



South Coast
Air Quality Management District
Diamond Bar, California



Comprehensive Annual Financial Report



Year Ended June 30, 2011



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, 2011

Prepared by:
Finance Office
Michael B. O'Kelly, Chief Financial Officer

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

Comprehensive Annual Financial Report
Year Ended June 30, 2011

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SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

GOVERNING BOARD

June 30, 2011

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

DENNIS YATES
Vice Chair
County of San Bernardino
Cities Representative

MICHAEL D. ANTONOVICH
County of Los Angeles Representative

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

JOHN BENOIT
County of Riverside Representative

JUDY MITCHELL
County of Los Angeles
Cities Representative
Western Region

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

SHAWN NELSON
County of Orange Representative

JANE CARNEY
Senate Rules Committee Appointee

JAN PERRY
City of Los Angeles Representative

JOSIE GONZALES
County of San Bernardino Representative

MIGUEL A. PULIDO
County of Orange
Cities Representative

RONALD O. LOVERIDGE
County of Riverside
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>

September 23, 2011

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

State law requires that local governments publish within six months of the close of each fiscal year a complete set of audited financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This report is published to fulfill that requirement for the fiscal year ended June 30, 2011.

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.

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 AQMD for the fiscal year ended June 30, 2011 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 AQMD's financial statements for the fiscal year ended June 30, 2011 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.

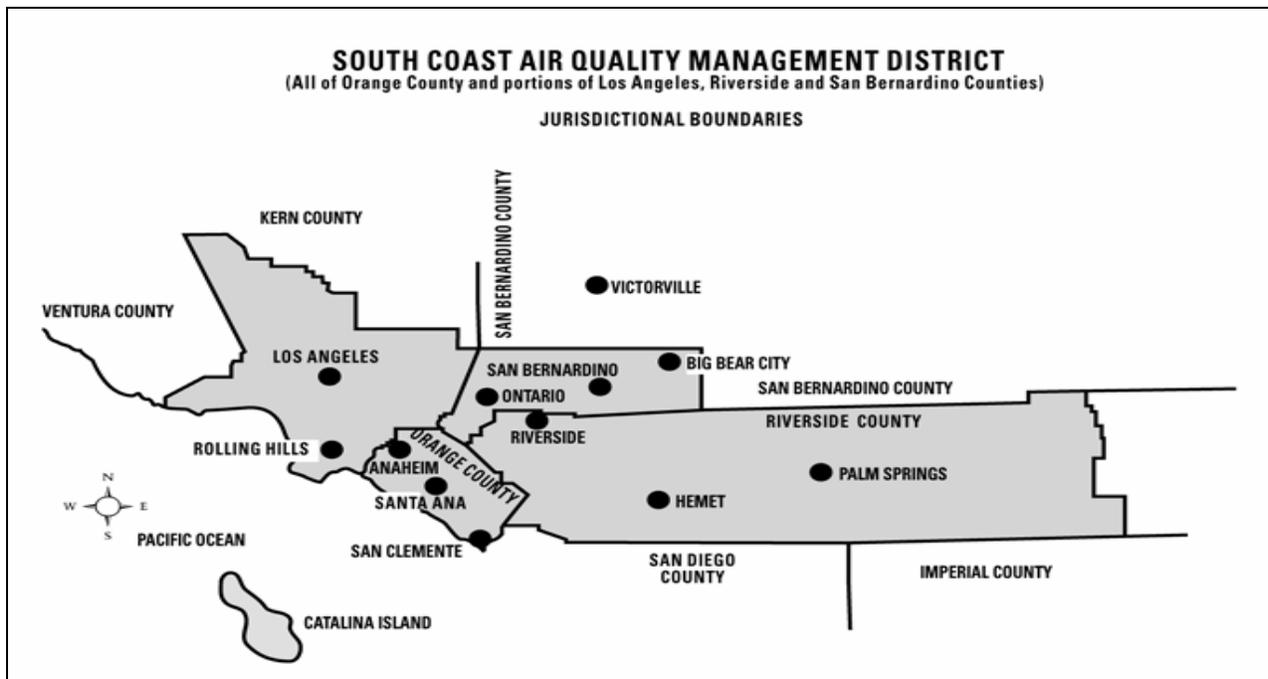
The independent audit of the financial statements of AQMD was part of a broader, federally mandated "Single Audit" designed to meet the special needs of Federal grantor agencies. The standards governing Single Audit engagements require the independent

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 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. 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.



AQMD's 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 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. 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.

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 AQMD for reporting purposes. This report includes the South Coast Air Quality Management District Building Corporation (Corporation) as a blended component unit. 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 AQMD and the Corporation. For additional information, see Note 1 to the financial statements.

The annual budget serves as the foundation for AQMD's financial planning and control. The Governing Board is required to adopt an annual budget by July 1 of each fiscal year. 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.

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. 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, AQMD continues to meet its responsibility for sound financial management.

Factors Affecting Financial Condition

AQMD is a fee-supported agency and does not receive sales or property tax support. Approximately 73% of its General Fund revenue is derived from permit evaluation fees, annual permit operating fees, emission fees, Hearing Board fees, penalties and settlements, interest earnings, and other revenues. The remaining 27% of its revenue is derived from federal grants, state grants, California Air Resources Board (CARB) subvention funds, and motor vehicle fees.

To meet its program commitments, despite new federal and state mandates, increased workload complexity, and the continuing stagnant economic environment, AQMD continues to streamline many of its operations. Compared to the 1991-92 fiscal year, 2010-11 reflects funded staffing levels that are 29% (331 FTEs) below 1991-92 levels and expenditures, when adjusted for inflation, that are approximately 41% less than the 1991-92 period.

Overall revenues were lower, primarily related to the timing of receipt of large state Proposition 1B funding, while General Fund revenues were slightly lower due to a decline in large one-time penalties and/or settlements, as compared to the prior fiscal year. The General Fund decrease is primarily related to the nature and timing of penalties and/or settlements received for violations of permit conditions, AQMD Rules, or other laws. General Fund revenues related to stationary and mobile source fees remained relatively stable as compared to the decreases experienced during FY 2009-10. Future changes in overall revenue are highly dependent on the timing of receipts of large state and federal grant funding, while General Fund revenues are expected to continue to

remain flat through the following fiscal year due to the continuing stagnant economic environment.

Overall expenditures were higher due to the timing of Proposition 1B program costs, while General Fund expenditures increased slightly due to increased salaries and employee benefits, including retirement and medical benefit cost increases, along with increased contract and special services costs. An increase in overall expenditures coupled with flat General Fund expenditures is expected to continue in the following fiscal year due to continued federal and state grant fund expenditures along with cost-containment measures incorporated into the fiscal year 2011-12 General Fund budget. These General Fund cost-containment measures include removing vacant positions, a hiring freeze, reduced contract services and a reduction in capital outlays.

Long-term Financial Planning

In addressing long-term program costs, AQMD has pursued actions over the past several years through the use of one-time penalty settlement money to lower its long-term retirement costs and economically defease a portion of its current debt service. 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 \$3.4 million net annual savings. During the current fiscal year and beyond, AQMD continues to look for cost savings as a means of balancing revenues and expenditures to ensure long term financial sustainability.

Relevant Financial Policies

In recent fiscal years, AQMD's Governing Board has designated and/or assigned significant portions of the General Fund balance in anticipation of retirement cost increases, potential state and federal funding declines, and Other Post Employment Benefits (OPEB) obligations inherited as part of the consolidation of the four county Air Pollution Control Districts in 1977.

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

Major Initiatives

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

- I. Ensure expeditious progress toward meeting clean air standards and protecting public health.
- II. Enhance public education and ensure equitable treatment for all communities.
- III. Operate efficiently and in a manner sensitive to businesses, the public, and AQMD staff.
- IV. Operate a “Clean and Green” program to promote and support sustainable practice strategies.

During the current and upcoming fiscal year, AQMD highlighted three projects which are particularly important to achieving our mission and goals, they are: 1) commence demonstration/deployment of a zero-emission cargo container movement system, 2) incentivize in-basin renewable distributed electricity generation and storage to support electric technology applications, and 3) make substantial progress in creating programs to facilitate construction of new and modified stationary sources in areas where the supply of emissions offsets is limited, consistent with AQMD’s clean air objectives. In addition, AQMD will continue to address other priorities such as the 2012 Air Quality Management Plan preparation, goods movement projects, architectural coating compliance, and environmental justice activities.

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, 2010. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. The Comprehensive Annual Financial Report must satisfy both generally accepted accounting principles and applicable legal requirements. The Certificate of Achievement is valid for a period of one year only. We believe our current report continues to meet the Certificate of Achievement program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

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

Recognition is also given to the Governing Board for their leadership and support and to all employees of 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



Michael B. O'Kelly, CPA
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, 2010

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.

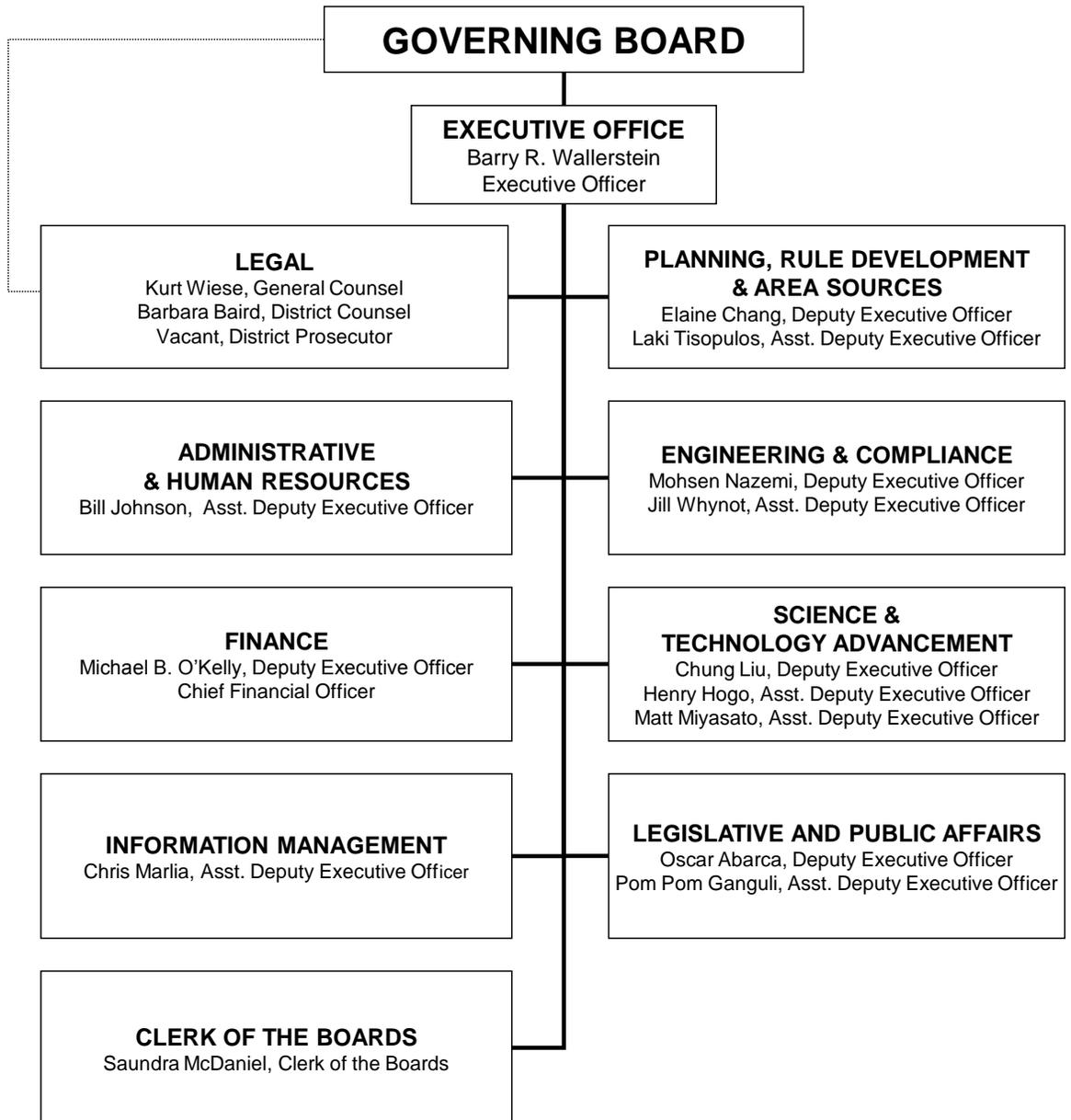


President

Executive Director

South Coast Air Quality Management District, California Organizational Chart

June 30, 2011



THOMPSON, COBB, BAZILIO & ASSOCIATES, PC

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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 blended 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, 2011, 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 blended component unit, each major fund, and the aggregate remaining fund information of the AQMD, as of June 30, 2011, 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 September 23, 2011 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
September 23, 2011

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

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

As management of the South Coast Air Quality Management District (AQMD), we offer readers of AQMD's financial statements this narrative overview and analysis of the financial activities of AQMD for fiscal year ended June 30, 2011. 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 AQMD exceeded its total liabilities at the close of the most recent fiscal year by \$523.1 million (net assets). Of this amount, \$34.5 million (unrestricted net assets), may be used to meet AQMD's ongoing obligations to creditors.
- AQMD's total net assets increased by \$41.5 million. Total revenues from all sources were \$333.0 million and total expenses for all functions/programs were \$291.5 million.
- As of the close of the fiscal year, AQMD's governmental funds reported combined ending fund balances of \$518.4 million, an increase of \$34.1 million in comparison to the prior year. Of the \$518.4 million combined ending fund balances, \$52.6 million represents the fund balance of the General Fund.
- Out of the general fund balance of \$52.6 million at the end of the fiscal year, \$50,315 was nonspendable, \$8.9 million was committed, \$17.8 million was assigned and \$25.9 million was unassigned, which is 19.3% of the general fund expenditures.
- AQMD's net capital assets decreased by \$2.3 million from the prior year.
- AQMD's long term debt decreased by \$10.2 million or 12.4% of the long term debt outstanding.

B. Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to AQMD's basic financial statements. AQMD's basic financial statements have three components: 1) Government-wide Financial Statements; 2) Fund Financial Statements; and 3) Notes to the Basic Financial Statements. This report also contains supplementary information in addition to the basic financial statements.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

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, AQMD, in accordance with required reporting standards, presents government-wide financial statements and fund financial statements.

Government-wide Financial Statements

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

The government-wide financial statements are designed to provide readers with a broad overview of AQMD's finances in a manner similar to 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 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. Over time increases or decreases in net assets serve as a useful indicator of whether AQMD's financial position is improving or deteriorating.

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. 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 AQMD can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Government-wide Financial Statements. By doing so, readers may better understand the long-term impact of AQMD's near-term financing decisions. Information from the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances is used to facilitate the comparison between governmental funds and governmental activities. The reconciliation between the Governmental Funds Balance Sheet and the Government-wide Statement of Net 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.

AQMD maintains 37 individual special revenue funds, one debt service fund and a blended component unit in addition to the General Fund. Six of the special revenue funds are considered major funds. The information for the major special revenue funds is presented separately in the Governmental Fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund balances. Data for the other 31 non-major special revenue funds are combined into a single, aggregated presentation. One of the non-major funds did not have any transactions at June 30, 2011. Individual fund data for each of the 31 non-major governmental funds, is reported in the Other Supplementary Information section of this report.

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.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

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

Proprietary Funds

When AQMD charges for Compressed Natural Gas (CNG) fuel, whether to outside customers or within 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.

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. AQMD's fiduciary activities are reported in separate Statements of Fiduciary Net Assets. These statements are excluded from AQMD's other financial statements because the resources of fiduciary funds, by definition, cannot be used to support AQMD's own programs. 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.

AQMD's Fiduciary Fund Financial Statements for the Accounting Agency Fund, 457 Plan Admin. Revenue Sharing 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.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

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 AQMD's governmental and business-type activities.

The schedule below presents a condensed Statement of Net Assets as of June 30, 2011 compared with the prior fiscal year.

	Net Assets (amounts expressed in thousands)					
	Governmental Activities		Business-Type Activities		TOTAL	
	<u>FY 2010-11</u>	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>FY 2009-10</u>
Current and other assets	\$ 559,913	\$ 528,726	\$ 387	\$ 255	\$ 560,300	\$ 528,981
Prepaid pension assets	44,634	45,469	-	-	44,634	45,469
Capital assets	43,148	45,440	-	4	43,148	45,444
Total assets	<u>647,695</u>	<u>619,635</u>	<u>387</u>	<u>259</u>	<u>648,082</u>	<u>619,894</u>
Long-term liabilities						
outstanding	81,718	91,888	-	-	81,718	91,888
Other liabilities	42,873	46,375	17	12	42,890	46,387
Total liabilities	<u>124,591</u>	<u>138,263</u>	<u>17</u>	<u>12</u>	<u>124,608</u>	<u>138,275</u>
Net Assets:						
Invested in capital assets, net of related debt	22,778	19,695	-	4	22,778	19,699
Restricted for:						
Pension assets	-	-	-	-	-	-
Restricted for long-term emission-reduction projects	465,790	411,358	-	-	465,790	411,358
Unrestricted	34,536	50,318	370	243	34,536	50,561
Total net assets as restated	<u>\$ 523,104</u>	<u>\$ 481,372</u>	<u>\$ 370</u>	<u>\$ 247</u>	<u>\$ 523,104</u>	<u>\$ 481,619</u>

As noted earlier, net assets may serve over time as a useful indicator of AQMD's financial position. At the close of the most recent fiscal year, AQMD's assets exceeded liabilities by \$523.1 million.

The largest portion of AQMD's net assets (89.0%) 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 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. AQMD uses these capital assets in carrying out its mission of protecting public health while being sensitive to the economic needs of

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local businesses. Consequently, these assets are not available for future spending. Although AQMD's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. The debt service installment schedules for the 1995 and 2004 Pension Obligation Bonds will be fully paid by 2022 and 2024 respectively.

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, 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 (6.6%) are unrestricted and may be used to meet AQMD's ongoing operations and obligations to creditors. At the end of the current fiscal year, 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 \$41.5 million compared with the prior fiscal year. Most of the increase represents receipt of a one-time payment of \$53 million for mitigation fee in the AB 1318 Mitigation Fee Fund.

Program revenues decreased by \$37.0 million, 11.5% change from the prior year. These are largely due to a decrease of approximately \$36.4 million in state grants in special revenue funds. General revenue decreased by \$2.2 million, compared with the prior fiscal year which can be attributed mainly to the decreases in penalties and settlements.

Expenses increased by \$13.0 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, 2011 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 2010-11</u>	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>FY 2009-10</u>
Revenues:						
Program Revenues:						
Fees and charges – stationary sources	\$ 81,291	\$ 81,098	\$ -	\$ -	\$ 81,291	\$ 81,098
Fees and charges – mobile sources	22,513	23,728	-	-	21,988	23,728
Operating grants and subventions	8,867	8,380	-	-	8,867	8,380
Restricted special revenue sources	207,556	243,802	-	-	207,556	243,802
General Revenues:						
Grants and subventions – not restricted to specific programs	2,919	2,926	-	-	2,919	2,926
Penalties and settlements	7,349	10,346	-	-	7,349	10,346
Interest	832	976	-	-	832	976
Other revenues	1,639	680	-	-	1,639	680
CNG fuel sales	-	-	274	170	274	170
Total revenues	<u>332,966</u>	<u>371,937</u>	<u>274</u>	<u>170</u>	<u>333,240</u>	<u>372,107</u>
Expenses:						
Advance clean air technology	6,399	6,512	-	-	6,389	6,512
Ensure compliance with clean air rules	46,877	46,155	-	-	46,794	46,155
Customer service	7,579	7,683	-	-	7,560	7,683
Develop programs to achieve clean air	11,781	10,861	-	-	11,760	10,861
Develop rules to achieve clean air	8,827	8,436	-	-	8,812	8,436
Monitoring air quality	15,093	14,240	-	-	15,069	14,240
Timely review of permits	28,046	28,531	-	-	27,997	28,531
Policy support	1,792	1,760	-	-	1,767	1,760
Interest on long-term debt	3,278	3,871	-	-	3,278	3,871
Restricted for grants and other special uses	161,905	150,363	-	-	161,905	150,363
Other expenses	-	-	150	166	150	166
Total expenses	<u>291,577</u>	<u>278,411</u>	<u>150</u>	<u>166</u>	<u>291,727</u>	<u>278,577</u>
Increase (decrease) in net assets, before transfers	<u>41,389</u>	<u>93,526</u>	<u>124</u>	<u>4</u>	<u>41,513</u>	<u>93,530</u>
Transfers	-	-	-	-	-	-
Increase (decrease) in net assets	<u>\$ 41,389</u>	<u>\$ 93,526</u>	<u>\$ 124</u>	<u>\$ 4</u>	<u>\$ 41,513</u>	<u>\$ 93,530</u>

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
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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 AQMD's net assets changed during fiscal year 2011. 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 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 AQMD are: Advance Clean Air Technology, Ensure Compliance with Clean Air Rules, Customer Service and Business Assistance, Develop Programs to Achieve Clean Air, Develop Rules to Achieve Clean Air, Monitoring Air Quality, Timely Review of Permits, Policy Support, and Long-Term Emission-Reduction Projects.

There was a decrease in program revenues in the Restricted Special Revenues Sources. The program revenues in the Restricted Special Revenue Sources category are made up of revenues from several special revenue funds. Following are explanations of the significant revenue variances from fiscal year 2009-10 to fiscal year 2010-11:

- **Clean Fuels Fund:** In Fiscal Year 2010-11 revenue in this fund increased overall by \$1.8 million. The main reason for the increase is the receipt in revenue from three EPA grants that fund retrofit technology for Heavy Duty Trucks and a DOE grant for the taxicab/shuttle van project.
- **Carl Moyer Fund:** This fund was established to account for the money received from the California Air Resources Board (CARB) to provide funds for incentive programs for the incremental cost of cleaner-than-required engines and equipment. In Fiscal Year 2010-11 revenue increased overall by \$9.3 million. Revenue amounts in the fund will vary from year-to-year based on how CARB disburses SB1107 grant funds to AQMD.
- **AB 1318 Mitigation Fee Fund** – This fund was created in Fiscal Year 2010-11 and revenue of \$53.3M from a mitigation fee payment for the transfer of emission credits under AB 1318.

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- **Carl Moyer Fund AB 923 Fund:** This fund was established in November 2007 to separately report the Carl Moyer AB 923 program activities. In Fiscal Year 2010-11 revenue decreased overall by \$1.9 million. The main reason for the decrease is that this fund received a one-time grant from Mercedes-Benz (USA) for the implementation of the High Emitters Repair or Scrap (HEROS) Program in Fiscal Year 2009-10.

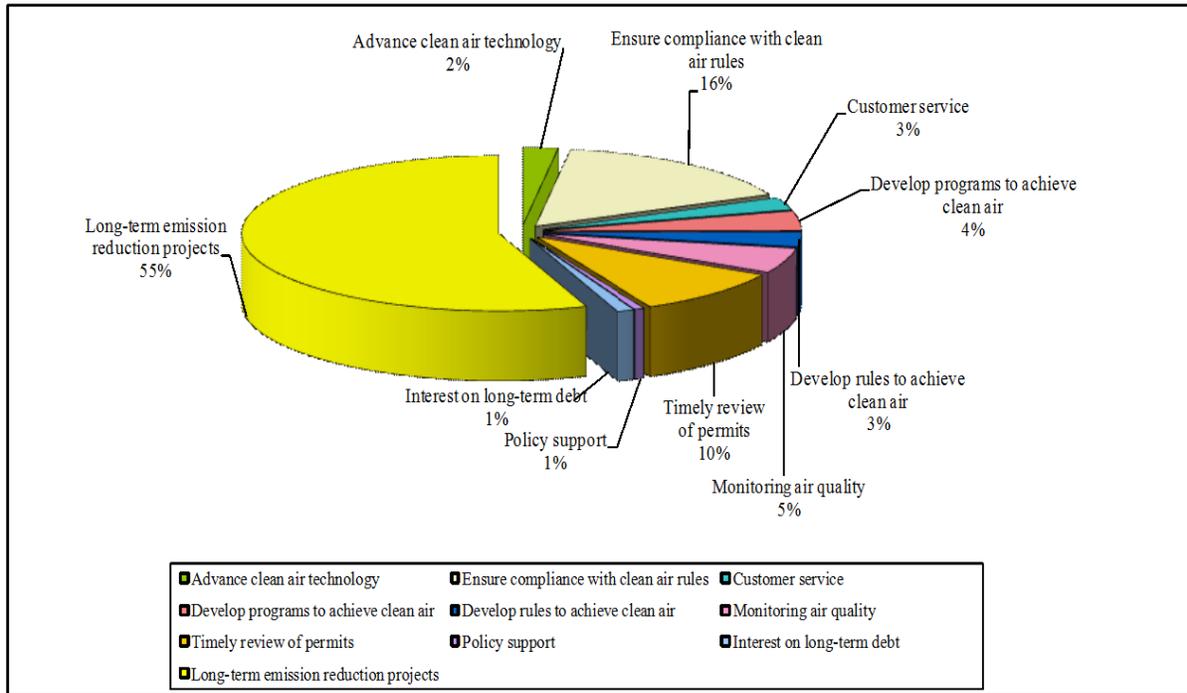
- **Prop 1B Goods Movement Fund:** This fund was set up in Fiscal Year 2007-08 to receive funds from the voter approved bond funding under Proposition 1B to implement programs that reduce emissions from the movement of freight or “goods” along California’s trade corridors. In Fiscal Year 2010-11 revenue decreased in this fund by \$46.6 million. The main reason for the change is that grant awards released by the state were decreased in Fiscal Year 2010-11.

- **Prop 1B Lower Emission School Bus Fund:** In Fiscal Year 2010-11 revenue decreased by \$61.8 million. In Fiscal Year 2009-10 the majority of the Prop 1B Lower Emission School Bus project funds were received and in Fiscal Year 2010-11 the final balance of funding was received.

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 increased by \$123,000 from \$247,000 to \$370,000. The increase is primarily due to federal rebate for the use of CNG fuel.

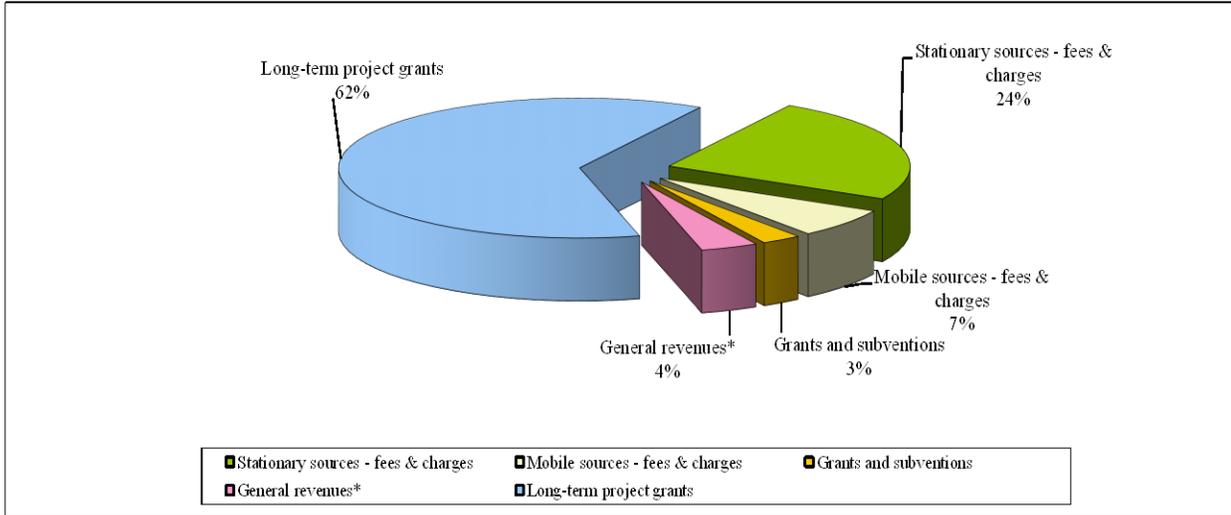
**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
EXPENSES BY ACTIVITY
Government Activities
FY 2010-11**



Activity	FY 10-11	FY 09-10	FY 08-09	FY 07-08	FY 06-07	FY 05-06
Advance clean air technology	\$ 6,398,859	\$ 6,512,144	\$ 7,111,931	\$ 7,113,642	\$ 7,067,528	\$ 5,808,530
Ensure compliance with clean air rules	46,877,017	46,154,574	43,823,112	39,463,040	42,699,519	36,727,226
Customer service	7,578,813	7,682,897	7,441,806	6,696,664	8,687,842	11,592,984
Develop programs to achieve clean air	11,780,948	10,861,040	10,216,378	7,969,413	8,721,816	7,811,791
Develop rules to achieve clean air	8,826,846	8,436,415	8,433,410	8,390,762	7,350,795	8,046,177
Monitoring air quality	15,093,093	14,239,509	14,067,041	12,866,270	12,229,451	11,794,227
Timely review of permits	28,045,891	28,530,507	26,205,282	24,580,945	24,508,757	23,191,423
Policy support	1,792,208	1,760,038	4,782,531	3,630,367	3,442,207	2,948,274
Interest on long-term debt	3,277,933	3,871,465	4,325,460	4,614,842	-	-
Long-term emission reduction projects	161,904,680	150,362,508	104,277,915	93,109,973	62,831,313	64,308,902
Total	\$ 291,576,288	\$ 278,411,097	\$ 230,684,866	\$ 208,435,918	\$ 177,539,228	\$ 172,229,534

Source: FY 2010-11 CAFR Statement of Activities

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 REVENUES BY MAJOR SOURCE
 Government Activities
 FY 2010-11



Source	FY 10-11	FY 09-10	FY 08-09	FY 07-08	FY 06-07	FY 05-06
Stationary sources - fees & charges	\$ 81,291,028	\$ 81,097,647	\$ 92,703,725	\$ 82,825,774	\$ 75,200,253	\$ 68,792,294
Mobile sources - fees & charges	22,512,790	23,728,238	24,128,436	22,170,323	23,966,240	20,991,833
Grants and subventions	8,867,069	8,379,757	8,782,322	8,858,458	8,946,833	8,035,387
General revenues*	12,739,158	14,929,145	14,796,424	12,579,473	21,421,637	22,853,273
Long-term project grants	207,555,510	243,802,246	133,185,494	105,383,067	92,925,386	94,223,386
Total	\$ 332,965,555	\$ 371,937,033	\$ 273,596,401	\$ 231,817,095	\$ 222,460,349	\$ 214,896,173

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

Source: FY 2010-11 CAFR Statement of Activities

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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>FY 2010-2011</u>	
	<u>Total Cost of Program Activities</u>	<u>Net Cost of Program Activities</u>
Advance clean air technology	\$ 6,398	\$ (35)
Ensure compliance with clean air rule	46,877	(6,905)
Customer service and business assistance	7,579	(991)
Develop programs to achieve clean air	11,781	(971)
Develop rules to achieve clean air	8,827	(1,347)
Monitoring air quality	15,093	(1,228)
Timely review of permits	28,046	(2,045)
Policy support	1,792	(200)
Interest on long-term debt	3,278	(3,278)
Long-term emission reduction projects	161,905	45,651
Total	\$ <u><u>291,576</u></u>	\$ <u><u>28,651</u></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 AQMD's jurisdiction. Promote development and assess the use of clean fuels and low-emitting technologies. Implement and administer state- and federal-funded programs for retrofitting, re-powering, or replacing diesel engines with newer and cleaner engines and projects to reduce air pollution associated with freight movement along California's trade corridors.
- **Ensure Compliance with Clean Air Rules** – Perform inspections, source tests, sample collection, the certification of Continuous Emission Monitoring Systems (CEMS), emissions audits, and respond to and resolve public complaints to ensure compliance with AQMD rules for existing major and small stationary sources of all pollutants.
- **Customer Service and Business Assistance** – Provide local government, business, and the public with access and input into the regulatory and policy processes of 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.

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

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D. Financial Analysis of AQMD's Funds

As noted earlier, 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 AQMD's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the fiscal year, AQMD's governmental funds reported combined ending fund balances of \$518.4 million, an increase of \$34.4 million in comparison with the prior year. Approximately 89.9% of these fund balances (\$465.8 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 AQMD. At the end of the fiscal year, the total fund balance of the General Fund was \$52.6 million. The unassigned fund balance was \$25.9 million; assigned was \$17.8 million or 33.8% of the total fund balance. The assigned amount represent 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 assigned and unassigned fund balance to total expenditures. The assigned and unassigned fund balance represent 32.0% of total General Fund expenditures, while total fund balance represents 39.3% of the total General Fund expenditures. In the General Fund, the assigned and unassigned fund balance may serve as a useful measure of AQMD's net resources available for spending at the end of the fiscal year.

Overall, the Fiscal Year 2010-11 adopted budget represented a \$0.9 million (0.7%) decrease over the Fiscal Year 2009-10 adopted budget. The Fiscal Year 2010-11 adopted budget included a 6% salary savings (which represented 50 unfilled positions) and a decrease of approximately \$1.5 million in the services, supplies and equipment budget. On a budgetary basis, actual Fiscal Year 2010-11 General Fund expenditures exceeded revenues by \$9.6 million.

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

- **Clean Fuels Program Fund** – The fund balance increased compared with the prior year due to revenues exceeding expenditures in Fiscal Year 2010-11. 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, revenue from one-time grants was received from the EPA for retrofit technology for Heavy Duty Trucks and the from the DOE for a taxicab/shuttle van project.
- **Carl Moyer Program Fund** – The fund balance decreased slightly compared with the prior year due to expenditures exceeding revenues in Fiscal Year 2010-11. Many of the contracts executed in this special revenue fund are multi-year and expenditures can vary significantly from year to year.
- **AB 1318 Mitigation Fee Fund** – This fund was created in Fiscal Year 2010-11 and the increase in fund balance is due to \$53.3M mitigation fee payment for the transfer of emission credits under AB 1318.
- **Carl Moyer Program AB 923 Fund** – The fund balance increased due to revenues exceeding expenditures in Fiscal Year 2010-11. Many of the contracts executed in this special revenue fund are multi-year and expenditures can vary significantly from year to year.
- **Prop 1B Goods Movement Fund** –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 expenditures can vary from year to year.
- **Prop 1B Lower Emission School Bus Fund** – The decrease in fund balance is due to expenditures exceeding revenues. In Fiscal Year 2009-10, the majority of the funding was received for the Prop 1B-Lower Emission School Bus program. Contracts expenditures in this special fund can vary from year to year.

Proprietary Funds

As noted earlier, 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

AQMD adopts an annual operating budget for the General Fund. During budget preparation, AQMD estimates its revenues using realistic but conservative methods so as to budget its expenditure appropriations and activities in a prudent manner. As a

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result, AQMD adopts budget amendments during the fiscal year to reflect availability of additional revenues for expansion of existing programs and any budget transfers between major accounts.

The Fiscal Year 2010-11 adopted budget compared to the amended budget reflects an increase in appropriations of \$9.7 million. The changes to the budget were the result of Governing Board actions that allocated additional funding after the budget was adopted. Also, changes can be attributed to Governing Board approved transfers from other funds and the use of a portion of Undesignated Fund Balance for program needs that were unknown at the time the budget was developed.

Additional funding was appropriated in Fiscal Year 2010-11 from the following agencies:

EPA - \$2,667,000 for the following programs: Photochemical Assessment Monitoring Stations (PAMS), PM 2.5 Monitoring, Community-Scale Air Toxics Monitoring Program, the National Air Toxics Monitoring Program, Lead Monitoring Network, SCR System Redesign Project and Heavy-Duty Diesel Truck Retrofit Project.

Department of Homeland Security - \$385,000 for an enhanced particulate monitoring program.

DOE - \$150,000 for a contract to upgrade the existing LNG fueling facility in the City of Ontario;

CARB - \$151,000 for the AB 118 AQIP Advanced Locomotive Aftertreatment Technology Demonstration Project.

Intermodal Container Transfer Facility (ICTF) Joint Powers Authority - \$400,000 to prepare the California Environmental Quality Act (CEQA) documents for the proposed expansion and modernization of Union Pacific Railroad's ICTF.

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

Clean Fuels Fund - \$600,000 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.

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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.

Prop 1B Goods Movement Fund - \$300,000 to support administrative and technical assistance and other directly related Prop 1B/Goods Movement activities.

Air Quality Investment Fund - \$110,000 for the outreach and administrative expenses to implement the Mow Down Air Pollution Program 2010 and 2011, which exchanged gas-powered lawn mowers with electric mowers.

Mobile Sources Air Pollution Reduction Fund - \$59,000 to facilitate reimbursement of administrative costs.

Rule 1309.1 Priority Reserve Fund - \$1,379,000 for special outside legal counsel to advise and assist with litigation relating to the operation of the internal offset accounts and for the AB 118 AQIP Advanced Locomotive Aftertreatment Technology Demonstration Project.

Advanced Technology, Outreach & Education Fund - \$20,000 for implementation of the Yard Equipment Exchange Incentive Program under the Clean Communities Plan.

Rule 1173 Mitigation Fee Fund - \$82,000 to complete the purchase of a Fourier Transform InfraRed (FTIR) system for the Fence-Line Monitoring Project.

Designation for Litigation and Enforcement - \$1,410,000 for outside counsel to represent and advise AQMD on legal matters relating to environmental law, the internal credit bank, and special litigation matters.

The remaining \$1,723,000 increase can be attributed to transfers from the Undesignated Fund Balance for the following: consulting services to develop the Greenhouse Gas Registry; AQMD Signature Video; Chinese-American Advertising Initiative; legislative advocacy in Washington, DC; legislative advocacy in Sacramento; CBS-2 TV weather sponsorship; implementation of additional Air Quality Institute Programs; purchase of a Gas Chromatograph/Mass Spectrometer/Flame Ionization Detector (GC/MS/FID); and consultation services on local, state and federal transportation policy issues.

For Fiscal Year 2010-11, actual revenues came under the final budget by \$535,996 or 0.4% and expenditure savings were \$6,549,436 or 5%.

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Revenue came in slightly under budget for the year primarily due to the continued decline in emissions at the major refineries and large facilities, as well as declining annual operating renewal fees. However, the overall impact of these declining revenues was somewhat mitigated by an increase in the amount collected in Permit Processing fees and Architectural Coating Fees as well as several large, unanticipated one-time penalties/settlements.

The expenditure savings can be primarily attributed to salary savings, which was a result of filling only critical vacant positions throughout the year and having retirees exceed the number of new employees during the last six months of the year. Additional significant savings were achieved in Professional and Special Services, Office Expenses, and Capital Outlays through prudent purchase decisions and postponing contract work and fixed asset purchases.

F. Capital Assets and Debt Administration

Capital Assets

AQMD's investment in capital assets is mostly for its governmental activities. The book value was \$43.1 million (net of accumulated depreciation of \$68.9 million) as of June 30, 2011. This investment in capital assets includes land, buildings, laboratory equipment, air monitoring stations, intangible assets (internally generated software) 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, AQMD had a total long-term debt outstanding of \$81.7 million, including the current portion of \$11.3 million. Of this amount, \$20.4 million represents the Installment Sale Revenue Bonds issued by the AQMD Building Corporation (Corporation) and AQMD is required to make debt service payments. This is in accordance with the Installment Purchase Agreement between the Corporation and AQMD. The amount of \$47.2 million represents the Pension Obligation Bonds. The 1995 series (outstanding balance of \$9.4 million) and the 2004 Series issued in June 2004 with \$37.8 million outstanding balance retired the Unfunded Actuarial Accrued Liability due to San Bernardino County Employees Retirement Association as of June 30, 2004. Other long-term debt includes general claims and workers' compensation claims payable of \$654,000 and compensated absences of \$13.5 million.

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Additional information on 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 2010-11 expenditure budget decreases by 6.3% compared to the FY 2009-10 amended budget. The budget reflects a decrease of \$8.9 million in expenditures from the FY 2009-10 Amended Budget and a \$0.9 million decrease from the FY 2009-10 Adopted Budget. This FY 2010-11 Budget reflects a reduction of 23 authorized vacant positions made up of 7 funded and 16 unfunded. Also, the Services and Supplies budget was reduced mainly in the area of contracts and professional services expenditures. The FY 2010-11 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 2010-11 Adopted Budget includes a 6% 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 2010-11 revenues received from fees, grants, and other revenues. In FY 2010-11 revenues are projected to decrease by approximately \$3.1 million from the FY 2009-10 adopted budget, with retirement costs increasing by approximately \$0.6 million. In order to finance the FY 2010-11 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 2010-11 are \$123.7 million along with \$8.1 million of prior year revenue bringing funding in balance with expenditures.

Moreover, since FY 1991-92, AQMD has reduced staffing and program costs despite increased program requirements. The FY 2010-11 expenditure budget is \$131.8 million and includes 832 authorized positions. Compared to FY 1991-92, this reflects a reduction of 28% in authorized positions. Program costs, however, will exceed the 1991-92 budget by \$21.7 million (approximately 19%). Using inflation-adjusted dollars, however, this year's budget request is 40% less than the budget approved in FY 1991-92.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

H. Requests for Information

This financial report is designed to provide a general overview of 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, 2011

<u>Assets</u>	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental</u> <u>Activities</u>	<u>Business-</u> <u>type</u> <u>Activities</u>	
Current Assets:			
Cash and cash equivalents	\$ 540,744,938	\$ 370,123	\$ 541,115,061
Interest receivable	1,438,558	1,554	1,440,112
Due from other governmental agencies	13,472,016	-	13,472,016
Accounts receivable, net	4,154,904	15,550	4,170,454
Inventories	50,315	-	50,315
Other assets	51,807	-	51,807
Total current assets	<u>559,912,538</u>	<u>387,227</u>	<u>560,299,765</u>
Noncurrent Assets:			
Prepaid pension assets	44,634,239		44,634,239
Capital assets:			-
Land	8,829,792		8,829,792
Depreciable building and improvements and equipment, net	<u>34,317,917</u>	-	<u>34,317,917</u>
Total capital assets	<u>43,147,709</u>	-	<u>43,147,709</u>
Total noncurrent assets	<u>87,781,948</u>	-	<u>87,781,948</u>
Total assets	<u>647,694,486</u>	<u>387,227</u>	<u>648,081,713</u>
Liabilities			
Current Liabilities:			
Accounts payable and accrued liabilities	25,812,183	17,140	25,829,323
Interest payable	1,349,672	-	1,349,672
Salaries and benefits payable	6,165,508	-	6,165,508
Unearned revenue	9,544,773	-	9,544,773
Long term debt - due within one year	<u>11,335,304</u>	-	<u>11,335,304</u>
Total current liabilities	<u>54,207,440</u>	<u>17,140</u>	<u>54,224,580</u>
Noncurrent Liabilities:			
Long term debt - due in more than one year	<u>70,382,932</u>	-	<u>70,382,932</u>
Total noncurrent liabilities	<u>70,382,932</u>	-	<u>70,382,932</u>
Total liabilities	<u>124,590,372</u>	<u>17,140</u>	<u>124,607,512</u>
Net Assets			
Investment in capital assets, net of related debt	22,777,709	-	22,777,709
Restricted for:			-
Long-term emission-reduction projects	465,789,699	-	465,789,699
Unrestricted	<u>34,536,706</u>	<u>370,087</u>	<u>34,906,793</u>
Total net assets	<u>\$ 523,104,114</u>	<u>\$ 370,087</u>	<u>\$ 523,474,201</u>

See accompanying notes to the basic financial statements.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011**

Functions/ Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Fees and Charges		Operating Grants and Subventions	Long-term project grants*	Governmental Activities **	Business-Type Activities	Total
		Stationary Sources **	Mobile Sources					
Primary Government:								
Governmental Activities:								
Advance clean air technology	\$ 6,398,859	117,572	5,913,146	332,708		\$ (35,433)	\$ -	\$ (35,433)
Ensure compliance with clean air rules	46,877,017	34,659,252	2,167,585	3,144,789		(6,905,391)	-	(6,905,391)
Customer service and business assistance	7,578,813	4,447,178	1,900,226	239,922		(991,487)	-	(991,487)
Develop programs to achieve clean air	11,780,948	4,344,025	6,355,029	110,976		(970,918)	-	(970,918)
Develop rules to achieve clean air	8,826,846	6,091,483	1,009,978	378,674		(1,346,711)	-	(1,346,711)
Monitoring air quality	15,093,093	5,504,385	4,464,515	3,896,461		(1,227,732)	-	(1,227,732)
Timely review of permits	28,045,891	25,237,169	-	763,539		(2,045,183)	-	(2,045,183)
Policy support	1,792,208	889,964	702,311			(199,933)	-	(199,933)
Interest on long-term debt	3,277,933					(3,277,933)	-	(3,277,933)
Long-term emission reduction projects *	161,904,680				207,555,510	45,650,830	-	45,650,830
Total governmental activities	<u>291,576,288</u>	<u>81,291,028</u>	<u>22,512,790</u>	<u>8,867,069</u>	<u>207,555,510</u>	<u>28,650,109</u>		<u>28,650,109</u>
Business-type Activities:								
CNG fueling station	150,418						(150,418)	(150,418)
Total business-type activities	<u>150,418</u>						<u>(150,418)</u>	<u>(150,418)</u>
Total primary government	<u>\$ 291,726,706</u>	<u>81,291,028</u>	<u>22,512,790</u>	<u>8,867,069</u>	<u>207,555,510</u>	<u>\$ 28,650,109</u>	<u>\$ (150,418)</u>	<u>\$ 28,499,691</u>
General Revenues **: 								
Grants and subventions - not restricted to specific stationary source programs						2,918,779		2,918,779
Interest						832,444		832,444
Penalties/ settlement						7,348,657		7,348,657
Subscriptions						7,760		7,760
Other						1,631,518		1,631,518
CNG fuel sales***							273,531	273,531
Total general revenues						<u>12,739,158</u>	<u>273,531</u>	<u>13,012,689</u>
Change in net assets						41,389,267	123,113	41,512,380
Net assets as restated- July 1, 2010						481,714,847	246,974	481,961,821
Net assets - June 30, 2011						<u>\$ 523,104,114</u>	<u>\$ 370,087</u>	<u>\$ 523,474,201</u>

* Long-term emission reduction projects consist of pass-through and/or one-time or limited duration funding sources that are restricted for specific programs such as Carl Moyer fund program, Clean Fuel 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.

*** 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, 2011**

<u>Assets</u>	<u>General</u>	<u>Clean Fuels Program Fund</u>	<u>Carl Moyer Fund</u>	<u>AB 1318 Mitigation Fees Fund</u>	<u>CMP AB 923 Fund</u>
Cash and cash equivalents	\$ 64,283,375	\$ 49,185,230	\$ 58,491,067	\$ 53,318,357	\$ 67,649,947
Interest receivable	167,724	90,874	126,392	18,345	135,543
Due from other governmental agencies	4,262,552	1,566,655	-	-	3,131,499
Due from other funds	1,805,838	8,372,588	-	-	14,296,700
Accounts receivable, net	2,279,353	302,775	-	-	-
Inventories	50,315	-	-	-	-
Other assets	-	-	-	-	-
Total assets	<u>\$ 72,849,157</u>	<u>\$ 59,518,122</u>	<u>\$ 58,617,459</u>	<u>\$ 53,336,702</u>	<u>\$ 85,213,689</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 2,735,752	\$ 2,162,536	\$ 3,833,302	\$ -	\$ 1,035,707
Salaries and benefits payable	6,165,508	-	-	-	-
Due to other funds	1,802,752	14,000	1,525,043	-	-
Unearned revenue	9,544,773	-	-	-	-
Total liabilities	<u>20,248,785</u>	<u>2,176,536</u>	<u>5,358,345</u>	<u>-</u>	<u>1,035,707</u>
Fund Balances:					
Nonspendable	50,315	-	-	-	-
Restricted	-	-	8,253,043	-	-
Committed	8,928,629	18,769,690	45,006,071	-	17,465,380
Assigned	17,763,384	38,571,896	-	53,336,702	66,712,602
Unassigned	25,858,045	-	-	-	-
Total fund balances	<u>52,600,373</u>	<u>57,341,586</u>	<u>53,259,114</u>	<u>53,336,702</u>	<u>84,177,982</u>
Total liabilities and fund balances	<u>\$ 72,849,157</u>	<u>\$ 59,518,122</u>	<u>\$ 58,617,459</u>	<u>\$ 53,336,702</u>	<u>\$ 85,213,689</u>

See accompanying notes to the basic financial statements.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2011**

<u>Assets</u>	Prop 1B Goods Movement Fund	Prop 1B Lower Emission School Bus Fund	Other Governmental Funds	Total
Cash and cash equivalents	\$ 34,265,944	\$ 35,915,458	\$ 177,635,559	\$ 540,744,938
Interest receivable	82,370	89,117	728,192	1,438,558
Due from other governmental agencies	43,120	-	4,468,190	13,472,016
Due from other funds	1,286,200	-	160,387	25,921,713
Accounts receivable, net	-	-	1,572,776	4,154,904
Inventories	-	-	-	50,315
	-	-	51,807	51,807
Total assets	<u>\$ 35,677,634</u>	<u>\$ 36,004,575</u>	<u>\$ 184,616,911</u>	<u>\$ 585,834,248</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 2,555,280	\$ 6,260,314	\$ 7,229,292	\$ 25,812,183
Salaries and benefits payable	-	-	-	6,165,508
Due to other funds	14,010,856	-	8,569,062	25,921,713
Unearned revenue	-	-	-	9,544,773
Total liabilities	<u>16,566,136</u>	<u>6,260,314</u>	<u>15,798,354</u>	<u>67,444,177</u>
Fund Balances:				
Nonspendable	-	-	-	50,315
Restricted	-	8,545,526	9,340,087	26,138,656
Committed	25,955,747	21,198,735	45,901,485	183,225,736
Assigned	-	-	113,511,433	289,896,016
Unassigned	(6,844,250)	-	65,552	19,079,349
Total fund balances	<u>19,111,497</u>	<u>29,744,261</u>	<u>168,818,557</u>	<u>518,390,071</u>
Total liabilities and fund balances	<u>\$ 35,677,634</u>	<u>\$ 36,004,575</u>	<u>\$ 184,616,911</u>	<u>\$ 585,834,248</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, 2011**

Total fund balances – total governmental funds	\$ 518,390,071
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.	44,634,239
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.	43,147,709
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.	(1,349,672)
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	(67,561,893)
General and auto liability	(100,000)
Workers' compensation	(553,782)
Compensated absences	<u>(13,502,558)</u>
Net assets of governmental activities	<u>\$523,104,114</u>

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2011

	<u>General Fund</u>	<u>Clean Fuels Program Fund</u>	<u>Carl Moyer Fund</u>	<u>AB 1318 Mitigation Fees Fund</u>
Revenues:				
Emission fees	\$ 19,246,061	\$ -	\$ -	\$ -
Annual renewal fees	41,342,340	-	-	-
Area Sources	2,503,791	-	-	-
Permit processing fees	16,007,058	-	-	-
Mobile sources/clean fuels	18,223,780	8,212,390	-	-
Air Toxics "Hot Spots"	1,353,226	-	-	-
Transportation programs	885,263	-	-	-
State subvention	3,978,200	-	-	-
Federal grant	7,807,515	2,090,017	-	-
State grant	3,403,747	100,000	33,619,951	-
Interest revenue	832,444	604,462	908,290	18,344
Lease revenue	380,431	-	-	-
Source test/analysis fees	636,822	-	-	-
Hearing Board fees	201,864	-	-	-
Penalties and settlements	7,348,657	-	-	-
Subscriptions	7,760	-	-	-
Other revenues	1,251,081	163,802	-	53,318,358
Total revenues	<u>125,410,040</u>	<u>11,170,671</u>	<u>34,528,241</u>	<u>53,336,702</u>
Expenditures:				
Current:				
Salaries and employee benefits	99,773,382	-	-	-
Insurance	1,039,020	-	-	-
Rent	589,248	-	-	-
Supplies	2,600,630	-	-	-
Contract and special services	11,205,900	9,357,965	35,061,280	-
Maintenance	1,273,060	-	-	-
Travel and auto	707,050	-	-	-
Utilities	1,495,435	-	-	-
Communications	598,958	-	-	-
Uncollectible accounts	891,794	-	-	-
Other expenditures	1,002,023	-	-	-
Capital outlay	2,170,102	-	-	-
Debt service:				
Principal	8,035,000	-	-	-
Interest	2,595,602	-	-	-
Total expenditures	<u>133,977,204</u>	<u>9,357,965</u>	<u>35,061,280</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures before transfers	<u>(8,567,163)</u>	<u>1,812,707</u>	<u>(533,039)</u>	<u>53,336,702</u>
Other Financing Sources (uses):				
Transfers in	2,046,515	2,800,000	4,156,196	-
Transfers out	<u>(1,269,224)</u>	<u>(1,354,244)</u>	<u>(3,969,223)</u>	<u>-</u>
Total other financing sources (uses)	<u>777,291</u>	<u>1,445,756</u>	<u>186,973</u>	<u>-</u>
Net change in fund balance	<u>(7,789,872)</u>	<u>3,258,463</u>	<u>(346,066)</u>	<u>53,336,702</u>
Fund balances, July 1, 2010, restated	<u>60,390,245</u>	<u>54,083,124</u>	<u>53,605,180</u>	<u>-</u>
Fund balances, June 30, 2011	<u>\$ 52,600,373</u>	<u>\$ 57,341,586</u>	<u>\$ 53,259,114</u>	<u>\$ 53,336,702</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, 2011

<u>Revenues:</u>	CMP AB 923 Fund	Prop 1B Goods Movement Fund	Prop 1B Lower Emission School Bus Fund	Other Governmental Funds	Total
Emission fees	\$ -	\$ -	\$ -	\$ 2,125,000	\$ 21,371,061
Annual renewal fees	-	-	-	-	41,342,340
Area Sources	-	-	-	-	2,503,791
Permit processing fees	-	-	-	-	16,007,058
Mobile sources/clean fuels	23,292,621	-	-	13,975,573	63,704,363
Air Toxics "Hot Spots"	-	-	-	471,101	1,824,327
Transportation programs	-	-	-	-	885,263
State subvention	-	-	-	-	3,978,200
Federal grant	-	1,540,885	-	4,105,132	15,543,549
State grant	-	45,385,384	4,029,103	865,431	87,403,616
Interest revenue	918,800	452,163	798,970	2,023,421	6,556,895
Lease revenue	-	-	-	-	380,431
Source test/analysis fees	-	-	-	-	636,822
Hearing Board fees	-	-	-	-	201,864
Penalties and settlements	-	-	-	-	7,348,657
Subscriptions	-	-	-	-	7,760
Other revenues	-	-	-	8,536,312	63,269,554
Total revenues	<u>24,211,421</u>	<u>47,378,432</u>	<u>4,828,073</u>	<u>32,101,969</u>	<u>332,965,551</u>
<u>Expenditures:</u>					
Current:					
Salaries and employee benefits	-	-	-	-	99,773,382
Insurance	-	-	-	-	1,039,020
Rent	-	-	-	-	589,248
Supplies	-	-	-	-	2,600,630
Contract and special services	10,425,604	41,458,555	41,944,096	21,891,481	171,344,881
Maintenance	-	-	-	-	1,273,060
Travel and auto	-	-	-	-	707,050
Utilities	-	-	-	-	1,495,435
Communications	-	-	-	-	598,958
Uncollectible accounts	-	-	-	-	891,794
Other expenditures	-	-	-	1,765,702	2,767,725
Capital outlay	-	-	-	-	2,170,102
Debt service:					
Principal	-	-	-	2,055,000	10,090,000
Interest	-	-	-	945,000	3,540,602
Total expenditures	<u>10,425,604</u>	<u>41,458,555</u>	<u>41,944,096</u>	<u>26,657,183</u>	<u>298,881,886</u>
Excess (deficiency) of revenues over (under) expenditures before transfers	<u>13,785,817</u>	<u>5,919,877</u>	<u>(37,116,023)</u>	<u>5,444,787</u>	<u>34,083,665</u>
<u>Other Financing Sources (uses):</u>					
Transfers in	2,102,983	-	-	5,951,242	17,056,936
Transfers out	(5,014,062)	(2,813,800)	-	(2,636,383)	(17,056,936)
Total other financing sources (uses)	<u>(2,911,079)</u>	<u>(2,813,800)</u>	<u>-</u>	<u>3,314,859</u>	<u>-</u>
Net change in fund balance	<u>10,874,738</u>	<u>3,106,077</u>	<u>(37,116,023)</u>	<u>8,759,646</u>	<u>34,083,665</u>
Fund balances, July 1, 2010, restated	<u>73,303,244</u>	<u>16,005,420</u>	<u>66,860,284</u>	<u>160,058,911</u>	<u>484,306,406</u>
Fund balances, June 30, 2011	<u>\$ 84,177,982</u>	<u>\$ 19,111,497</u>	<u>\$ 29,744,261</u>	<u>\$ 168,818,557</u>	<u>\$ 518,390,071</u>

See accompanying notes to the basic financial statements.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011**

Net change in fund balances -total governmental funds-	\$34,083,665
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.	2,170,102
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.	(4,462,486)
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.	(834,235)
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.	10,090,000
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.	262,670
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	(113,820)
General and auto liability/workers' compensation claims	<u>193,371</u>
Change in net assets of governmental activities	<u>\$41,389,267</u>

See accompanying notes to the basic financial statements.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011**

		Business-type Activities - Enterprise Funds
<u>Assets</u>		<u>CNG Fueling Station Fund</u>
Current Assets:		
Cash and cash equivalents	\$	370,123
Interest receivable		1,554
Accounts receivable, net		15,550
Total current assets		<u>387,227</u>
Noncurrent Assets:		
Capital assets:		
Equipment		610,200
Less accumulated depreciation		<u>(610,200)</u>
Total capital assets, net of accumulated depreciation		<u>-</u>
Total noncurrent assets		<u>-</u>
Total assets		<u>387,227</u>
 Liabilities		
Current Liabilities:		
Accounts payable and accrued liabilities		<u>17,140</u>
Total liabilities		<u>17,140</u>
 Net Assets		
Unrestricted		<u>370,086</u>
Total net assets	\$	<u>370,086</u>

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, 2011**

	Business-type Activities - Enterprise Funds
	CNG Fueling Station Fund
Operating revenues:	
Merchandise sales	\$ 199,615
Other operating revenues	73,916
Total operating revenues	273,531
Operating expenses:	
Depreciation	4,052
Cost of goods and services	146,366
Total operating expenses	150,418
Operating income (loss)	123,113
Total net assets, July 1, 2010	246,973
Total net assets, June 30, 2011	\$ 370,086

See accompanying notes to the basic financial statements.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2011**

		Business-type Activities - Enterprise Funds
		CNG Fueling Station Fund
<u>Cash Flows from Operating Activities:</u>		
Cash received from merchandise sales	\$	188,208
Cash payment for goods and services		(141,559)
Other operating revenues		73,070
		<hr/>
Net cash provided by operating activities		119,719
		<hr/>
Beginning cash balance, July 1, 2010		250,404
		<hr/>
Ending cash balance, June 30, 2011	\$	<u><u>370,123</u></u>

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

Operating income (loss)	\$	<u>123,113</u>
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation		4,052
Decrease (increase) in interest receivable		(846)
Decrease (increase) in accounts receivable		(11,407)
Increase (decrease) in accounts payable and accrued liabilities		4,807
Total adjustments		<hr/> <u>(3,394)</u>
Net cash provided by operating activities	\$	<u><u>119,719</u></u>

See accompanying notes to the basic financial statements.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2011**

<u>Assets</u>	Agency Funds		
	457 Plan Admin Revenue Sharing	Accounting Agency Funds	Retirement Benefit Trust Fund
Cash and cash equivalents	\$ 26,988	\$ 125,532	\$ 1,150,358
Interest receivable	111	-	1,870
Total assets	\$ 27,099	\$ 125,532	\$ 1,152,228
<u>Liabilities</u>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 27,099	\$ 125,532	\$ 32,472
Total liabilities	\$ 27,099	\$ 125,532	\$ 32,472
<u>Net Assets</u>			
Net assets held in trust for retirement benefit			1,119,756
Total net assets			\$ 1,119,756

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, 2011**

	Retirement Benefit Trust Fund
<u>Additions:</u>	
Contribution	\$ 359
Interest revenue	8,405
Total additions	8,764
 <u>Deductions:</u>	
Other expenditures	216,069
Total deductions	216,069
Change in net assets	(207,305)
Net assets held in trust for retirement benefits, July 1, 2010	1,327,061
Net assets held in trust for retirement benefits, June 30, 2011	\$ 1,119,756

See accompanying notes to the basic financial statements.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**

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. AQMD encompasses all of Orange County and parts of Los Angeles, San Bernardino, and Riverside Counties. 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 AQMD's permit system.

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

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

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

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

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

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

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

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

Government-wide Financial Statements

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

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

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

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

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

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

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

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.

AQMD has presented all major funds that met those qualifications. These major funds are Clean Fuels Program Fund, Carl Moyer Program Fund, Carl Moyer AB 923 Program Fund, Proposition 1B Funding-Goods Movement, Proposition 1B Funding – Lower Emission School Bus and AB 1318 Mitigation Fee Fund, in addition to the General Fund.

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

All governmental funds are accounted for on a spending or current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are generally included in the Balance Sheets. The Statement of Revenues, Expenditures and Changes in

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the current period. They are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, 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 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 Financial 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. Revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of AQMD's enterprise fund are sales of CNG fuel. Operating expenses include the cost of sales and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

Fiduciary Fund Financial 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 reporting focus is upon net assets and changes in net assets. These funds are accounted for in the accrual basis of accounting.

C. Fund Types and Major Funds

As noted earlier, the funds designated as major funds are determined in accordance with GASB Statement 34.

AQMD reports the following major governmental funds:

General Fund – This is the primary operating fund of 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 AQMD's major special revenue funds:

- Clean Fuels Program Fund – Established as a special revenue fund in fiscal year 2000 to account for contract activities and revenues of the Clean Fuels Program. These are activities associated with implementing Clean Fuels stationary source and mobile source research, development, demonstration and deployment projects approved by the Governing Board. Since 1988, the Clean Fuels Program has provided funds for 1,052 projects totaling \$208 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 7,500 vehicles and 22 infrastructure/charging stations, totaling \$240 million. It provides incentive funds for the replacement of diesel-fueled on- and off-road vehicles such as refuse haulers, heavy duty trucks, transit and school buses, construction equipment, and marine vessels.
- Carl Moyer AB923 Program Fund – Established in fiscal year 2008 to provide additional funding for the Carl Moyer Program from an adjustment to the tire fee, and authorizes local air districts to increase motor vehicle

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

registration fees by up to \$2 for programs to reduce air pollution. AB923 has expanded the Carl Moyer incentive program to include agricultural sources of air pollution as well as cars and light-duty trucks. Its program expansion also includes hydrocarbon and particulate matter pollution reduction. In fiscal year 2008, \$12.1 million in AB923 funds were used to augment Proposition 1B-School Bus funds to purchase 410 CNG buses and 484 PM traps. In fiscal years, 2008 and 2009, \$36.84 million in AB923 funds were spent to purchase 241 CNG buses. In addition, about \$5 million per year in AB923 funds are used to fund projects as match requirement to the Carl Moyer Program.

- 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 were 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. About 1,500 new diesel and LNG drayage trucks were funded at the Ports of Los Angeles and Long Beach for about \$66 million in Proposition 1B-Goods Movement Program funds and \$21.2 million in other funds that were only used for the LNG trucks. In addition, about 1,000 non-drayage trucks have been funded for about \$50 million in Proposition 1B-Goods Movement Program funds.
- Prop 1B Funding – Lower Emission School Bus - Established in fiscal year 2010 to account for the cost of replacing and retrofitting all the public school buses of the districts. CARB approved the allocation of \$70.1 million to AQMD under the Prop 1B – Lower-Emission School Bus Program in fiscal year 2010. An additional \$1.1 million from CARB was later allocated to this fund, for a total of \$71.18 million in Prop 1B funds. Along with \$12.1 million in AB923 funds mentioned above, this Prop 1B fund has been used to purchase 484 Level 3 PM traps (Prop 1B funds only) and replace 410 pre 1987 school buses (Prop 1B and AB923 funds).
- AB 1318 Mitigation Fees Fund – Established in fiscal year 2011 to finance emission reduction projects, pursuant to the requirements of AB 1318. The sum of \$53.3 million in revenue from the CPV Sentinel, LLC is put in this fund and shall only be used for emission reduction purposes. AQMD shall ensure that at least 30 percent of the fees are used for emission reductions in the areas within close proximity to the electrical generating facility and at least 30 percent are used for emission reductions in areas designated as “Environmental Justice Areas” in Rule 1309.1.

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

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

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 AQMD’s use of CNG fueling facilities at AQMD’s headquarters. The fueling station helps accommodate the growing number of alternative-fuel vehicle fleets.

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 and acts as a temporary custodian.

- Accounting Agency Fund – Used to account for unidentified payments that require additional research before final disposition.
- 457 Plan Administration Revenue Sharing Fund – Used to account for funds that Hartford, the 457 plan administrator, transfers to AQMD as part of a revenue-sharing agreement. After applicable expenses are paid, residual funds are returned to Hartford to be distributed among participants based on an approved formula.
- Retirement Benefit Trust Fund - Used to account for funds contributed by AQMD and interest earned on its principal for the payment of medical, dental and burial costs upon retirement of AQMD employees who are members of the Los Angeles County Employees Retirement Association (LACERA). It operates as a cost-sharing multi-employer defined benefit plan. Note VIII contains more information about AQMD’s retirement plans.

D. Assets, Liabilities and Net Assets or Equity

1. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, AQMD considers cash equivalents to be highly liquid short-term investments that are readily convertible to known amounts of cash and mature within three months or less from the date they are purchased.

2. Investments

AQMD’s investments are reported at fair value, except for certain short-term money market investments, which are reported at cost because they are not transferrable and have terms that are not affected by changes in market rates.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

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.

Capital assets, which include land, equipment, buildings and improvements, software and other intangible assets are reported at cost unless obtained by donation in which case the assets are recorded at the 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 AQMD are depreciated using the straight-line method over the following useful lives:

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

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.

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

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

termination. All vacation, sick leave, compensatory time, and other leave time are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignation and retirement.

6. Self-Insurance

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. Net Assets and Fund Balances

In the government-wide financial statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt

This category groups all capital assets, including infrastructure and intangibles, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Restricted Net Assets

This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions enabling legislation.

Unrestricted Net Assets

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

In the fund financial statements, fund balances are reported in classifications that comprise a hierarchy based primarily on the extent to which AQMD is bound to honor constraints on the specific purpose for which amounts in those funds can be spent. AQMD considers restricted fund balance to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which any amounts in any of the unrestricted classifications of fund balance can be used, AQMD considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable Fund Balance

Amounts that cannot be spent either because they are in nonspendable form or are required to be maintained intact.

Restricted Fund Balance

Amounts that are constrained to specific purposes by state or federal laws, or externally imposed conditions by grantors or creditors.

Committed Fund Balance

Amounts that can only be used for specific purposes pursuant to constraints imposed by AQMD's Governing Board, AQMD's highest level of decision-making authority, through board resolution or action. These committed amounts cannot be used for any other purpose unless the Governing Board

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**

removes or changes the specified uses through the same type of formal action taken to establish the commitment.

Assigned Fund Balance

Amounts that are constrained by AQMD's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned Fund Balance

Amounts that are either residual positive net resources of the General Fund in excess of what can properly be classified in one of the other four categories, or negative fund balances in all other funds.

AQMD's unassigned fund balance in the General Fund includes \$8,000,000 for budget stabilization which is established in the annual budget adopted by the Governing Board. The addition to and use of these funds must be approved by the Governing Board, through a board resolution or action.

The following schedule shows the details of the fund balances as of June 30, 2011:

	<u>General Fund</u>	<u>Major Governmental Funds</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Fund Balance:				
Nonspendable:				
Inventory	\$ 50,315	\$ -	\$ -	\$ 50,315
Restricted	-	16,798,568	9,340,087	26,138,655
Committed	8,928,629	128,395,623	45,901,484	183,225,736
Assigned:		158,621,201	113,511,432	272,132,633
For self insurance	2,000,000	-	-	2,000,000
For litigation/enforcement	590,000	-	-	590,000
For equipment replacement	437,116	-	-	437,116
For facility refurbishment	894,239	-	-	894,239
For unemployment claims	80,000	-	-	80,000
For enhanced compliance activity	1,888,918	-	-	1,888,918
For permit streamlining	211,617	-	-	211,617
For retirement actuarial increases	8,709,000	-	-	8,709,000
For OPEB obligations	2,952,496	-	-	2,952,496
Unassigned	25,858,045	(6,844,252)	65,553	19,079,346
Total fund balances	<u>\$ 52,600,373</u>	<u>\$ 296,971,143</u>	<u>\$ 168,818,556</u>	<u>\$ 518,390,071</u>

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**

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

The GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.”

This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This Statement is effective for financial statements with periods beginning after June 15, 2010.

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) at June 30, 2011.

		Primary Government
Cash on hand	\$	541,312
Cash in bank		344,697
Cash equivalents in pooled investments		541,531,930
Cash, cash equivalents, and investments	\$	542,417,939

DEPOSITS

At June 30, 2011, the carrying amount of AQMD’s bank deposits was \$344,697 and the bank balance was \$335,045. The entire amount was covered by federal depository insurance.

INVESTMENTS

At June 30, 2011 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 \$541,531,930 is stated at fair value.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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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 34 years, the County of Los Angeles has provided treasury management services to 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 AQMD and renews its delegation of authority to its appointed Treasurer to invest or reinvest AQMD funds.

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

In accordance with the State of California Government Code, 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 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 or managed by an investment advisor registered with the Securities Exchange Commission with not less than five years experience and with assets under management in excess of \$500 million and such investment may not represent more than 10% of the total assets in the money market fund.
- Bankers acceptances – with maximum maturities of 180 days, credit requirements shall be a minimum of F1/AAA for Fitch or P-1/Aaa for Moody's Investors Service. No more than 30% may be invested in any one commercial bank.
- Negotiable certificates of deposit – with maximum maturities of three (3) years shall be a minimum of 2-F1 for Fitch or P-1/Aaa for Moody's Investors Service. The Los Angeles County has A-1 by Standard & Poor's (S&P) and P-1 by Moody's.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

- 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; long-term rating of Aa/AA2 or better by S&P or Moody’s; incorporation and operations in the United States and having total assets in excess of \$1,000,000,000; and may not represent more than 10% of the outstanding paper of the issuing corporation. Maximum maturities are 270 days.
- Medium term maturity corporate securities – with maximum maturities of three (3) years shall be limited to a minimum debt rating of AA– from S&P or a debt rating of Aa3 from Moody’s Investors Service.
- Mortgage securities or asset-backed securities – with maximum maturities of five (5) years 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. Treasuries 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 – with the maximum security of five years for U.S. Treasury and agency obligations and three years for corporate obligations. Floating rate securities must utilize commercially available U.S. denominated indices and must not use more than one of the indices for calculating the reset.
- Derivative securities – not allowed as Special Purpose Investments

The following table summarizes AQMD’s cash, cash equivalents and investments at June 30, 2011. 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.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**

	Investment Maturities		
	<u>Fair Value</u>	<u><1 Year</u>	<u>1-2 years</u>
Cash:			
On hand	\$ 541,312	\$ -	\$ -
In bank	<u>344,697</u>	<u>-</u>	<u>-</u>
Total cash	<u>886,009</u>	<u>-</u>	<u>-</u>
Cash equivalents:			
Investment in Los Angeles County's Pooled Surplus Investment (PSI) Fund	501,925,918	310,190,218	191,635,700
Investment in Local Agency Investment Fund	<u>39,606,012</u>	<u>39,606,012</u>	<u>-</u>
Total cash equivalents	<u>541,531,930</u>	<u>349,796,230</u>	<u>191,635,700</u>
Total cash, cash equivalents, & investments	<u>\$ 542,417,939</u>	<u>\$ 349,796,230</u>	<u>\$ 191,635,700</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, 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. AQMD did not have any investment portfolio of SPI with the County of Los Angeles during the fiscal year ending June 30, 2011.

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. AQMD mitigates its credit risk generally by following its three primary investment objectives, in order of safety, liquidity, and yield. 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 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, 2011, none of AQMD's deposits or investments were exposed to custodial credit risk.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
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State Treasurer’s Local Agency Investment Fund

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, 2011, AQMD had \$39,606,012 deposited in LAIF. The amount invested is unrated as to credit quality.

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

The fair value of AQMD’s investment in this pool is reported in the accompanying financial statements at amounts based upon 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, 2011 consists of the following:

Department of Motor Vehicles	
AB 2766	\$10,951,151
Environmental Protection Agency	
Targeted Airshed Grant	30,867
Section 105 Base Grant	1,576,750
Section 105 PAMS Grant	251,866
PM 2.5 Grant	77,971
Community Scale Air Toxics Grant	117,414
Department of Homeland Security Special Monitoring	359,652
California Air Resources Board	
Engine Lubrication on PM Emissions from Mobile Sources	10,000
Department of Energy	
ARRA PHEV (Plug-In Hybrid Electric Vehicle) Project	53,225
ARRA Liquefied Natural Gas Truck Replacement Grant	37,024
California Energy Commission Liquefied Natural Gas	
Truck Replacement Grant	<u>6,096</u>
Total	<u>\$13,472,016</u>

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
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Accounts Receivable consists of the following at June 30, 2011:

Air Toxics “Hot Spots”, Emission Fees, Permits, Annuals and Source Testing	\$3,920,088
Clean Fuels/Stationary Sources	302,775
Miscellaneous Receivables	<u>765,453</u>
Subtotal	4,988,316
Less: Allowance for Doubtful Accounts	<u>(833,412)</u>
Total	<u>\$4,154,904</u>

IV. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The Interfund Receivables and Payables for year ending June 30, 2011 are as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Clean Fuels Program Fund	DOE ARRA Plug-In Hybrid Electric Vehicles	\$ 5,000,000
Clean Fuels Program Fund	Advanced Technology, Outreach and Education Fund	3,313,123
Rule 1309.1 Priority Reserve Fund	General Fund	78,487
Rule 1173 Mitigation Fee Fund	General Fund	81,900
Carl Moyer AB923 Program Fund	Prop 1B Goods Movement Fund	14,000,000
Prop 1B Goods Movement Fund	General Fund	1,286,200
General Fund	Carl Moyer Fund	1,525,043
General Fund	Clean Fuels Program Fund	14,000
General Fund	DOE ARRA Plug In Hybrid Electric Vehicles	160,540
General Fund	Air Quality Investment Fund	35,440
General Fund	DOE ARRA LNG Corridor Expansion	32,697
General Fund	Prop 1B Goods Movement	10,856
General Fund	Advanced Technology, Outreach and Education Fund	27,262
Carl Moyer AB 923 Program Fund	General Fund	296,700
Clean Fuels Program Fund	General Fund	59,465
Total		\$ 25,921,713

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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Fund Transferred From	Fund Transferred To											Total
	General Fund	Advanced Technology Outreach & Education Fund	Air Quality Investment Fund	Clean Fuels Program Fund	Carl Moyer Fund	Natural Gas Vehicle Partnership Fund	Health Effects Research Fund	Emission Reduction & Outreach Fund	Hydrogen Fueling Station Fund	Heroes II Fund	Carl Moyer Program AB923 Fund	
General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,269,224	\$ -	\$ -	\$ -	\$ -	\$ 1,269,224
Advanced Technology, Outreach & Education	20,000	-	-	-	-	-	-	-	-	-	-	20,000
Mobile Sources Air Pollution Reduction	58,880	-	-	-	-	-	-	-	-	-	-	58,880
Air Quality Investment	110,000	-	-	-	-	-	-	-	-	-	-	110,000
Clean Fuels Program	540,535	196,505	-	-	202,349	25,000	-	-	200,000	189,855	-	1,354,244
Carl Moyer	-	-	-	-	-	-	-	-	-	1,866,240	2,102,983	3,969,223
Rule 1309.1 Priority Reserve	1,300,000	100,000	97,503	-	-	-	-	-	-	-	-	1,497,503
Rule 1118 Mitigation	-	-	-	-	-	-	-	950,000	-	-	-	950,000
Carl Moyer Program AB923	3,300	-	-	-	3,953,847	-	-	-	-	1,056,915	-	5,014,062
Prop 1B Funding - Goods Movement	13,800	-	-	2,800,000	-	-	-	-	-	-	-	2,813,800
Total	\$ 2,046,515	\$ 296,505	\$ 97,503	\$ 2,800,000	\$ 4,156,196	\$ 25,000	\$ 1,269,224	\$ 950,000	\$ 200,000	\$ 3,113,010	\$ 2,102,983	\$ 17,056,936

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

- Transfer of \$1,269,224 from the General Fund to the Health Effects Research Fund to conduct additional research and provide information to better assess the health risks due to exposure to air pollutants.
- Transfer of \$58,880 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 \$110,000 from the Air Quality Investment Fund to the General Fund as follows: \$50,000 to assist in implementing AQMD's "Mow Down Air Pollution 2010" program, and \$60,000 to assist in implementing AQMD's "Mow Down Air Pollution 2011" program.
- Transfer of \$540,535 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 \$3,300 from the Carl Moyer AB923 Program Fund to the General Fund to support public outreach activities, provide technical assistance and expert consultation and cover administrative costs.
- Transfer of \$200,000 from the Clean Fuels Program Fund to the Hydrogen Fueling Station Fund to fund the operation and maintenance of hydrogen fueling stations.
- Transfer of \$13,800 from the Prop 1B Goods Movement Fund to the General Fund to cover expenses for the administrative, outreach, education and other directly-related activities.
- Transfer of \$1,300,000 from the Rule 1309.1 Priority Reserve Fund to the General Fund to obtain advice and litigation services regarding the District's internal offset accounts including the re-adoption of Rule 1315.
- Transfer of \$2,800,000 from the Prop 1B Goods Movement Fund to the Clean Fuels Program Fund to reimburse for incurred expenditures related to the implementation of 56 LNG trucks at the ports.
- Transfer of \$950,000 from the Rule 1118 Mitigation Fund to the Emission Reduction and Outreach Fund to deposit funds from a settlement agreement with a supplemental environmental project, to be used to enhance compliance of

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
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emission reduction policies by providing source education and consumer education.

- Transfer of \$2,102,983 from the Carl Moyer Fund to the Carl Moyer AB 923 Fund for marine vessel and locomotive projects expenditures.
- Transfer of \$3,953,847 from the Carl Moyer AB 923 Fund to the Carl Moyer Fund for marine vessel and locomotive projects expenditures.
- Transfer of \$20,000 from the Advanced Technology Outreach & Education Fund to the General Fund to assist in implementing the Yard Equipment Exchange Program.
- Transfer of \$97,503 from the Rule 1309.1 Priority Reserve Fund to the Air Quality Investment Fund for implementation of the 2011 Lawn Mower Exchange Program.
- Transfer of \$25,000 from the Clean Fuels Program Fund to the Natural Gas Vehicle Partnership Fund for two-year membership fees used for program administration, specific projects, and activities to achieve the goals of the CNGVP.
- Transfer of \$196,505 from the Clean Fuels Program Fund to the Advanced Technology Outreach and Education Fund to conduct projects under the Clean Air Technology Initiative Program.
- Transfer of \$100,000 from the Rule 1309.1 Priority Reserve Fund to the Advance Technology Outreach and Education Fund to conduct projects under the Clean Air Technology Initiative Program.
- Transfer of \$1,056,915 from the Carl Moyer AB923 Program Fund to the HEROS II Fund as follows: \$1,000,000 for phase two to increase voluntary scrap or repair of high-emitting vehicles, and \$56,915 for contract expenses.
- Transfer of \$1,866,240 from the Carl Moyer Fund to the HEROS II Fund for scrapping incentives and contract expenses.
- Transfer of \$189,855 from the Clean Fuels Program Fund to the HEROS II Fund for marketing and outreach expenses and for contract expenses.
- Transfer of \$202,349 from the Clean Fuels Program Fund to the Carl Moyer Fund to reimburse for administrative costs.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
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V. CAPITAL ASSETS

In compliance with GASB Statement 34 reporting, AQMD has reported all capital assets in the Government-wide Statement of Net Assets. Capital asset activities for the year ended June 30, 2011 were as follows:

	Balance July 1, 2010	Increase	Decrease	Balance June 30, 2011
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	74,714,181	27,822	-	74,742,003
Intangible (software)	1,019,685	765,578	-	1,785,263
Equipment	25,292,762	1,376,702	(5,225)	26,664,239
Total capital assets being depreciated	<u>101,026,628</u>	<u>2,170,102</u>	<u>(5,225)</u>	<u>10,319,505</u>
Governmental Activities:				
Less Accumulated Depreciation for:				
Buildings and improvements	(45,274,928)	(2,506,708)	-	(47,781,636)
Intangible (software)	(31,287)	(62,576)	-	(93,863)
Equipment	(19,110,112)	(1,893,202)	5,225	(20,998,089)
Total accumulated depreciation	<u>(64,416,327)</u>	<u>(4,462,486)</u>	<u>5,225</u>	<u>(68,873,588)</u>
Net capital assets being depreciated	36,610,301	(2,292,384)	-	34,317,917
Net capital assets, governmental activities	<u>\$ 45,440,093</u>	<u>\$ (2,292,384)</u>	<u>\$ -</u>	<u>\$ 43,147,709</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	(606,148)	(4,052)	-	(610,200)
Net capital assets, business-type activities	<u>\$ 4,052</u>	<u>\$ (4,052)</u>	<u>\$ -</u>	<u>\$ -</u>

For the year ended June 30, 2011, the depreciation expense of \$4,462,486 was charged to AQMD's functions/programs in the governmental activities as follows:

Advance clean air technology	\$ 226,366
Ensure compliance with clean air rules	1,714,619
Customer service and business assistance	231,859
Develop programs to achieve clean air	257,212
Develop rules to achieve clean air	199,973
Monitoring air quality	1,170,684
Timely review of permits	596,769
Policy support	<u>65,004</u>
Total depreciation expense	<u>\$4,462,486</u>

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
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VI. LONG-TERM DEBT

The following is a summary of long-term obligation transactions of AQMD for the year ended June 30, 2011:

	<u>Balance</u> <u>July 1, 2010</u>	<u>Addition</u>	<u>Reduction</u>	<u>Balance</u> <u>June 30, 2011</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	\$ 84,000	\$ 329,350	\$ 313,350	\$ 100,000	\$ 100,000	\$ -
Workers' compensation	763,153	34,068	243,439	553,782	125,000	428,782
Compensated absences	13,388,738	876,299	762,479	13,502,558	860,304	12,642,254
Installment Sale Obligation:						
Building	25,745,000	-	5,375,000	20,370,000	5,240,000	15,130,000
Installment pension obligation bonds	<u>51,906,896</u>	<u>-</u>	<u>4,715,000</u>	<u>47,191,896</u>	<u>5,010,000</u>	<u>42,181,896</u>
Total	<u>\$91,887,787</u>	<u>\$1,239,717</u>	<u>\$11,409,268</u>	<u>\$81,718,236</u>	<u>\$11,335,304</u>	<u>\$70,382,932</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, 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). 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 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, 2011, \$2,760,000 in principal and \$306,326 in interest were paid on the bonds. The principal balance outstanding at June 30, 2011 amounted to \$9,361,896.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
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The annual payment requirements under the 1995 installment pension bond obligation are as follows:

Year Ending			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	2,960,000	104,932	3,064,932
2013	892,007	2,172,993	3,065,000
2014	824,025	2,240,975	3,065,000
2015-2019	3,256,900	12,068,100	15,325,000
2020-2022	1,428,964	7,766,036	9,195,000
Total	\$ <u>9,361,896</u>	\$ <u>24,353,036</u>	\$ <u>33,714,932</u>

Series 2004 Pension Obligation Bonds

On June 29, 2004, 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. 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 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, 2011, \$1,955,000 in principal and \$2,172,483 in interest were paid on the bonds. The principal balance outstanding at June 30, 2011 amounted to \$37,830,000.

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

Year Ending			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	2,050,000	2,077,364	4,127,364
2013	2,155,000	1,971,893	4,126,893
2014	2,275,000	1,853,683	4,128,683
2015-2019	13,455,000	7,175,937	20,630,937
2020-2024	17,895,000	2,745,046	20,640,046
Total	\$ <u>37,830,000</u>	\$ <u>15,823,923</u>	\$ <u>53,653,923</u>

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
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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 AQMD pursuant to an Installment Purchase Agreement between the Corporation and AQMD, whereby 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 AQMD in conjunction with the construction of its new headquarters. Title to such assets transferred to 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, 2011, the remaining principal balance on the Series 1992 bonds is \$8,615,000. The remaining balance in the amount of \$3,240,000 is due on August 1, 2011. Interest is payable on each February 1st and August 1st and is computed based upon a 6% interest rate.

On June 1, 2002, the Corporation issued \$26,820,000 in Installment Sale Revenue Bonds with interest rates ranging from 2.75% to 4.25% to refund \$25,460,000 of the Series 1992 bonds with interest rates ranging from 4.00% to 6.00%. 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, 2011 the remaining principal balance on the Series 2002 bonds is \$17,130,000.

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

Year Ending			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$20,370,000</u>	<u>\$1,641,125</u>	<u>\$22,011,125</u>

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
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Allocation of Interest Expenses

Total interest expenses on long-term debt for the year ended June 30, 2011 amounted to \$3,277,933. 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

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

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 \$250,000 and \$25 million excess workers' compensation for losses over \$750,000. In addition, AQMD maintains \$1 million automobile liability/physical damage coverage for hybrid vehicles under its possession.

As of June 30, 2011, \$100,000 and \$553,782, respectively, had been accrued for general liability claims and workers' compensation.

An appropriate amount has been recorded in the General Fund's financial statements to the extent that AQMD anticipates that these amounts will be paid from current resources. While the ultimate amount of losses incurred through June 30, 2011 is dependent on future development based upon information from the independent claims' administrator and others involved with the administration of the programs, 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.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
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The following represents changes in the aggregate liabilities for claims of AQMD's general liability and workers' compensation for the years ended June 30, 2010 and 2011:

	<u>General and Auto Liability</u>	<u>Workers' Compensation</u>	<u>Totals</u>
Claims payable, July 1, 2009	\$ 96,500	\$ 962,426	\$ 1,058,926
Current year claims and changes in estimates	42,997	141,069	184,066
Claims payments	<u>(55,497)</u>	<u>(340,342)</u>	<u>(396,839)</u>
Claims payable, June 30, 2010	<u>\$ 84,000</u>	<u>\$ 763,153</u>	<u>\$ 847,153</u>
Claims payable, July 1, 2010	\$ 84,000	\$ 763,153	\$ 847,153
Current year claims and changes in estimates	329,350	34,068	363,418
Claims payments	<u>(313,350)</u>	<u>(243,439)</u>	<u>(556,789)</u>
Claims payable, June 30, 2011	<u>\$ 100,000</u>	<u>\$ 553,782</u>	<u>\$ 653,782</u>

VIII. RETIREMENT PLANS

Substantially all of 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 AQMD and employee contributions. AQMD's contributions for the fiscal year ended June 30, 2011 amounted to \$15,461,039 (\$23,218 to LACERA and \$15,437,821 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 fiscal year 2011 there were only two active LACERA members with only one active member as of June 30, 2011.

Los Angeles County Employees' Retirement Association

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 AQMD. AQMD's payroll for two employees covered by LACERA for the fiscal year ended June 30, 2011 was \$112,142. AQMD's contribution for the

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same period was \$23,218. 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</u> <u>Cost (APC)</u>	<u>Percentage of APC</u> <u>Contributed</u>
2011	\$ 23,218	100%
2010	23,199	100%
2009	24,060	100%

San Bernardino County Employees’ Retirement Association

Plan Description

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 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. 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. AQMD is required to contribute at an actuarially-determined rate. The required employer contribution rates for the fiscal year ended June 30, 2011 were 24.94% for management, confidential and any

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
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employee who started before July 1, 1979 and 21.93% 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. AQMD Governing Board adopted this new provision for Management and Confidential employees 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 fiscal year ended June 30, 2011, AQMD's annual pension cost and actual contributions for its 765 employees who are SBCERA members were \$15,437,821 compared with \$14,670,552 the previous year. AQMD employee contributions to the plan amounted to \$4,078,101. The required contributions for the fiscal year ended June 30, 2011 were determined as part of the June 30, 2010 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay.

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 APC</u> <u>Contributed</u>
2011	\$15,437,821	100%
2010	14,670,552	100%
2009	13,579,438	100%

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

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**

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, 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 AQMD makes its monthly payment to LACERA based on subsidy allocation as calculated by LACERA. For fiscal year ended June 30, 2011, total payments amounted to \$216,069.

At June 30, 2011, AQMD's Retirement Benefit Trust Fund has a balance of \$1,119,756 to cover the OPEB costs of 68 AQMD retirees who retired from LACERA, an increase of 11 more retirees from 57 as a result of further review of LACERA records by its staff. As of June 30, 2011, there is only one active member.

The OPEB Actuarial Valuation Report in effect as of July 1, 2010 covering the retiree medical, dental/vision and life insurance benefits was issued in conjunction with LACERA actuarial valuation to establish 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:

Projected Unit Credit Cost	
Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Projected 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
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The Schedule of Funding Progress below shows the information from the Actuarial Valuation Report as of July 1, 2010. AQMD has its Actuarial Valuation through LACERA every two years.

Actuarial Valuation Date	Accrued Liabilities (a)	Value of Assets (b)	Unfunded Liabilities (UL) (a-b)	Funded Ratio (b/a)	Annual Covered Payroll (c)	UL As a % of Payroll ((a-b)/c)
July 1, 2010	\$4,454,524	\$1,119,756	\$3,334,768	25.13%	\$124,337	26.82%

X. DEFERRED COMPENSATION PLAN

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. 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, AQMD no longer reports the plan assets and liabilities in its financial statements. As of June 30, 2011, investments with a fair value of \$97,982,148 are held in trust.

XI. HEALTH REIMBURSEMENT ARRANGEMENT PLAN

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

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011

Initially, the program will be made available to non-represented employees with the understanding that it could be expanded to cover represented employees, based on their approval. In compliance with the rules establishing the HRA, each defined group covered by the plan would be required to establish its own criteria on what earnings would be contributed. As of June 30, 2011, Executive Officer, General Counsel and Designated Deputies were the eligible employee classifications that were set up and approved by AQMD. Contributions are 100% vacation and sick leave payouts at termination and/or compensation payout at termination per existing leave payment policy. Eligibility shall commence upon termination of employment on account of retirement (whether through disability or service).

XII. COMMITMENTS

Guaranteed Loans

The Air Quality Assistance Fund (AQAF) was originally established to comply with state legislation which required 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 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, 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). AQMD transferred \$100,000 to the CPCFA to cover borrower fees on any qualified small business CalCAP loans for air quality-related equipment or processes.

In October 2007, the Governing Board authorized the transfer of \$1 million to the Dry Cleaners Financial Incentives Grant Program to supplement the existing incentive grant programs. This incentive program assists dry cleaners in making early transitions from perchloroethylene (perc) to alternative cleaning technologies. AQAF’s fund balance amounted to \$1,534,199 at fiscal year ended June 30, 2011.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**

Operating Leases

Rental expense for non-cancelable operating leases was \$287,820 for the year ended June 30, 2011. Future minimum lease payments under non-cancelable operating leases of AQMD total as follows:

Year Ending	Amount
<u>June 30</u>	<u>Amount</u>
2012	\$33,987

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.

XIII. PENDING LITIGATION

A number of other lawsuits and claims are pending against AQMD for alleged damages to persons and property and for other alleged liabilities arising out of its normal operations. 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, 2011.

XIV. RESTATEMENT OF PRIOR YEAR FUND BALANCE

For fiscal year 2011, AQMD changed its presentation of the South Coast Air Quality Management District Building Corporation from a discretely presented component unit of AQMD to a blended component unit of AQMD for more appropriate presentation of AQMD's financial activities. This change resulted in an increase in the primary government-wide beginning net assets and the beginning fund balance of the governmental fund "SCAQMD Building Corp" in the amount of \$343,221.

Government-wide Financial Statements:	<u>Primary Government</u>
Net assets at beginning of year, as previously reported	\$ 481,618,600
Adjustment for the SCAQMD Building Corporation	<u>343,221</u>
Net assets at beginning of year, as restated	<u>\$ 481,961,821</u>
Fund Financial Statements:	<u>SCAQMD Building Corporation</u>
Net assets at beginning of year, as previously reported	\$ 0
Adjustment for the SCAQMD Building Corporation	<u>343,221</u>
Net assets at beginning of year, as restated	<u>\$ 343,221</u>

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
GENERAL FUND - BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS) SCHEDULE
For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Emission fees	\$ 20,000,000	\$ 20,000,000	\$ 19,246,061	\$ (753,939)
Annual renewal fees	42,704,349	42,704,349	41,342,340	(1,362,009)
Area Sources	2,205,000	2,205,000	2,503,791	298,791
Permit processing fees	15,307,851	15,307,851	16,007,058	699,207
Mobile sources / clean fuels	21,591,295	21,591,295	18,223,780	(3,367,515)
Air toxics "Hot Spots"	1,734,890	1,734,890	1,353,226	(381,664)
Transportation programs	903,585	903,585	885,263	(18,322)
State subvention	4,000,000	4,000,000	3,978,200	(21,800)
Federal grant	7,487,621	9,183,767	7,807,515	(1,376,252)
State grant	-	150,957	3,403,747	3,252,790
Interest revenue	853,242	853,242	832,444	(20,798)
Lease revenue	278,752	278,752	380,431	101,679
Source test/analysis fees	515,605	515,605	636,822	121,217
Hearing Board fees	449,240	449,240	201,864	(247,376)
Penalties/settlements	4,900,000	4,900,000	7,348,657	2,448,657
Subscriptions	11,282	11,282	7,760	(3,522)
Other revenue	718,600	1,156,221	1,251,081	94,860
Total revenues	123,661,312	125,946,036	125,410,040	(535,996)
Expenditures:				
Current:				
Salaries and employee benefits	102,517,668	102,637,371	99,773,382	2,863,989
Insurance	1,300,658	1,075,658	1,039,020	36,638
Rent	527,580	655,252	589,248	66,004
Supplies	2,568,181	3,183,363	2,243,300	940,063
Contract and special services	8,058,741	15,674,748	13,689,800	1,984,948
Maintenance	1,370,908	1,637,300	1,182,091	455,209
Travel and auto	598,022	879,203	707,050	172,153
Utilities	1,665,191	1,583,276	1,495,435	87,841
Communications	602,336	640,020	598,958	41,062
Uncollectible accounts	-	-	891,794	(891,794)
Other expenditures	1,043,136	1,164,209	961,016	203,193
Capital outlays	931,600	1,788,306	1,198,178	590,128
Debt service:				
Principal	8,035,000	8,035,000	8,035,000	-
Interest	2,595,602	2,595,602	2,595,602	-
Total expenditures	131,814,623	141,549,308	134,999,872	6,549,436
Total expenditure and other financing uses	131,814,623	141,549,308	134,999,872	6,549,436
Net change in budgetary fund balances	\$ (8,153,311)	\$ (15,603,272)	\$ (9,589,833)	\$ 6,013,439

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, 2011**

NOTE 1 – BUDGETS AND BUDGETARY ACCOUNTING

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 2010-11 was prepared and subsequently adopted at the May 2010 meeting of the Governing Board. The Fiscal Year 2010-11 Adopted Budget and the final fee schedules became effective on July 1, 2010.

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, budget transfers, and Board appropriations.

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 \$11,729,685 and revenue adjustments of \$2,284,724 were approved by the Governing Board in Fiscal Year 2010-11.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2011**

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, 2011:

Expenditures and encumbrances (budgetary basis), June 30, 2011	\$134,999,872
Add: payments on encumbrances open at July 1, 2010	3,874,335
Less: encumbrances open at June 30, 2011	<u>(4,897,003)</u>
Expenditures (GAAP basis), June 30, 2011	<u>\$133,977,204</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 2010-11 budget was adopted the Governing Board approved the use of \$8,153,311 from prior-year revenue from Undesignated Fund Balance along with prior year revenue that was designated for Permit Streamlining, Enhanced Compliance, Equipment Replacement and Retirement Actuarial Increases to balance the budget. Mid-year adjustments appropriated an additional \$5,165,237 from prior year revenue designated for 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.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2011**

	<u>Adopted Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>
Net Change in Budgetary Funds	<u>\$ (8,153,311)</u>	<u>\$ (15,603,272)</u>	<u>\$ (9,589,833)</u>
Other Financing Sources (Uses)/Increases:			
Designation for Permit Streamlining	\$ (265,580)	\$ (265,580)	\$ (265,580)
Designation for Retirement Actuarial Increases	\$ (291,000)	\$ (291,000)	\$ (291,000)
Designation for Enhanced Compliance	(505,900)	(505,900)	(505,900)
Designation for Litigation & Enforcement		(1,410,000)	(1,410,000)
Designation for Equipment Replacement	(561,600)	(561,600)	(561,600)
Transfers in		(2,849,266)	(2,046,515)
Transfers out			1,269,224
Undesignated Fund Balance	<u>(6,529,232)</u>	<u>(9,719,926)</u>	<u>(5,778,462)</u>
Total Change in Other Financing Sources	<u>\$ (8,153,312)</u>	<u>\$ (15,603,272)</u>	<u>\$ (9,589,833)</u>

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
OTHER SUPPLEMENTARY INFORMATION
June 30, 2011**

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

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
OTHER SUPPLEMENTARY INFORMATION
June 30, 2011**

- air pollution from motor vehicles within the South Coast Air Basin. Total projects to date amount to over \$297 million and over 10,400 tons of emissions reduced. This special fund was established in fiscal year 1992.
- 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.
- 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, \$47 million in projects have been awarded to purchase over 30,838 tons of emission reductions. During fiscal year 2011, four contracts was awarded in the amount of \$1,157,400.
 - RECLAIM AQIP - Established in fiscal year 2001 to separately account for the generation of NO_x (Oxides of Nitrogen) credits at stationary and mobile sources for use by certain small or new RECLAIM (Regional Clean Air Incentives Market) participants. AQIP stands for Air Quality Investment Program.
 - RECLAIM and Executive Order Mitigation - Established in fiscal year 2001 to account for mitigation fee payments made by power generators in lieu of emission offsets. Proceeds are used to generate RECLAIM Trading Credits (RTCs) to offset excess emissions.
 - Rule 1121 Mitigation Fee Program – Established in fiscal year 2004 to issue program announcements for projects under the Rule 1121 Mitigation Fee Program. Under Rule 1121 – Control of Nitrogen Oxides (NO_x) from Residential Type, Natural Gas Fired Water Heaters, emission mitigation fees are collected from water heater manufacturers to fund stationary and mobile source emission reduction projects targeted at offsetting NO_x emission.
- 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 \$68 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 286 new Compressed Natural Gas (CNG) buses and 86 new lower emitting diesel buses. It has also enabled public

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
OTHER SUPPLEMENTARY INFORMATION
June 30, 2011**

school districts and private contractors to retrofit PM traps on 2,704 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. On June 30, 2008, CARB allocated \$898,000 to AQMD under EPA's American Recovery and Reinvestment Act (ARRA) and Diesel Emission Reduction Act (DERA) programs. Most of the funds were used to install 43 PM traps.

- Zero Emission Vehicle Incentive Program – Established in fiscal year 2001 to administer the State funds set aside for the implementation of the Zero Emission Vehicle (ZEV) Incentive Program.
- AES Settlement Projects Fund – Established in fiscal year 2001 for the purpose of accounting for the one-time penalty settlement with AES Corporation for air pollution violations.
- Rule 1309.1 Priority Reserve Fund - Established in fiscal year 2001 to account for mitigation fees paid for Particulate Matter ≤ 10 microns (PM₁₀) credits. Due to the state energy crisis in 2001, Rule 1309.1 was amended to allow new electric generating facilities temporary access to AQMD's Priority Reserve Account to offset their PM₁₀ emission increases provided that they meet specific criteria and pay appropriate mitigation fees.
- CARB ERC Bank Fund – Established in fiscal year 2001 to account for the proceeds from the issuance of the Emission Reduction Credits (ERCs) to natural gas turbine power plant peaker units. CARB established the ERC Bank for peaker power plants that need emission offsets to add new or expanded capacity. Proceeds from the issuance of these ERCs will fund emission reduction programs where the new or expanded facility is located.
- LADWP Settlement 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.
- 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.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
OTHER SUPPLEMENTARY INFORMATION
June 30, 2011**

- Natural Gas Vehicle Partnership Fund – Established during fiscal year 2002 for creation of the Natural Gas Vehicle Partnership to facilitate the advancement of natural gas vehicle technology and deployment. The contributions received from participating members are accounted for in this fund as well as the expenditures for activities and projects selected by the Partnership.
- State Backup Generators (BUG) Program Fund – Established in fiscal year 2003 to account for the funds received from CARB’s Diesel-Fueled Electrical Backup Generator Emissions Mitigation Program. This program funds emission related projects as part of an ongoing effort to expeditiously reduce public exposure to air toxics and other pollutants.
- SCAQMD Asthma and Brain Cancer Research Fund – Established in fiscal year 2003 to assist in funding research projects relating to asthma and outdoor air quality and the potential link between air pollution and brain cancer.
- Dry Cleaner Financial Incentives Grant Program – Established in fiscal year 2003 to provide financial incentives to dry cleaners to purchase non-toxic alternative dry cleaning equipment.
- Rule 1173 Mitigation Fee Fund – Established in fiscal year 2004 to account for Rule 1173 mitigation fee payments to be used in funding air quality projects which directly benefit the community surrounding the facility. Amendments in December 2002 to Rule 1173 for Refineries and Chemical Plants established a mitigation fee payment provision relating to the release of Volatile Organic Compound (VOC) from an atmospheric Pressure Relief Device (PRD).
- Communities for Better Environment (CBE)/Our Children’s Earth (OCE) Settlement Agreement Fund – Established in FY 2004 as part of the settlement agreement to fund PM₁₀ (Particulate Matter ≤ 10 microns) and/or NO_x (Oxides of Nitrogen) reduction projects in disproportionately impacted areas.
- BP Arco Settlement Projects Fund – Established in fiscal year 2005 to account for the \$25 million civil penalties received in 2005 as part of the settlement with BP Arco for air pollution violations.
- Health Effects Research Fund – The Health Effects Research Fund was established in fiscal year 2008 to receive 20% of all penalty/settlement monies in excess of \$4 million recognized annually in AQMD’s General Fund beginning in fiscal year 2009.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
OTHER SUPPLEMENTARY INFORMATION
June 30, 2011**

- CEQA Green House 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.
- (DOE ARRA) Plug-In Hybrid Vehicles-Established in fiscal year 2010 to account for the revenue and expenditures of a project to develop a fleet of demonstration plug-in hybrid electric vehicles funded under the American Recovery and Reinvestment Act of 2009 which is coordinated through the Department of Energy.
- (DOE ARRA) LNG Corridor Expansion-Established in fiscal year 2010 to account for the revenue and expenditure of a project funded under the American Recovery and Reinvestment Act of 2009 and coordinated through the Department of Energy to provide additional LNG refueling capacity for heavy-duty truck fleets operating along the Ontario-Las Vegas corridor and to support the deployment of additional LNG heavy-duty vehicles along the corridor.
- TraPac School Air Filtration Fund – This fund was established in fiscal year 2011 and received \$6,000,000 from City of Los Angeles towards installation and maintenance of air filtration systems for schools in the Wilmington area that were impacted by the expansion of the TraPac Container Terminal Project.
- Emission Reduction and Outreach Fund – This fund was established in fiscal year 2010 due to a \$1,000,000 Supplemental Environmental Project Settlement. These funds will be used to enhance compliance of emission reduction policies by providing source education and consumer education.
- Rule 1118 Mitigation Fund-Established in fiscal year 2010 to account for mitigation fees from petroleum refineries that exceed sulfur dioxide emission thresholds from flares and future Rule 1118 mitigation fees and to track the projects funded through these fees.
- Hydrogen Fueling Station Special Revenue Fund-Established in fiscal year 2011 this fund will be used to track funds received and expenditures for the High Emitters Repair or Scrap (HEROS) II Program. This program will address the implementation of voluntary programs to reduce emissions from high-emitting light- and medium-duty vehicles in the South Coast Air Basin. Gross-polluting vehicles make up about 10 percent of the South Coast Air Basin’s passenger vehicle fleet, and yet they are responsible for more than 50 percent of the air pollution from that fleet. AQMD has a long history implementing programs to reduce mobile source related emissions, including programs that encourage the use of low-emission vehicles for purposes of achieving state and federal ambient air quality standards.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
OTHER SUPPLEMENTARY INFORMATION
June 30, 2011**

- HEROS II Special Revenue Fund-Established in fiscal year 2011 to recognize co-funding from the Department of Energy-National Renewable Energy Laboratory, CARB and CEC, for the maintenance and operation of the City of Burbank hydrogen fueling station and for maintenance and data management services for the hydrogen fueling station at AQMD headquarters.
- Debt Service Fund – Established in 2009 to replace the terminated Guaranteed Investment Contract with the Municipal Bond Insurance Association (MBIA, Inc.) due to changes in financial markets. This is used for the defeasance of a portion of AQMD’s debt service on Pension Obligation Bonds.
- Component Unit – S.C.A.Q.M.D. Building Corporation – was established in fiscal year 1978 for the acquisition and improvement of AQMD headquarters. The S.C.A.Q.M.D. Building Corporation is a legally separate entity, but for financial statement purposes, it is shown as a blended component unit in the governmental funds.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2011**

<u>Assets</u>	Special Revenue				
	Air Quality Studies Fund	Air Toxics Fund	Advanced Technology Fund	Air Quality Assistance Fund	Air Quality Improvement Fund
Cash and cash equivalents	\$ 64,677	\$ 1,372,565	\$ 3,523,133	\$ 1,531,950	\$ 1,544,604
Interest receivable	129	5,761	7,037	2,248	4,468
Due from other governmental agencies	-	-	30,867	-	2,505,199
Due from other funds	-	-	-	-	-
Accounts receivable, net	-	1,502,776	-	-	-
Other assets	-	-	-	-	-
Total assets	\$ 64,806	\$ 2,881,102	\$ 3,561,037	\$ 1,534,198	\$ 4,054,271
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ 386,600	\$ -	\$ -	\$ 4,062,874
Due to other funds	-	-	3,340,386	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	-	386,600	3,340,386	-	4,062,874
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	414,757	-	11,208
Assigned	64,806	2,494,502	-	1,534,198	-
Unassigned	-	-	(194,106)	-	(19,811)
Total fund balances	64,806	2,494,502	220,651	1,534,198	(8,603)
Total liabilities and fund balances	\$ 64,806	\$ 2,881,102	\$ 3,561,037	\$ 1,534,198	\$ 4,054,271

Continued

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2011**

<u>Assets</u>	<u>Special Revenue</u>				
	<u>Mobile Sources Air Pollution Reduction Fund</u>	<u>Clean Fuels Conference Fund</u>	<u>Air Quality Investment Fund</u>	<u>Lower-Emission School Bus Fund</u>	<u>Zero Emission Vehicle Incentive Fund</u>
Cash and cash equivalents	\$ 55,829,143	\$ 318,778	\$ 27,638,075	\$ 9,075,091	\$ 637,845
Interest receivable	100,058	-	55,355	18,169	1,272
Due from other governmental agencies	1,878,899	-	-	-	-
Due from other funds	-	-	-	-	-
Accounts receivable, net	-	-	-	-	-
Other assets	-	-	-	-	-
Total assets	\$ 57,808,100	\$ 318,778	\$ 27,693,430	\$ 9,093,260	\$ 639,117
 <u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 675,489	\$ -	\$ 588,700	\$ 943,658	\$ -
Due to other funds	-	-	35,440	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	675,489	-	624,140	943,658	-
 Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	27,117,899	8,600	5,038,507	3,628,267	60,000
Assigned	30,014,712	310,178	22,030,783	4,521,335	579,117
Unassigned	-	-	-	-	-
Total fund balances	57,132,611	318,778	27,069,290	8,149,603	639,117
Total liabilities and fund balances	\$ 57,808,100	\$ 318,778	\$ 27,693,430	\$ 9,093,260	\$ 639,117

Continued

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2011**

<u>Assets</u>	<u>Special Revenue</u>				
	AES Settlement Projects Fund	Rule 1309.1 Priority Reserve Fund	CARB ERC Bank Fund	LADWP Settlement Fund	State-Emissions Mitigation Fund
Cash and cash equivalents	\$ 3,309,702	\$ 16,656,188	\$ 568,221	\$ 383,145	\$ 4,348,632
Interest receivable	6,598	33,459	1,133	758	8,669
Due from other governmental agencies	-	-	-	-	-
Due from other funds	-	78,487	-	-	-
Accounts receivable, net	-	-	-	-	-
Other assets	-	-	-	-	-
Total assets	<u>\$ 3,316,300</u>	<u>\$ 16,768,134</u>	<u>\$ 569,354</u>	<u>\$ 383,903</u>	<u>\$ 4,357,301</u>
 <u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ 93,476	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	<u>-</u>	<u>93,476</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	870,211	5,593,568	27,696	-	1,356,887
Assigned	2,446,089	11,081,090	541,658	383,903	3,000,414
Unassigned	-	-	-	-	-
Total fund balances	<u>3,316,300</u>	<u>16,674,658</u>	<u>569,354</u>	<u>383,903</u>	<u>4,357,301</u>
Total liabilities and fund balances	<u>\$ 3,316,300</u>	<u>\$ 16,768,134</u>	<u>\$ 569,354</u>	<u>\$ 383,903</u>	<u>\$ 4,357,301</u>

Continued

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2011**

<u>Assets</u>	Special Revenue				
	Natural Gas Vehicle Partner Fund	State BUG Program Fund	Asthma & Brain Cancer Research Fund	Dry Cleaners Financial Incentives Grant Program Fund	Rule 1173 Mitigation Fee Fund
Cash and cash equivalents	\$ 365,265	\$ 337,983	\$ 121,213	\$ 657,179	\$ 1,852,118
Interest receivable	671	674	241	1,282	3,692
Due from other governmental agencies	-	-	-	-	-
Due from other funds	-	-	-	-	81,900
Accounts receivable, net	70,000	-	-	-	-
Other assets	-	-	-	-	-
Total assets	\$ 435,936	\$ 338,657	\$ 121,454	\$ 658,461	\$ 1,937,710
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 37,500	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	37,500	-	-	-	-
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	17,800	-	28,838	-	67,026
Assigned	380,636	338,657	92,616	658,461	1,870,684
Unassigned	-	-	-	-	-
Total fund balances	398,436	338,657	121,454	658,461	1,937,710
Total liabilities and fund balances	\$ 435,936	\$ 338,657	\$ 121,454	\$ 658,461	\$ 1,937,710

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See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2011**

<u>Assets</u>	Special Revenue				
	CBE / OCE Settlement Agreement Fund	BP ARCO Settlements Project Fund	Health Effects Research Fund	CEQA Green House Gas Mitigation Fund	Plug-in Hybrid Electric Vehicles Fund
Cash and cash equivalents	\$ 506,835	\$ 18,271,418	\$ 1,395,403	\$ 1,118,353	\$ 5,120,052
Interest receivable	-	36,442	2,703	3,449	10,483
Due from other governmental agencies	-	-	-	-	53,225
Due from other funds	-	-	-	-	-
Accounts receivable, net	-	-	-	-	-
Other assets	-	-	-	-	-
Total assets	\$ 506,835	\$ 18,307,860	\$ 1,398,106	\$ 1,121,802	\$ 5,183,760
 <u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	-
Due to other funds	-	-	-	-	5,160,540
Unearned revenue	-	-	-	-	-
Total liabilities	-	-	-	-	5,160,540
 Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	283,515	21,985	-	764,062	-
Assigned	223,320	18,285,875	1,398,106	357,740	23,220
Unassigned	-	-	-	-	-
Total fund balances	506,835	18,307,860	1,398,106	1,121,802	23,220
Total liabilities and fund balances	\$ 506,835	\$ 18,307,860	\$ 1,398,106	\$ 1,121,802	\$ 5,183,760

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See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2011**

<u>Assets</u>	<u>Special Revenue</u>				
	<u>LNG Corridor Expansion Fund</u>	<u>TraPac School Air Filtration Fund</u>	<u>Emission Reduction and Outreach Fund</u>	<u>Rule 1118 Mitigation Fund</u>	<u>Hydrogen Fueling Station Fund</u>
Cash and cash equivalents	\$ 32,861	\$ 6,012,670	\$ 893,918	\$ 1,351,672	\$ 124,180
Interest receivable	66	11,986	1,814	2,694	304
Due from other governmental agencies	-	-	-	-	-
Due from other funds	-	-	-	-	-
Accounts receivable, net	-	-	-	-	-
Other assets	-	-	-	-	-
Total assets	\$ 32,927	\$ 6,024,656	\$ 895,732	\$ 1,354,366	\$ 124,484
 <u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ 49,669
Due to other funds	32,697	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	32,697	-	-	-	49,669
 Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	74,338
Assigned	230	6,024,656	895,732	1,354,366	477
Unassigned	-	-	-	-	-
Total fund balances	230	6,024,656	895,732	1,354,366	74,815
Total liabilities and fund balances	\$ 32,927	\$ 6,024,656	\$ 895,732	\$ 1,354,366	\$ 124,484

Continued

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2011**

<u>Assets</u>	Special Revenue			Total
	HEROS II Fund	Debt Service Fund	Component Unit SCAQMD Building Corporation	
Cash and cash equivalents	\$ 3,113,984	\$ 9,321,473	\$ 237,237	\$ 177,635,559
Interest receivable	6,209	18,614	381,752	728,192
Due from other governmental agencies	-	-	-	4,468,190
Due from other funds	-	-	-	160,387
Accounts receivable, net	-	-	-	1,572,776
Other assets	-	-	51,807	51,807
Total assets	\$ 3,120,193	\$ 9,340,087	\$ 670,796	\$ 184,616,911
 <u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 391,328	\$ 7,229,293
Due to other funds	-	-	-	8,569,063
Unearned revenue	-	-	-	-
Total liabilities	-	-	391,328	15,798,356
 Fund Balances:				
Nonspendable	-	-	-	-
Restricted	-	9,340,087	-	9,340,087
Committed	516,320	-	-	45,901,485
Assigned	2,603,873	-	-	113,511,433
Unassigned	-	-	279,468	65,552
Total fund balances	3,120,193	9,340,087	279,468	168,818,557
Total liabilities and fund balances	\$ 3,120,193	\$ 9,340,087	\$ 670,796	\$ 184,616,912

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, 2011**

	Special Revenue				
	Air Quality Studies Fund	Air Toxics Fund	Advanced Technology Fund	Air Quality Assistance Fund	Air Quality Improvement Fund
Revenues:					
Emission fees	\$ -	\$ -	\$ -	\$ -	\$ -
Mobile sources/clean fuels	-	-	-	-	-
Air Toxics "Hot Spots"	-	471,101	-	-	-
Federal grant	-	-	19,989	-	-
State grant	-	-	-	-	-
Interest revenue	831	34,547	9,097	12,707	43,033
Penalties and settlements	-	-	-	-	-
Other revenues	-	6,424	-	-	-
Total revenues	<u>831</u>	<u>512,071</u>	<u>29,086</u>	<u>12,707</u>	<u>43,033</u>
Expenditures:					
Salaries and employee benefits	-	-	-	-	-
Insurance	-	-	-	-	-
Rent	-	-	-	-	-
Supplies	-	-	-	-	-
Contract and special services	-	9,357	170,244	-	60,185
Maintenance	-	-	-	-	-
Travel and auto	-	-	-	-	-
Utilities	-	-	-	-	-
Communications	-	-	-	-	-
Uncollectible accounts	-	-	-	-	-
Other expenditures	-	-	-	-	-
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	<u>-</u>	<u>9,357</u>	<u>170,244</u>	<u>-</u>	<u>60,185</u>
Excess (deficiency) of revenues over (under) expenditures before transfers	<u>831</u>	<u>502,714</u>	<u>(141,158)</u>	<u>12,707</u>	<u>(17,152)</u>
Other financing sources (uses)					
Transfers in	-	-	296,505	-	-
Transfers out	-	-	(20,000)	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>276,505</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>831</u>	<u>502,714</u>	<u>135,347</u>	<u>12,707</u>	<u>(17,152)</u>
Fund balances, July 1, 2010 restated	<u>63,975</u>	<u>1,991,788</u>	<u>85,304</u>	<u>1,521,492</u>	<u>8,549</u>
Fund balances, June 30, 2011	<u>\$ 64,806</u>	<u>\$ 2,494,502</u>	<u>\$ 220,651</u>	<u>\$ 1,534,198</u>	<u>\$ (8,603)</u>

**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, 2011**

	Special Revenue				
	Mobile Sources Air Pollution Reduction Fund	Clean Fuels Conference Fund	Air Quality Investment Fund	Lower-Emission School Bus Fund	Zero Emission Vehicle Incentive Fund
Revenues:					
Emission fees	\$ -	\$ -	\$ -	\$ -	-
Mobile sources/clean fuels	13,975,573	-	-	-	-
Air Toxics "Hot Spots"	-	-	-	-	-
Federal grant	-	-	-	39,539	-
State grant	-	-	865,431	-	-
Interest revenue	597,127	-	353,427	117,213	8,196
Penalties and settlements	-	-	-	-	-
Other revenues	-	98,328	1,171,480	-	-
Total revenues	14,572,699	98,328	2,390,338	156,752	8,196
Expenditures:					
Salaries and employee benefits	-	-	-	-	-
Insurance	-	-	-	-	-
Rent	-	-	-	-	-
Supplies	-	-	-	-	-
Contract and special services	12,316,312	15,164	1,782,776	94,277	-
Maintenance	-	-	-	-	-
Travel and auto	-	-	-	-	-
Utilities	-	-	-	-	-
Communications	-	-	-	-	-
Uncollectible accounts	-	-	-	-	-
Other expenditures	580,831	-	-	-	-
Debt Service	-	-	-	-	-
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	12,897,143	15,164	1,782,776	94,277	-
Excess (deficiency) of revenues over (under) expenditures before transfers	1,675,556	83,164	607,562	62,474	8,196
Other financing sources (uses)					
Transfers in	-	-	97,503	-	-
Transfers out	(58,880)	-	(110,000)	-	-
Total other financing sources (uses)	(58,880)	-	(12,497)	-	-
Net change in fund balances	1,616,676	83,164	595,065	62,474	8,196
Fund balances, July 1, 2010 restated	55,515,935	235,614	26,474,225	8,087,128	630,921
Fund balances, June 30, 2011	\$ 57,132,611	\$ 318,778	\$ 27,069,290	\$ 8,149,603	\$ 639,117

Continued

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 NON-MAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2011**

	Special Revenue				
	AES Settlement Projects Fund	Rule 1309.1 Priority Reserve Fund	CARB ERC Bank Fund	LADWP Settlement Fund	State-Emissions Mitigation Fund
Revenues:					
Emission fees	\$ -	\$ 2,125,000	\$ -	\$ -	\$ -
Mobile sources/clean fuels	-	-	-	-	-
Air Toxics "Hot Spots"	-	-	-	-	-
Federal grant	-	-	-	-	-
State grant	-	-	-	-	-
Interest revenue	42,526	215,275	7,301	4,956	55,875
Penalties and settlements	-	-	-	-	-
Other revenues	-	-	-	-	-
Total revenues	42,526	2,340,275	7,301	4,956	55,875
Expenditures:					
Salaries and employee benefits	-	-	-	-	-
Insurance	-	-	-	-	-
Rent	-	-	-	-	-
Supplies	-	-	-	-	-
Contract and special services	-	1,355,255	-	5,002	-
Maintenance	-	-	-	-	-
Travel and auto	-	-	-	-	-
Utilities	-	-	-	-	-
Communications	-	-	-	-	-
Uncollectible accounts	-	-	-	-	-
Other expenditures	-	-	-	-	-
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	-	1,355,255	-	5,002	-
Excess (deficiency) of revenues over (under) expenditures before transfers	42,526	985,020	7,301	(47)	55,875
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	-	(1,497,503)	-	-	-
Total other financing sources (uses)	-	(1,497,503)	-	-	-
Net change in fund balances	42,526	(512,483)	7,301	(47)	55,875
Fund balances, July 1, 2010 restated	3,273,774	17,187,141	562,053	383,949	4,301,426
Fund balances, June 30, 2011	\$ 3,316,300	\$ 16,674,658	\$ 569,354	\$ 383,903	\$ 4,357,301

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, 2011**

	Special Revenue				
	Natural Gas Vehicle Partner Fund	State BUG Program Fund	Asthma & Brain Cancer Research Fund	Dry Cleaners Financial Incentives Grant Program Fund	Rule 1173 Mitigation Fee Fund
Revenues:					
Emission fees	\$ -	\$ -	\$ -	\$ -	\$ -
Mobile sources/clean fuels	-	-	-	-	-
Air Toxics "Hot Spots"	-	-	-	-	-
Federal grant	-	-	-	-	-
State grant	-	-	-	-	-
Interest revenue	3,850	4,343	1,557	8,626	24,661
Penalties and settlements	-	-	-	-	-
Other revenues	35,000	-	-	-	-
Total revenues	38,850	4,343	1,557	8,626	24,661
Expenditures:					
Salaries and employee benefits	-	-	-	-	-
Insurance	-	-	-	-	-
Rent	-	-	-	-	-
Supplies	-	-	-	-	-
Contract and special services	37,500	-	-	50,000	-
Maintenance	-	-	-	-	-
Travel and auto	-	-	-	-	-
Utilities	-	-	-	-	-
Communications	-	-	-	-	-
Uncollectible accounts	-	-	-	-	-
Other expenditures	246	-	-	-	-
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	37,746	-	-	50,000	-
Excess (deficiency) of revenues over (under) expenditures before transfers	1,104	4,343	1,557	(41,374)	24,661
Other financing sources (uses)					
Transfers in	25,000	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	25,000	-	-	-	-
Net change in fund balances	26,104	4,343	1,557	(41,374)	24,661
Fund balances, July 1, 2010 restated	372,332	334,314	119,897	699,836	1,913,049
Fund balances, June 30, 2011	<u>\$ 398,436</u>	<u>\$ 338,657</u>	<u>\$ 121,454</u>	<u>\$ 658,461</u>	<u>\$ 1,937,710</u>

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See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2011**

	Special Revenue				
	CBE/OCE Settlement Agreement Fund	BP ARCO Settlements Project Fund	Health Effects Research Fund	CEQA Green House Gas Mitigation Fund	Plug-in Hybrid Electric Vehicles Fund
Revenues:					
Emission fees	\$ -	\$ -	\$ -	\$ -	\$ -
Mobile sources/clean fuels	-	-	-	-	-
Air Toxics "Hot Spots"	-	-	-	-	-
Federal grant	-	-	-	-	4,045,604
State grant	-	-	-	-	-
Interest revenue	-	235,064	8,160	22,001	23,186
Penalties and settlements	-	-	-	-	-
Other revenues	-	-	-	300,000	-
Total revenues	-	235,064	8,160	322,001	4,068,790
Expenditures:					
Salaries and employee benefits	-	-	-	-	-
Insurance	-	-	-	-	-
Rent	-	-	-	-	-
Supplies	-	-	-	-	-
Contract and special services	-	30,125	1,000,000	735,938	4,045,604
Maintenance	-	-	-	-	-
Travel and auto	-	-	-	-	-
Utilities	-	-	-	-	-
Communications	-	-	-	-	-
Uncollectible accounts	-	-	-	-	-
Other expenditures	-	-	-	-	-
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	-	30,125	1,000,000	735,938	4,045,604
Excess (deficiency) of revenues over (under) expenditures before transfers	-	204,939	(991,840)	(413,937)	23,186
Other financing sources (uses)					
Transfers in	-	-	1,269,224	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	1,269,224	-	-
Net change in fund balances	-	204,939	277,384	(413,937)	23,186
Fund balances, July 1, 2010 restated	506,835	18,102,921	1,120,722	1,535,739	34
Fund balances, June 30, 2011	<u>\$ 506,835</u>	<u>\$ 18,307,860</u>	<u>\$ 1,398,106</u>	<u>\$ 1,121,802</u>	<u>\$ 23,220</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, 2011**

	Special Revenue				
	LNG Corridor Expansion Fund	TraPac School Air Filtration Fund	Emission Reduction and Outreach Fund	Rule 1118 Mitigation Fund	Hydrogen Fueling Station Fund
Revenues:					
Emission fees	\$ -	\$ -	\$ -	\$ -	-
Mobile sources/clean fuels	-	-	-	-	-
Air Toxics "Hot Spots"	-	-	-	-	-
Federal grant	-	-	-	-	-
State grant	-	-	-	-	-
Interest revenue	230	24,656	3,810	27,758	477
Penalties and settlements	-	-	-	-	-
Other revenues	-	6,000,000	-	-	-
Total revenues	230	6,024,656	3,810	27,758	477
Expenditures:					
Salaries and employee benefits	-	-	-	-	-
Insurance	-	-	-	-	-
Rent	-	-	-	-	-
Supplies	-	-	-	-	-
Contract and special services	-	-	58,078	-	125,662
Maintenance	-	-	-	-	-
Travel and auto	-	-	-	-	-
Utilities	-	-	-	-	-
Communications	-	-	-	-	-
Uncollectible accounts	-	-	-	-	-
Other expenditures	-	-	-	195,526	-
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	-	-	58,078	195,526	125,662
Excess (deficiency) of revenues over (under) expenditures before transfers	230	6,024,656	(54,268)	(167,769)	(125,185)
Other financing sources (uses)					
Transfers in	-	-	950,000	-	200,000
Transfers out	-	-	-	(950,000)	-
Total other financing sources (uses)	-	-	950,000	(950,000)	200,000
Net change in fund balances	230	6,024,656	895,732	(1,117,769)	74,815
Fund balances, July 1, 2010 restated	-	-	-	2,472,134	-
Fund balances, June 30, 2011	\$ 230	\$ 6,024,656	\$ 895,732	\$ 1,354,366	\$ 74,815

Continued

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2011**

	Special Revenue			Total
	HEROS II Fund	Debt Service Fund	Component Unit SCAQMD Building Corporation	
Revenues:				
Emission fees	\$ -	\$ -	\$ -	\$ 2,125,000
Mobile sources/clean fuels	-	-	-	13,975,573
Air Toxics "Hot Spots"	-	-	-	471,101
Federal grant	-	-	-	4,105,132
State grant	-	-	-	865,431
Interest revenue	7,183	125,485	265	2,023,421
Penalties and settlements	-	-	-	-
Other revenues	-	-	925,081	8,536,312
Total revenues	7,183	125,485	925,346	32,101,969
Expenditures:				
Salaries and employee benefits	-	-	-	-
Insurance	-	-	-	-
Rent	-	-	-	-
Supplies	-	-	-	-
Contract and special services	-	-	-	21,891,481
Maintenance	-	-	-	-
Travel and auto	-	-	-	-
Utilities	-	-	-	-
Communications	-	-	-	-
Uncollectible accounts	-	-	-	-
Other expenditures	-	-	989,099	1,765,702
Debt Service				
Principal	-	2,055,000	-	2,055,000
Interest	-	945,000	-	945,000
Total expenditures	-	3,000,000	989,099	26,657,183
Excess (deficiency) of revenues over (under) expenditures before transfers	7,183	(2,874,515)	(63,753)	5,444,787
Other financing sources (uses)				
Transfers in	3,113,010	-	-	5,951,242
Transfers out	-	-	-	(2,636,383)
Total other financing sources (uses)	3,113,010	-	-	3,314,859
Net change in fund balances	3,120,193	(2,874,515)	(63,753)	8,759,646
Fund balances, July 1, 2010 restated	-	12,214,601	343,221	160,058,911
Fund balances, June 30, 2011	\$ 3,120,193	\$ 9,340,087	\$ 279,468	\$ 168,818,557

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
For the Year Ended June 30, 2011**

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2011</u>
<u>General purpose fund</u>				
<u>Assets</u>				
Cash and cash equivalents	\$ 150,289	\$ 53,671,992	\$ 53,696,749	\$ 125,532
Total assets	<u>\$ 150,289</u>	<u>\$ 53,671,992</u>	<u>\$ 53,696,749</u>	<u>\$ 125,532</u>
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 150,289	\$ 53,671,992	\$ 53,696,749	\$ 125,532
Total liabilities	<u>\$ 150,289</u>	<u>\$ 53,671,992</u>	<u>\$ 53,696,749</u>	<u>\$ 125,532</u>
 <u>457 Plan Admin Revenue Sharing Fund</u>				
<u>Assets</u>				
Cash and cash equivalents	\$ -	\$ 92,771	\$ 65,783	\$ 26,988
Interest receivable	-	111	-	111
Total assets	<u>\$ -</u>	<u>\$ 92,882</u>	<u>\$ 65,783</u>	<u>\$ 27,099</u>
<u>Liabilities</u>				
Due to others	\$ -	\$ 92,882	\$ 65,783	\$ 27,099
Total liabilities	<u>\$ -</u>	<u>\$ 92,882</u>	<u>\$ 65,783</u>	<u>\$ 27,099</u>
 <u>Total all agency funds</u>				
<u>Assets</u>				
Cash and cash equivalents	\$ 150,289	\$ 53,764,763	\$ 53,762,532	\$ 152,520
Interest receivable	-	111	-	111
Total assets	<u>\$ 150,289</u>	<u>\$ 53,764,874</u>	<u>\$ 53,762,532</u>	<u>\$ 152,631</u>
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 150,289	\$ 53,671,992	\$ 53,696,749	\$ 125,532
Due to others	-	92,882	65,783	27,099
Total liabilities	<u>\$ 150,289</u>	<u>\$ 53,764,874</u>	<u>\$ 53,762,532</u>	<u>\$ 152,631</u>

See independent auditor's report.

STATISTICAL SECTION

This part of 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 AQMD's overall financial health.

Contents

Financial Trends

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

Revenue Capacity

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

Debt Capacity

This schedule presents information to help the reader assess the affordability of 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 AQMD's financial activities take place.

Operating Information

These schedules contain data to help the reader understand how the information in AQMD's financial report relates to the services 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)

	2007	2008	2009	2010	2011
Governmental Activities					
Investment in capital assets, net of related debt	\$ 10,938,387	\$ 12,744,539	\$ 16,757,042	\$ 19,695,092	\$ 22,777,709
Restricted for pension assets	1,926,145	3,089,145	(10,334,764)	-	-
Restricted for debt service	19,541,377	17,381,723	-	-	-
Restricted for specific projects/programs	280,754,862	291,676,023	334,362,120	411,358,339	465,789,699
Unrestricted	8,392,205	20,042,724	47,061,292	50,318,195	34,536,706
Total governmental activities net assets	<u>\$ 321,552,976</u>	<u>\$ 344,934,154</u>	<u>\$ 387,845,690</u>	<u>\$ 481,371,626</u>	<u>\$ 523,104,114</u>
Business-type Activities					
Investment in capital assets, net of related debt	226,006	138,835	51,664	4,052	-
Unrestricted	77,947	144,388	191,356	242,921	370,087
Total business-type activities net assets	<u>\$ 303,953</u>	<u>\$ 283,223</u>	<u>\$ 243,020</u>	<u>\$ 246,973</u>	<u>\$ 370,087</u>
Primary Government					
Investment in capital assets, net of related debt	11,164,393	12,883,374	16,808,706	19,699,144	22,777,709
Restricted for pension asset	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	280,754,862	291,676,023	334,362,120	411,358,339	465,789,699
Unrestricted	8,470,152	20,187,112	47,252,648	50,561,116	34,906,793
Total primary government net assets	<u>\$ 321,856,929</u>	<u>\$ 345,217,377</u>	<u>\$ 388,088,710</u>	<u>\$ 481,618,599</u>	<u>\$ 523,474,201</u>

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

Schedule 2

Changes in Net Assets – Last Five Fiscal Years

(accrual basis of accounting)

	2007	2008	2009	2010	2011
Expenses					
Governmental Activities					
Advance clean air technology	\$ 7,067,528	\$ 7,113,642	\$ 7,111,931	\$ 6,512,144	\$ 6,398,859
Ensure compliance with clean air rules	42,699,519	39,463,040	43,823,112	46,154,574	46,877,017
Customer service	8,687,842	6,696,664	7,441,806	7,682,897	7,578,813
Develop programs to achieve clean air	8,721,816	7,969,413	10,216,378	10,861,040	11,780,948
Develop rules to achieve clean air	7,350,795	8,390,762	8,433,410	8,436,415	8,826,846
Monitoring air quality	12,229,451	12,866,270	14,067,041	14,239,509	15,093,093
Timely review of permits	24,508,757	24,580,945	26,205,282	28,530,507	28,045,891
Policy support	3,442,207	3,630,367	4,782,531	1,760,038	1,792,208
Interest on long-term debt *	-	4,614,842	4,325,460	3,871,465	3,277,933
Long-term emission reduction projects	62,831,313	93,109,973	104,277,915	150,362,508	161,904,680
Total governmental activities expenses	177,539,228	208,435,918	230,684,866	278,411,097	291,576,288
Business-type Activities:					
Clean Air Store	-	-	-	-	-
CNG fueling station	225,604	218,048	210,120	165,557	150,418
Total business-type activities expenses	225,604	218,048	210,120	165,557	150,418
Total primary government expenses	\$ 177,764,832	\$ 208,653,966	\$ 230,894,986	\$ 278,576,654	\$ 291,726,706
Program Revenues					
Government Activities:					
Fees and Charges					
Stationary sources	\$ 75,200,254	\$ 82,825,774	\$ 92,703,725	\$ 81,097,647	\$ 81,291,028
Mobile sources	23,966,240	22,170,323	24,128,436	23,728,238	22,512,790
Operating grants and subventions	8,946,832	8,858,458	8,782,322	8,379,757	8,867,069
Long-term project grants	92,925,386	105,383,068	133,185,494	243,802,246	207,555,510
Total governmental activities program revenues	201,038,712	219,237,623	258,799,977	357,007,888	320,226,397

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

Schedule 2

Changes in Net Assets – Last Five Fiscal Years
(accrual basis of accounting) (cont.)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Business-type Activities:					
CNG fueling station	143,433	197,318	169,917	169,510	273,531
Total business-type activities program revenues	<u>143,433</u>	<u>197,318</u>	<u>169,917</u>	<u>169,510</u>	<u>273,531</u>
Total primary government program revenues	\$ <u><u>201,182,145</u></u>	\$ <u><u>219,434,941</u></u>	\$ <u><u>258,969,894</u></u>	\$ <u><u>357,177,398</u></u>	\$ <u><u>320,499,928</u></u>
Net (Expense) Revenue					
Governmental activities	\$ 23,499,484	\$ 10,801,705	\$ 28,115,112	\$ 78,596,791	28,650,109
Business-type activities	(82,171)	(20,730)	(40,203)	3,953	123,113
Total primary government net (expenses) revenue	\$ <u><u>23,417,313</u></u>	\$ <u><u>10,780,975</u></u>	\$ <u><u>28,074,909</u></u>	\$ <u><u>78,600,744</u></u>	\$ <u><u>28,773,222</u></u>
General Revenues and Other Changes in Net Assets					
Governmental Activities:					
Grants and subventions - restricted to non-specific stationary source programs	\$ 2,962,418	\$ 2,943,638	\$ 2,934,513	\$ 2,926,440	\$ 2,918,779
Mobile sources - restricted to non-specific mobile source programs	-	-	-	-	-
Interest	4,012,295	3,950,198	1,962,431	976,434	832,444
Lease revenue	365,559	366,924	379,440	371,104	-
Penalties/settlement	13,211,151	5,190,492	9,469,694	10,346,122	7,348,657
Subscriptions	22,315	11,378	15,519	10,363	7,760
Other	847,899	116,842	34,828	298,683	1,631,518
Transfers	(9,703,906)	-	-	-	-
Total governmental activities	<u><u>11,717,731</u></u>	<u><u>12,579,472</u></u>	<u><u>14,796,424</u></u>	<u><u>14,929,145</u></u>	<u><u>12,739,158</u></u>
Business-type Activities					
Interest	-	-	-	-	-
Transfers	-	-	-	-	-
Total business-type activities	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
Total primary government revenue	\$ <u><u>(7,823,649)</u></u>	\$ <u><u>12,579,472</u></u>	\$ <u><u>14,796,424</u></u>	\$ <u><u>14,929,145</u></u>	\$ <u><u>12,739,158</u></u>
Change in Net Assets					
Governmental activities	\$ 35,217,215	\$ 23,381,177	\$ 42,911,536	\$ 93,525,936	\$ 41,389,267
Business-type activities	(82,171)	(20,730)	(40,203)	3,953	123,113
Total primary government	\$ <u><u>35,135,044</u></u>	\$ <u><u>23,360,447</u></u>	\$ <u><u>42,871,333</u></u>	\$ <u><u>93,529,889</u></u>	\$ <u><u>41,512,380</u></u>

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*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)

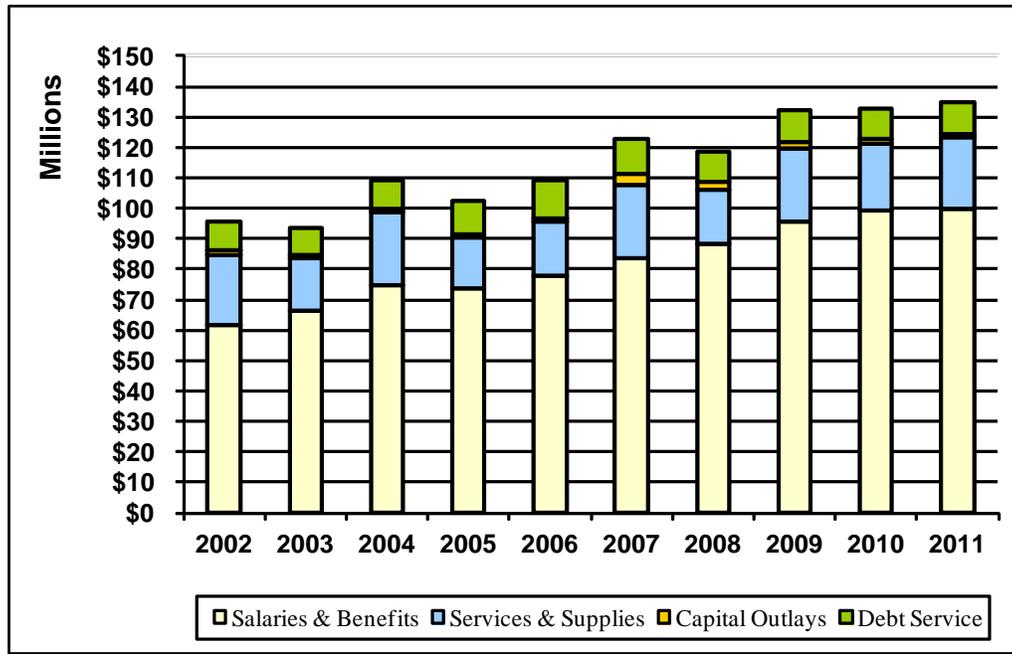
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011*
General Fund										
Reserved	\$ 9,695,144	\$ 7,616,882	\$ 7,732,923	\$ 4,778,503	\$ 4,841,814	\$ 6,892,073	\$ 7,369,361	\$ 7,318,433	\$ 7,575,462	\$ -
Unreserved	34,425,246	37,177,128	33,709,091	45,023,178	56,475,321	37,287,900	46,073,449	56,309,536	52,814,783	-
Nonspendable	-	-	-	-	-	-	-	-	-	50,315
Committed	-	-	-	-	-	-	-	-	-	8,928,629
Assigned	-	-	-	-	-	-	-	-	-	17,763,384
Unassigned	-	-	-	-	-	-	-	-	-	25,858,045
Total general fund	<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>	<u>\$ 60,390,245</u>	<u>\$ 52,600,373</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	\$ 186,009,142	\$ -
Reserved for debt service	-	-	-	-	-	19,541,377	17,381,723	-	-	-
Unreserved, reported in:										
Special revenue funds	126,511,697	122,728,691	125,236,025	145,382,341	162,143,706	150,942,757	160,202,854	203,673,852	237,563,798	-
Restricted	-	-	-	-	-	-	-	-	-	26,138,656
Committed	-	-	-	-	-	-	-	-	-	174,297,108
Assigned	-	-	-	-	-	-	-	-	-	272,132,633
Unassigned	-	-	-	-	-	-	-	-	-	(6,778,697)
Total all other governmental funds	<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>	<u>\$ 423,572,940</u>	<u>\$ 465,789,700</u>

*Fund balance presentation changed for FY 2010-11 due to GASB 54.

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

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues:										
Emission fees	\$ 23,542,903	\$ 20,118,430	\$ 19,497,850	\$ 19,434,549	\$ 33,582,422	\$ 21,771,497	\$ 23,100,073	\$ 24,826,356	\$ 19,663,671	\$ 21,371,061
Annual operating fees	26,192,638	27,422,331	28,487,923	28,876,817	30,991,226	34,610,682	38,970,949	43,285,892	41,191,933	41,342,340
Area Sources	-	-	-	-	-	-	-	1,226,651	1,445,715	2,503,791
Permit fees	13,961,148	13,111,610	11,202,036	14,114,680	14,765,144	16,120,262	18,105,901	20,396,188	16,316,076	16,007,058
Mobile sources / Clean fuels	55,982,295	56,942,057	58,177,471	65,197,128	82,389,525	67,582,066	69,028,689	66,087,019	65,843,960	63,704,363
Emission reduction fees	2,300,000	13,054,700	375,000	-	-	-	-	-	-	-
Air Toxics "Hot Spots"	1,413,000	1,575,096	1,429,658	1,614,851	1,186,492	1,897,395	1,981,259	2,026,249	1,977,074	1,824,327
Transportation	664,733	688,278	748,006	869,554	895,194	1,145,806	914,870	894,440	836,557	885,263
State subvention	6,053,883	4,394,639	4,021,970	4,024,268	4,022,094	4,021,970	4,003,263	3,994,067	3,986,029	3,978,200
Federal grant	6,531,262	6,005,869	8,443,715	6,988,187	5,876,040	8,067,682	7,828,903	12,544,767	13,620,752	15,543,549
State grant	40,707,602	6,666,447	10,425,742	11,253,989	6,514,346	25,340,534	39,677,362	74,017,124	165,001,635	87,403,616
Interest	9,576,467	6,384,743	3,678,244	5,444,958	12,087,846	17,485,429	16,899,125	10,448,326	6,224,115	6,556,895
Lease revenue	231,099	348,743	372,707	338,961	364,326	365,559	366,924	379,440	371,104	380,431
Source test/analysis fees	308,169	382,502	342,909	321,526	401,487	528,653	491,080	579,607	486,075	636,822
Hearing Board	319,969	276,677	373,924	251,212	655,553	469,041	411,537	436,385	327,344	201,864
Penalties/settlements	4,583,093	5,795,147	12,232,181	36,295,895	16,074,370	13,281,151	5,190,492	9,469,694	11,346,122	7,348,657
Subscriptions	55,628	46,565	36,301	29,512	19,214	22,315	11,378	15,519	10,363	7,760
RECLAIM & executive order mitigation	16,524,066	626,187	601,086	772,526	842,214	4,919,852	-	-	-	-
Other revenue	13,053,128	14,602,070	6,162,453	6,945,716	4,228,680	4,830,452	4,835,290	2,968,677	23,288,416	63,269,554
Total revenues	222,001,083	178,442,091	166,609,176	202,774,329	214,896,173	222,460,346	231,817,095	273,596,401	371,936,941	332,965,551
Expenditures:										
Salaries and employee benefits	61,650,177	66,242,716	74,539,634	73,791,627	77,858,212	83,488,915	88,320,801	95,793,414	99,192,010	99,773,382
Insurance	1,034,296	1,031,651	1,110,014	1,044,518	1,193,345	1,265,932	1,255,842	1,228,273	1,024,939	1,039,020
Rent	721,083	725,320	709,158	783,674	776,438	472,023	486,487	524,712	535,733	589,248
Supplies & merchandise purchased	3,024,880	3,093,574	2,045,772	2,235,088	2,274,844	2,890,495	3,365,065	3,035,346	2,997,815	2,600,630
Contract and special services	74,035,983	99,410,200	74,643,873	73,961,781	72,936,559	75,431,666	99,753,587	114,897,344	160,153,501	171,344,881
Maintenance	979,146	942,576	1,011,913	995,624	1,120,620	1,101,589	1,814,293	1,423,541	1,152,411	1,273,060
Travel and auto	437,566	452,749	445,745	433,606	478,091	606,658	622,446	746,705	694,696	707,050
Utilities	1,633,992	1,663,243	1,463,778	1,414,156	1,680,754	1,685,742	1,599,055	1,713,817	1,483,855	1,495,435
Communications	527,902	524,011	553,238	491,337	463,665	489,779	493,285	560,274	598,674	598,958
Uncollectible accounts	100,779	121,849	374,712	210,871	(38,037)	4,788	649,425	683,945	753,072	891,794
Other expenditures	22,016,693	4,289,650	4,201,304	(815,944)	933,008	1,441,100	1,063,386	691,833	1,303,225	2,767,725
Capital outlay	2,656,041	1,393,713	2,135,572	1,010,373	1,130,264	2,749,059	1,388,559	3,670,377	2,835,795	2,170,102
Debt service:										
Principal	5,737,655	6,025,000	6,040,000	6,350,000	7,510,000	7,870,000	8,270,000	8,695,000	9,165,000	10,090,000
Interest	3,859,569	2,802,384	2,914,873	4,286,541	5,165,067	3,967,067	4,710,521	4,442,290	4,073,116	3,540,602
Total expenditures	178,415,762	188,718,636	172,189,586	166,193,252	173,482,830	183,464,813	213,792,752	238,106,671	285,963,843	298,881,886
Excess (deficiency) of revenues over (under) expenditures	43,585,321	(10,276,545)	(5,580,410)	36,581,077	41,413,343	38,995,533	18,024,343	35,489,530	85,973,097	34,083,665
Other financing sources (uses):										
Transfer in	547,149	7,398,853	14,700,000	291,950	105,095	4,387,758	23,973,905	25,907,899	4,362,357	17,056,936
Transfer out	(572,149)	(7,398,853)	(14,700,000)	(291,950)	(88,500)	(4,091,664)	(23,973,905)	(25,907,899)	(4,362,357)	(17,056,936)
Special and extraordinary	-	-	-	-	-	(10,000,000)	-	-	-	-
Total other financing sources (uses)	(25,000)	-	-	-	16,595	(9,703,906)	-	-	-	-
Net change in fund balances	\$ 43,560,321	\$ (10,276,545)	\$ (5,580,410)	\$ 36,581,077	\$ 41,429,938	\$ 29,291,627	\$ 18,024,343	\$ 35,489,530	\$ 85,973,097	\$ 34,083,665
Debt service as a percentage of noncapital expenditures	5.5%	4.7%	5.3%	6.4%	7.4%	6.6%	6.1%	5.6%	4.7%	4.6%

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



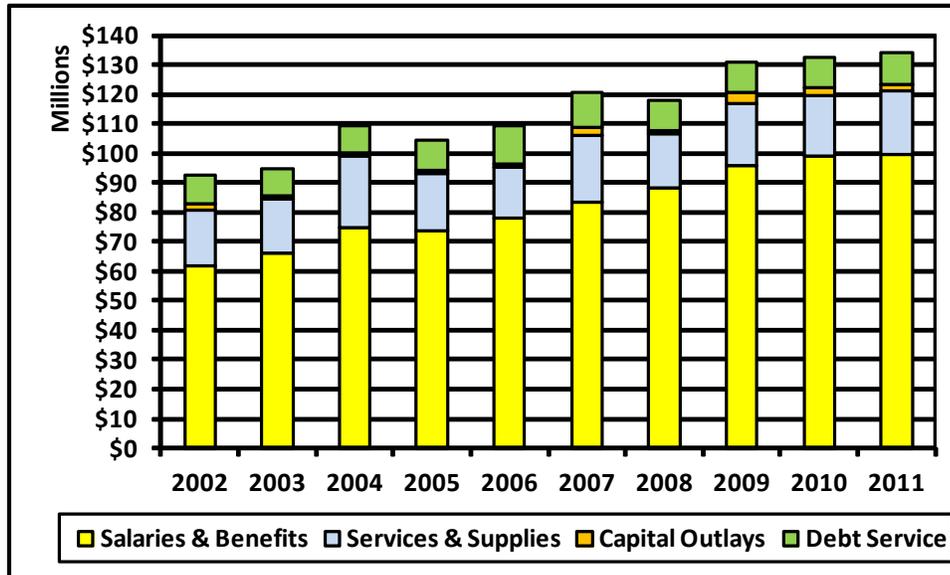
Year	Salaries & Benefits	Services & Supplies	Capital Outlays	Debt Service	Total Expenditures
2002	\$ 61,650,177	\$ 22,773,687	\$ 1,859,416	\$ 9,554,569	\$ 95,837,849
2003	66,242,716	17,275,182	1,155,130	8,827,384	93,500,412
2004	74,539,634	24,273,579	1,266,240	8,954,873	109,034,326
2005	73,791,627	16,803,682	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
2010	99,192,009	21,806,505	1,592,415	10,238,116	132,829,044
2011	99,773,382	23,397,710	1,198,178	10,630,602	134,999,872

See Notes Associated with Financial Charts page 104.

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
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	130,828,955
2010	99,192,009	20,335,515	2,835,795	10,238,116	132,601,435
2011	99,773,382	21,403,118	2,170,102	10,630,602	133,977,204

See Notes Associated with Financial Charts page 104.

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)

100

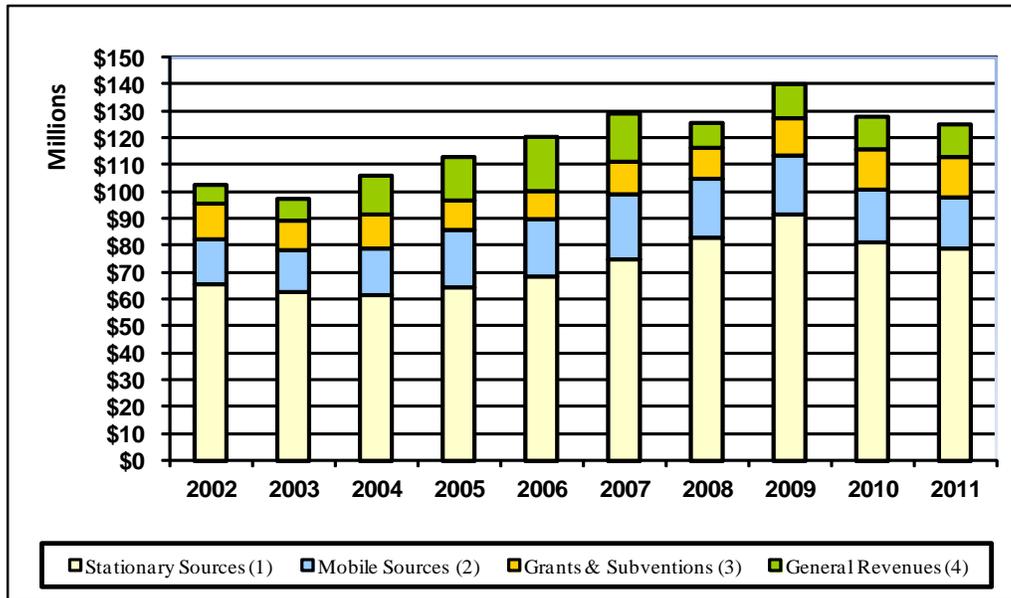
Fiscal Year	Governmental Activities			Total Primary Government	Percentage of Total Revenues (a)	Per Capita (b)
	Installment Sale Revenue Bonds	Pension Obligation Bonds	Equipment Installment Purchase Agreement			
2002	\$ 77,081	\$ 61,310	-	\$ 138,391	134.49%	9
2003	70,610	58,243	-	128,853	132.50%	8
2004	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
2010	28,448	94,563	-	123,011	96.00%	7
2011	22,011	87,369	-	109,380	87.22%	6

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
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
2010	81,097,647	19,994,596	15,039,879	12,002,573	128,134,695
2011	78,787,371	19,109,043	15,189,462	12,324,164	125,410,040

(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

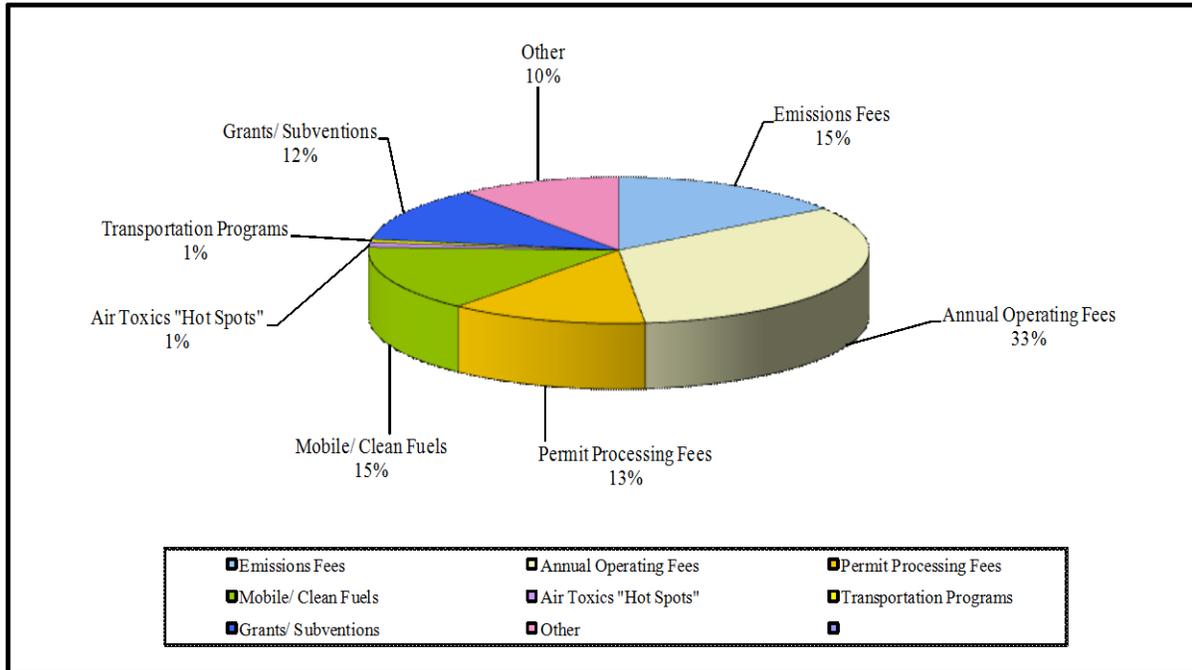
(4) Includes Area Sources, Penalties & Settlements, Interest, Lease Revenue, Other Revenue and Subscriptions

See Notes Associated with Financial Charts page 105.

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
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
2010	19,663,671	41,191,933	16,316,076	19,158,039	1,666,699	836,557	15,039,879	14,261,841	128,134,695
2011	19,246,061	41,342,340	16,007,058	18,223,780	1,353,226	885,263	15,189,462	13,162,850	125,410,040

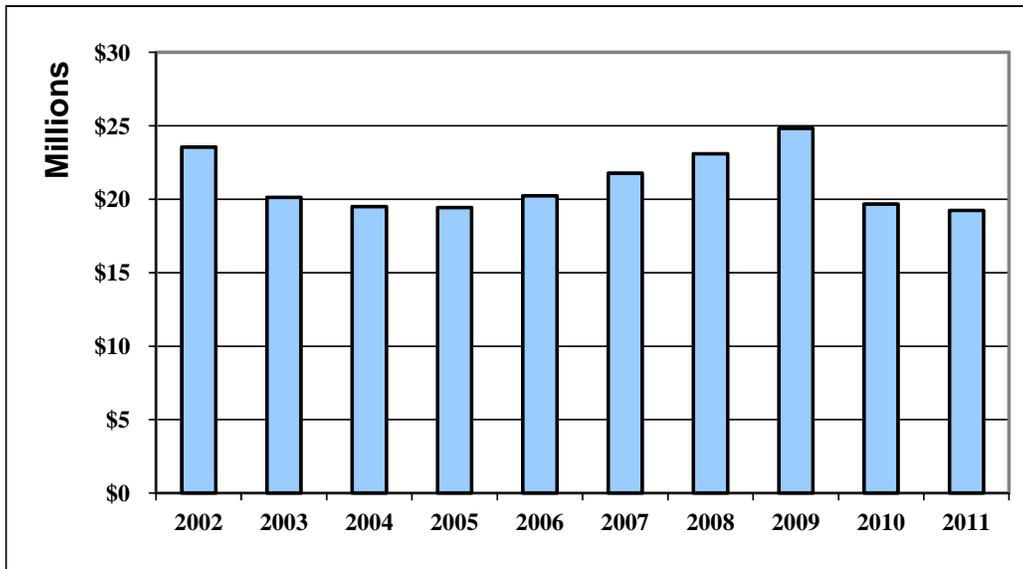
* Other includes Area Sources, Penalties and Settlements, Interest, Source Test/Analysis Fees, Lease Revenue, Hearing Board, Other Revenue and Subscriptions.

See Notes Associated with Financial Charts page 105.

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
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
2010	19,663,671
2011	19,246,061

See Notes Associated with Financial Charts page 106.

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 2011 expenditures from 2010 is mainly due to the increase in expenditures for Contract and Special Services.
- The increase in 2010 Salaries & Benefits expenditures from 2009 is mainly due to the hiring of vacant FTEs and rising retirement costs.
- 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 railroad litigation.
- In 2007 the increase in Capitals 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.

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

- The increase in 2011 expenditures from 2010 is mainly due to the increase in Contract and Special Services.
- The increase in 2010 expenditures from 2009 is mainly due to the hiring of vacant FTEs and rising retirement costs. In addition, Capital Outlays expenditures decreased due to asset retirements.
- 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 railroad 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.

Schedule 8 - Revenues by Major Source (General Fund)

- In 2011 the decrease in the Stationary Sources and Mobile Sources revenues are mainly due to the decrease in all the fee source revenues.
- The decrease in 2010 revenue is attributable to the economic downturn and declining emissions; however, the overall decline is mitigated by several large, unanticipated one time penalties/settlements.
- The increase in 2009 General Revenue reflects the fact that the number and magnitude of penalties and settlements can vary from year to year.
- 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.

Schedule 9 - Revenues by Fee Source (General Fund)

- The decrease in 2011 revenue from 2010 is mainly due to the decreases in Mobile Source revenue and Penalties and Settlements revenue.
- In 2010, all fee source revenues declined. The increase in Grants/Subventions revenue is attributable to a full year of administrative cost reimbursement for Prop 1B.
- 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

- In 2010, Emission Fees decreased as a result of reduced emissions at major refineries and large facilities.
- 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 2010-2011			FY 2000-2001		
	Payment	Rank	% of Total Emission Fee	Payment	Rank	% of Total Emission Fee
Exxon Mobil Corporation (Formerly Mobil Oil Corporation)	\$2,024,320	1	10.5%	\$1,325,573	4	6.2%
BP West Coast Products (Formerly ARCO Products)*	1,834,352	2	9.5%	2,074,584	2	9.7%
Chevron Products	1,617,711	3	8.4%	2,202,124	1	10.3%
Tesoro Refining and Marketing (Formerly Equilon)	1,233,582	4	6.4%	1,399,224	3	6.5%
Conoco Phillips Company/Colton Terminal (Formerly Tosco Refining Co)*	845,692	5	4.4%	1,014,735	6	4.7%
Conoco Phillips Company (Formerly Tosco Refining Co)*	563,323	6	2.9%	724,239	8	3.4%
Ultramar Incorporated	507,048	7	2.6%	735,812	7	3.4%
Rhodia Incorporated	321,719	8	1.7%			
BP West Coast Products (Formerly ARCO CQC Kiln)*	318,550	9	1.7%	338,020	15	1.6%
City of Long Beach, SERRF Project	244,633	10	1.3%			
Anheuser-Busch Incorporated	206,877	11	1.1%			
Mountainview Generating Station	194,975	12	1.0%			
LA County Sanitation District	172,433	13	0.9%			
Southern California Gas Company	165,732	14	0.9%			
Colmac Energy	162,331	15	0.8%			
Dart Container Corp of California	150,748	16	0.8%			
Paramount Petroleum	140,528	17	0.7%			
TIN Inc., Temple-Inland DBA	128,592	18	0.7%			
Inland Empire Energy Center, LLC	124,948	19	0.6%			
Pacific Energy Resources, Ltd.	119,698	20	0.6%			
AES Alamitos LLC				1,042,338	5	4.9%
Reliant Energy Etiwanda, LLC				587,406	9	2.7%
California Portland Cement Company				504,116	10	2.4%
El Segundo Power, LLC				448,858	11	2.1%
AES Redondo Beach, LLC				438,912	12	2.0%
AES Huntington Beach, LLC				425,078	13	2.0%
City of Los Angeles DWP*				395,831	14	1.8%
City of Los Angeles DWP*				316,357	16	1.5%
Long Beach Generation, LLC				230,282	17	1.1%
Southern California Edison Company				219,960	18	1.0%
TABC, Inc				217,427	19	1.0%
Tomkins Industries - Lasco Products Group				213,341	20	1.0%
Total Paid by Largest Payers at a Single Location	<u>\$ 11,077,792</u>		57.6%	<u>\$ 14,854,217</u>		69.3%
Total Emissions Based Fees Paid by All Emitters	<u>\$ 19,246,061</u>			<u>\$ 21,445,373</u>		

*Located at separate sites.

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

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

Measuring 4,084 square miles, *Los Angeles County* is one of the nation's largest counties. It is the most populated county in the state of California and contains the most populated city in the state, the City of Los Angeles. Before World War II, Los Angeles County was one of the nation's foremost agricultural producers. As agricultural production declined, the economy has evolved into diverse areas that include trade, transportation, and utilities, government, educational and health services, professional and business services, and manufacturing. Tourism and entertainment as well as international trade also play a vital role in the county's economy. The county is home to the twin seaports of Los Angeles and Long Beach, together the nation's largest, as well as the single largest fixed source of air pollution in the region. The two ports are responsible for more smog-forming nitrogen oxide emissions than 6 million cars.

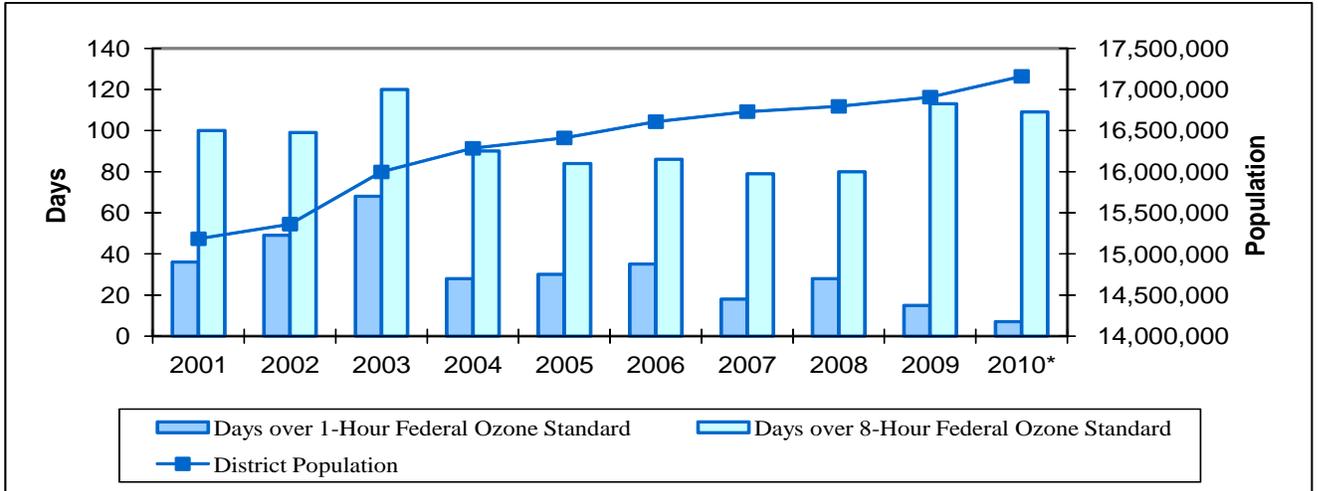
Orange County is the second most populated county in the state and lies south of Los Angeles County. When created in 1889, Orange County was named for its abundance of orange groves and thriving agricultural industry. Today, the largest industry employers are trade, transportation, and utilities, professional 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 2.2 million in 2010 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
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
2009	15	113	16,906,456
2010*	7	109	17,159,023

Notes:

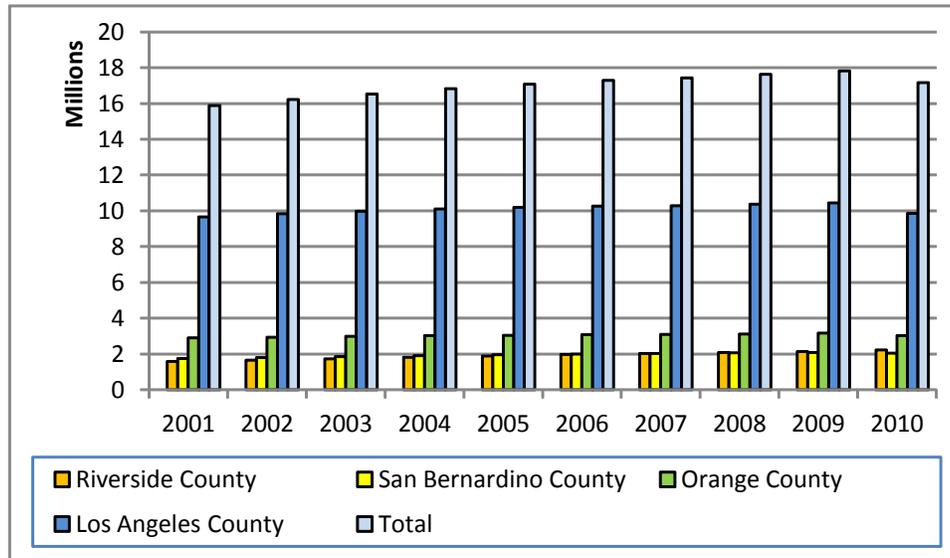
- The average number of days in the Basin exceeding the federal standard over the three-year period of 1999-01 decreased by 80% for ozone and by 97% for carbon monoxide from the 1976-78 period.
- The average number of days in the Basin exceeding the federal PM10 standard decreased by 86% between the 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

(*) For 2010, using the Four-County Area Population.

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

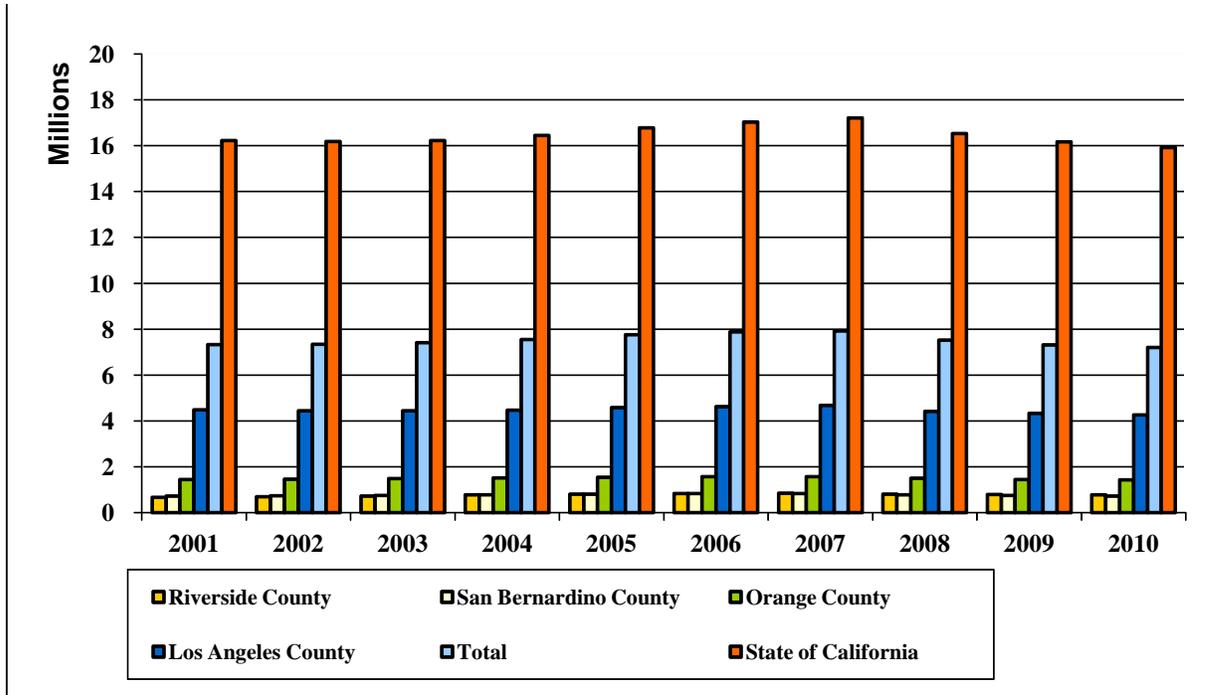


Year	Riverside County	San Bernardino County	Orange County	Los Angeles County	Total	% Increase
2001	1,590,000	1,746,800	2,891,300	9,663,500	15,891,600	2.18%
2002	1,653,500	1,793,300	2,941,100	9,829,700	16,217,600	2.05%
2003	1,725,900	1,842,300	2,984,300	9,980,200	16,532,700	1.94%
2004	1,805,500	1,896,200	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%
2009	2,139,535	2,073,149	3,166,461	10,441,080	17,820,225	1.08%
2010	2,217,778	2,052,397	3,029,859	9,858,989	17,159,023	-3.71%

* The SCAQMD encompasses all of Orange County and parts of the Los Angeles, Riverside, and San Bernardino Counties, representing over 17.2 million residents.

Source:
 California Department of Finance - Demographic Research Unit

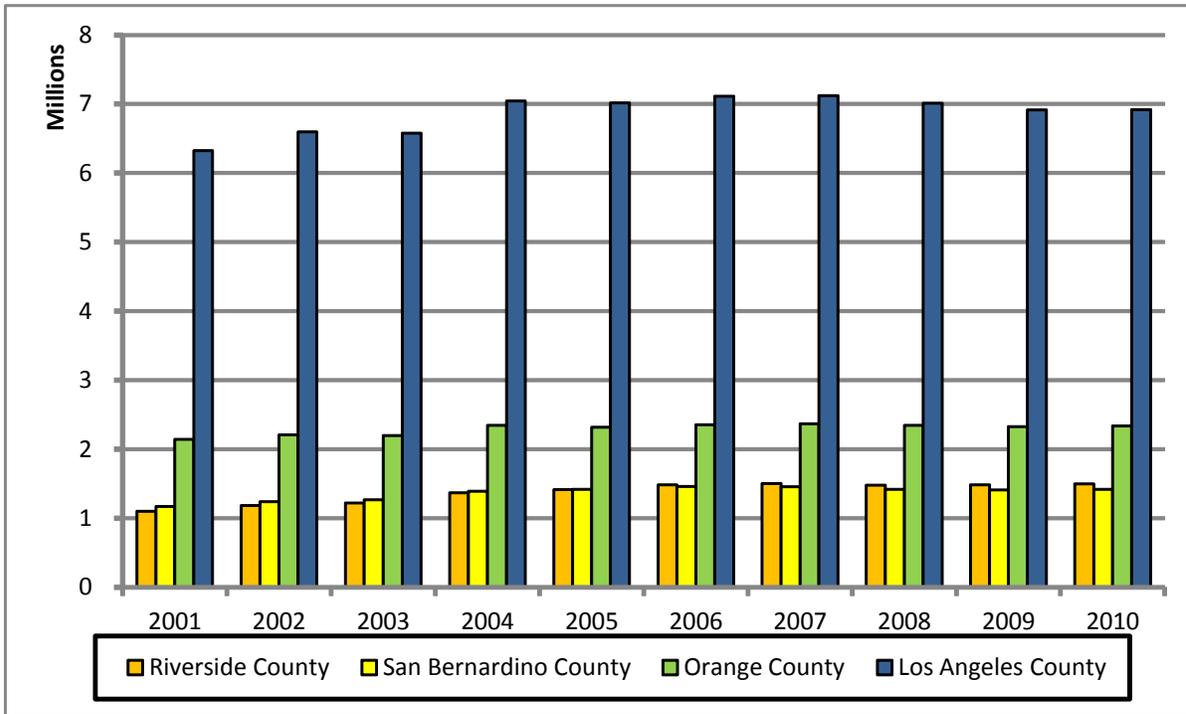
SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
Schedule 14
Los Angeles, Orange, Riverside, San Bernardino
Counties, and State of California Civilian Employment
Last Ten Calendar Years



Year	Riverside County	San Bernardino County	Orange County	Los Angeles County	Total	State of California
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
2009	790,000	751,600	1,451,000	4,328,600	7,321,200	16,163,900
2010	779,500	733,800	1,429,700	4,262,300	7,205,300	15,916,300

Source:
State of California: Employment Development Department

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
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
2009	1,480,616	1,410,411	2,327,428	6,913,586	12,132,041
2010	1,497,595	1,417,354	2,337,837	6,920,671	12,173,457

* The AQMD encompasses all of Orange County, and parts of Los Angeles, Riverside, and San Bernardino Counties.

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>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
FUNCTION:										
Executive Office	9	8	11	11	11	10	10	9	10	10
Clerk of the Boards	6	5	6	6	6	6	6	5	6	6
District Counsel	10	11	10	10	10	10	11	13	13	12
District Prosecutor	22	23	23	22	21	20	19	19	19	20
Finance	45	46	44	45	43	43	44	44	45	43
Administrative & Human Resources	37	37	34	34	34	35	36	37	36	34
Information Management	46	48	47	45	45	48	50	49	48	49
Planning, Rule Development & Area Sources	99	116	116	110	108	109	102	108	105	103
Legislative and Public Affairs	52	42	36	34	36	35	37	42	42	40
Science & Technology	142	141	136	132	136	145	151	160	156	146
Engineering & Compliance	303	295	289	284	293	289	304	310	299	300
Total	<u>771</u>	<u>772</u>	<u>752</u>	<u>733</u>	<u>743</u>	<u>750</u>	<u>770</u>	<u>796</u>	<u>779</u>	<u>763</u>

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

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

<u>Program Category</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Advance Clean Air Technology									
Contracts awarded	411	211	263	180	304	295	292	530	526
Total Funding awarded	\$ 74,782,923	\$ 36,644,126	\$ 54,723,323	\$ 79,893,504	\$ 133,603,750	\$ 91,309,725	\$ 89,421,125	\$ 180,669,515	\$ 131,399,287
Ensure Compliance with Clean Air Rules									
Inspections	50,868	48,898	45,702	35,161	35,039	33,742	40,558	33,735	33,560
Notices of Violations	3,558	2,408	2,412	1,759	1,407	1,321	1,908	1,530	1,254
Hearing Board Orders for Abatement	74	58	81	61	49	30	36	35	47
Hearing Board Appeals	12	18	23	12	12	22	19	20	2
Customer Service									
Public Information Requests	7,257	5,555	5,477	4,956	4,651	3,528	4,962	3,821	3,410
Community/Public Meetings attended	84	53	92	118	182	145	198	202	190
Small Business Assistance Contacts	1,826	3,979	3,641	1,812	2,289	2,680	2,662	2,578	2,497
Develop Programs to Achieve Clean Air									
Transportation Plans processed	1,323	1,316	1,402	1,426	1,502	1,534	1,412	1,372	1,385
Emission Inventory Updates	289	126	359	229	284	439	586	703	521
Develop Rules to Achieve Clean Air									
Rules Developed	29	38	59	35	24	29	32	15	40
Monitoring Air Quality									
Samples Analyzed by the Laboratory	24,186	26,618	34,174	37,889	14,683	31,530	25,400	29,685	28,915
Source Testing Analyses/Evaluations/Reviews	649	752	706	598	830	794	718	740	1,030
Timely Review of Permits									
Applications Processed	10,925	10,406	11,459	9,747	9,481	9,599	11,564	9,627	13,044
Applications Received-Small Business	-	-	-	-	-	-	627	694	798
Applications Received-All Others	10,138	10,431	10,996	9,222	8,261	9,297	10,954	10,941	10,769
Policy Support									
News releases	28	41	34	48	44	51	76	69	64
Media Calls	1,350	1,300	1,400	n/a	643	684	334	313	252
Media Inquiries Completed	n/a	n/a	n/a	268	604	684	334	313	252

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<u>Function/Program</u>					
Ensure Compliance with Clean Air Rules					
Number of vehicles assigned to field inspection	121	120	135	125	127
Monitoring Air Quality					
Number of air monitoring stations	35	35	37	43	43
Number of air monitoring instruments installed in the air monitoring stations to measure air quality	259	259	267	283	283

South Coast Air Quality Management District

Demographic and Miscellaneous Statistics

<u>Established:</u>	February 1, 1977
<u>Area Covered:</u>	10,743 Square Miles
<u>Counties Included in District:</u>	All of Orange County and parts of Los Angeles, Riverside, and San Bernardino Counties
<u>Population:</u>	17,159,023 (In 2010)*
<u>Average Unemployment Rate:</u>	Los Angeles County (12.6%), Orange (9.6%), Riverside (14.7%), and San Bernardino (14.2%) counties (In 2010)
<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>	12,173,457 (In 2010)
<u>Average Daily Miles Traveled Per Vehicle:</u>	30 (CY 2010 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>	27,535 operating locations with 75,314 permits.
<u>Number of Air Monitoring Stations:</u>	43
<u>Full-time Authorized Positions:</u>	817
<u>Adopted FY 2011-12 Budget:</u>	\$131,766,179
<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.

(*) For 2010, using the Four-County Area Population; State Subvention Guidance Package not received.

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.
- **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.
- **2009** Release of the nation's first fully featured Smartphone application for a wide range of air quality information. Real-time communications technology allows AQMD to keep its constituents updated with the latest air quality information and access to a variety of tools.



SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

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