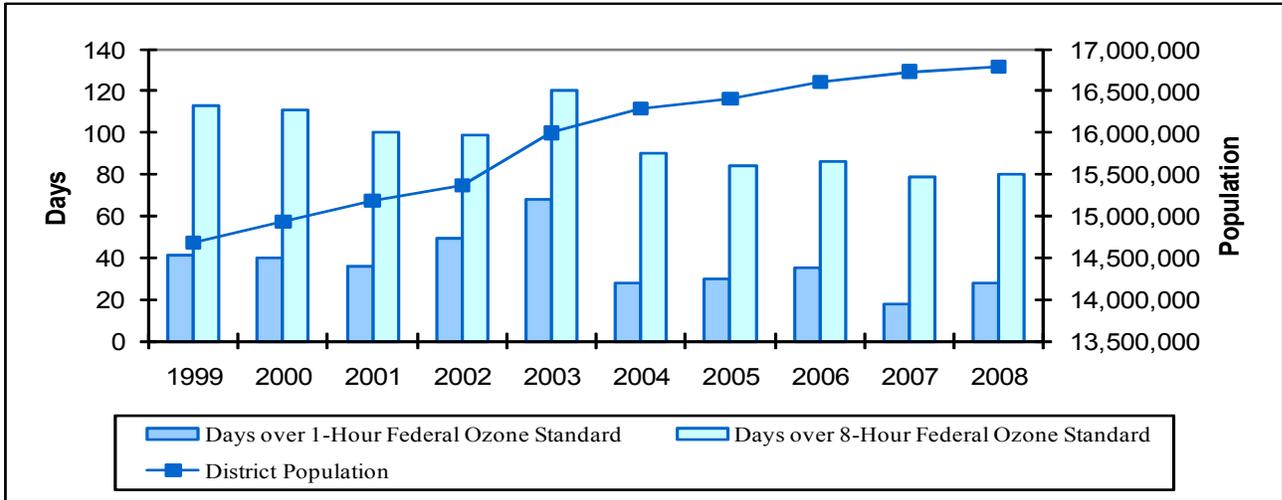
Orange County is the second most populated county in the state and lies south of Los Angeles County. When created in 1889, Orange County was named for its abundance of orange groves and thriving agricultural industry. Today, the largest industry employers are trade, transportation, and utilities, professional 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 2008 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 2.5 million residents by 2020, an increase of 18% 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
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
2008	28	80	16,793,784

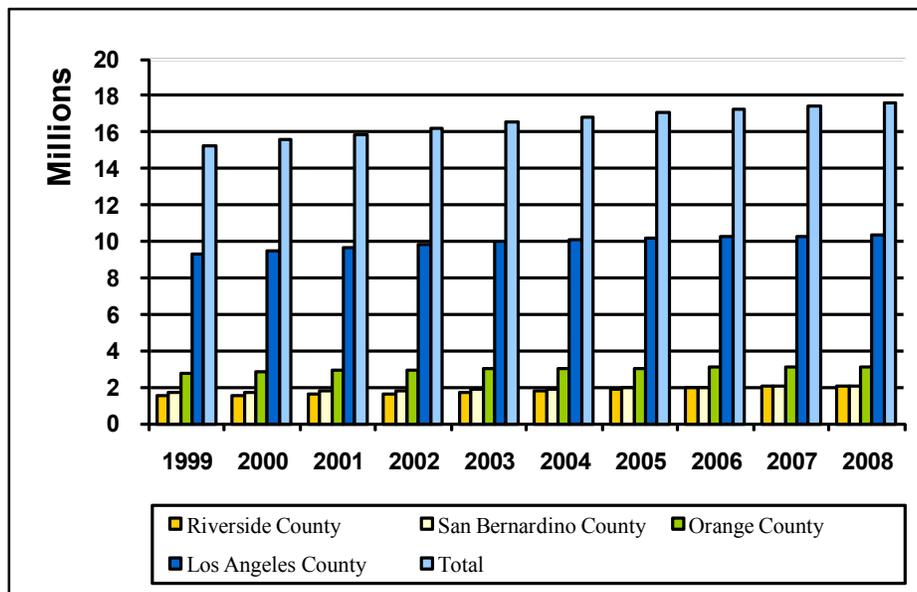
Notes:

- 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

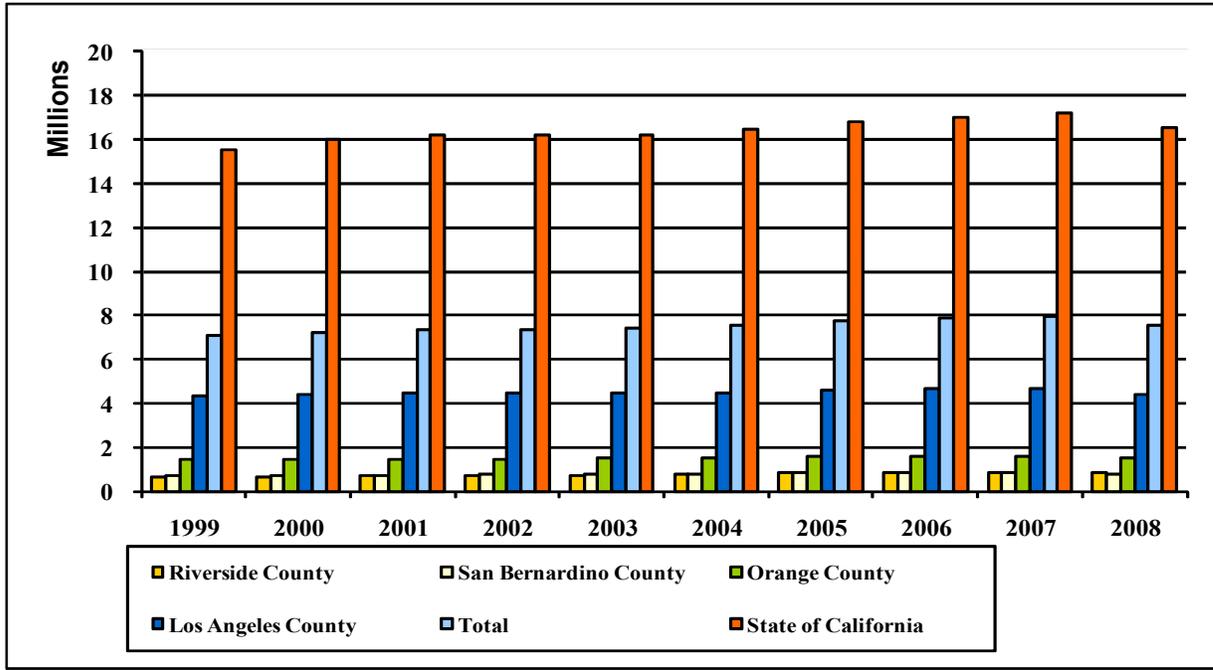


Year	Riverside County	San Bernardino County	Orange County	Los Angeles County	Total	% Increase
1999	1,490,500	1,666,600	2,776,100	9,330,100	15,263,300	1.49%
2000	1,533,800	1,701,700	2,829,800	9,487,400	15,552,700	1.90%
2001	1,590,000	1,746,800	2,891,300	9,663,500	15,891,600	2.18%
2002	1,653,500	1,793,300	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%
2008	2,088,322	2,055,766	3,121,251	10,363,850	17,629,189	1.16%

* The SCAQMD encompasses all of Orange County and parts of the Los Angeles, Riverside, and San Bernardino Counties, representing over 17.6 million residents.

Source:
 California Department of Finance - Demographic Research Unit
www.dof.ca.gov/budgeting/documents

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



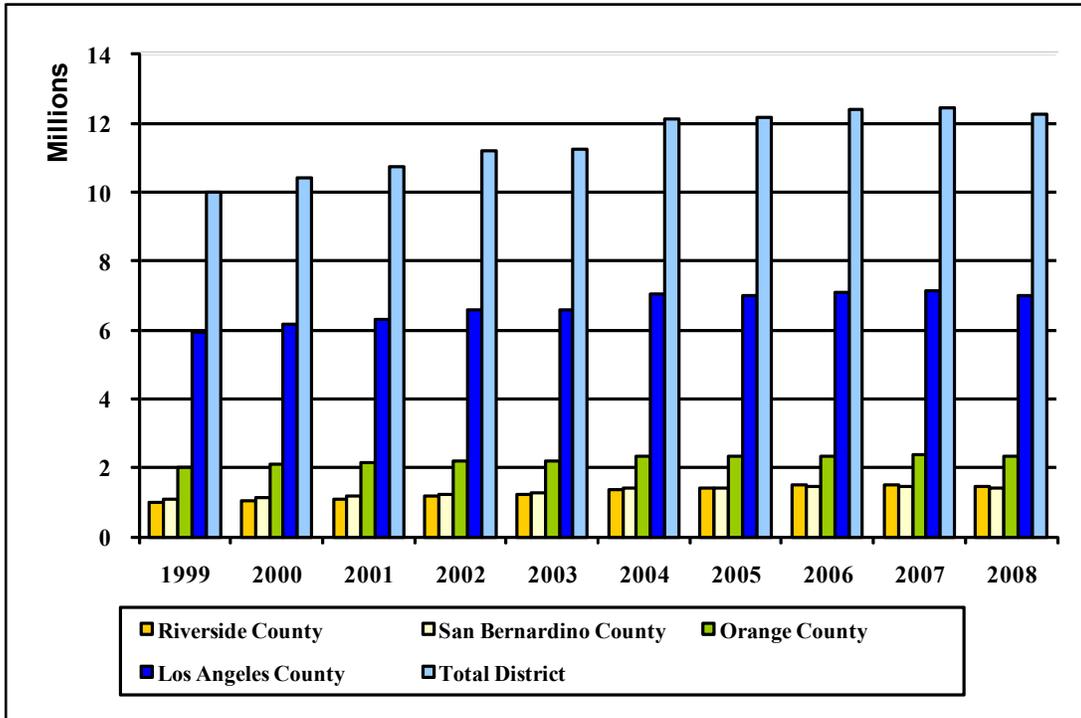
Year	Riverside County	San Bernardino County	Orange County	Los Angeles County	Total	State of California
1999	653,600	712,600	1,422,100	4,309,400	7,097,700	15,566,900
2000	643,900	703,600	1,428,400	4,424,900	7,200,800	16,024,300
2001	672,000	724,500	1,453,400	4,483,400	7,333,300	16,220,000
2002	701,800	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
2008	813,800	781,400	1,507,300	4,422,900	7,525,400	16,531,700

Source:

State of California: Employment Development Department

www.labormarketinfo.edd.ca.gov/cgi/dataanalysis

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



Year	Riverside County	San Bernardino	Orange County	Los Angeles County	Total District
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
2008	1,476,725	1,418,934	2,345,325	7,012,263	12,253,247

* 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 2008.

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

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
FUNCTION:										
Executive Office	8	15	9	8	11	11	11	10	10	9
Clerk of the Boards	6	6	6	5	6	6	6	6	6	5
District Counsel	12	11	10	11	10	10	10	10	11	13
District Prosecutor	16	14	22	23	23	22	21	20	19	19
Finance	43	43	45	46	44	45	43	43	44	44
Administrative & Human	34	33	37	37	34	34	34	35	36	37
Information Management	47	46	46	48	47	45	45	48	50	49
Planning, Rule Development &										
Area Sources	104	93	99	116	116	110	108	109	102	108
Public Affairs	64	59	52	42	36	34	36	35	37	42
Science & Technology	121	130	142	141	136	132	136	145	151	160
Engineering & Compliance	270	279	303	295	289	284	293	289	304	310
Total	<u>725</u>	<u>729</u>	<u>771</u>	<u>772</u>	<u>752</u>	<u>733</u>	<u>743</u>	<u>750</u>	<u>770</u>	<u>796</u>

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<u>Program Category</u>								
Advance Clean Air Technology								
Contracts awarded	287	411	211	263	180	304	295	292
Total Funding awarded	\$ 96,287,361	\$ 74,782,923	\$ 36,644,126	\$ 54,723,323	\$ 79,893,504	\$ 133,603,750	\$ 91,309,725	\$ 89,421,125
Ensure Compliance with Clean Air Rules								
Inspections	45,440	50,868	48,898	45,702	35,161	35,039	33,742	40,558
Notices of Violations	2,922	3,558	2,408	2,412	1,759	1,407	1,321	1,908
Hearing Board Orders for Abatement	47	74	58	81	61	49	30	36
Hearing Board Appeals	21	12	18	23	12	12	22	19
Customer Service								
Public Information Requests	5,615	7,257	5,555	5,477	4,956	4,651	3,528	4,962
Community/Public Meetings attended	72	84	53	92	118	182	145	198
Small Business Assistance Contacts	n/a	1,826	3,979	3,641	1,812	2,289	2,680	2,662
Develop Programs to Achieve Clean Air								
Transportation Plans processed	1,360	1,323	1,316	1,402	1,426	1,502	1,534	1,412
Emission Inventory Updates	642	289	126	359	229	284	439	586
Develop Rules to Achieve Clean Air								
Rules Developed	32	29	38	59	35	24	29	32
Monitoring Air Quality								
Samples Analyzed by the Laboratory	22,730	24,186	26,618	34,174	37,889	14,683	31,530	25,400
Source Testing Analyses/Evaluations/Review	484	649	752	706	598	830	794	718
Timely Review of Permits								
Applications Processed	17,844	10,925	10,406	11,459	9,747	9,481	9,599	11,564
Applications Received-Small Business	-	-	-	-	-	-	-	627
Applications Received-All Others	11,086	10,138	10,431	10,996	9,222	8,261	9,297	10,954
Policy Support								
News releases	38	28	41	34	48	44	51	76
Media Calls	1,300	1,350	1,300	1,400	n/a	643	684	334
Media Inquiries Completed	n/a	n/a	n/a	n/a	268	604	684	334

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<u>Function/Program</u>					
Ensure Compliance with Clean Air Rules					
Number of vehicles assigned to field inspection	117	117	121	120	135
Monitoring Air Quality					
Number of air monitoring stations	35	35	35	35	37
Number of air monitoring instruments installed in the air monitoring stations to measure air quality	259	259	259	259	267

South Coast Air Quality Management District

Demographic and Miscellaneous Statistics

<u>Established:</u>	February 1, 1977
<u>Area Covered:</u>	10,743 Square Miles
<u>Counties Included in District:</u>	All of Orange County and parts of Los Angeles, Riverside, and San Bernardino Counties
<u>Population:</u>	16,793,784 (In 2008)
<u>Average Unemployment Rate:</u>	Los Angeles County (7.5%), Orange (5.3%), Riverside (8.6%), and San Bernardino (8.0%) counties (In 2008)
<u>Transportation:</u>	Two transcontinental railroads – Burlington Northern Santa Fe and the Union Pacific Six Commercial Airports – Los Angeles International, Burbank, Long Beach, Ontario International, Orange County, and Palm Springs Freeways – Three major interstate freeways including four bypass routes, U.S. 101, and nine State freeway routes Two major adjoining ports – Port of Long Beach and Port of Los Angeles
<u>Visitor Destinations:</u>	Disneyland, Knott’s Berry Farm, Magic Mountain, motion picture and television studios and the Rose Bowl
<u>Number of Registered Vehicles Within AQMD Jurisdiction:</u>	12,231,247 (In 2008)
<u>Average Daily Miles Traveled Per Vehicle:</u>	29 (CY 2008 data)
<u>Examples of Stationary Sources of Air Pollution Regulated:</u>	Oil Refineries, power plants, paint spray booths, incinerators, manufacturing facilities, dry cleaners, and service stations.
<u>Number of Sources:</u>	27,594 operating locations with approximately 77,435 permits.
<u>Number of Air Monitoring Stations:</u>	37
<u>Full-time Authorized Positions:</u>	855
<u>Adopted FY 2009-10 Budget:</u>	\$131,692,629
<u>Key Federal, State, and Local Air Agencies:</u>	EPA Region IX (Environmental Protection Agency), CARB (California Air Resources Board), CAPCOA (California Air Pollution Control Officer’s Association), NACAA (National Association of Clean Air Agencies), ALAPCO (Association of Local Air Pollution Control Officials). There are 35 local air pollution control districts in California.

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
- **2008** AQMD website added an interactive map, providing advisories as well as current air quality data and forecasts, widely accessed by schools, media, cities, businesses and individuals.



SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

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