

**SACRAMENTO METROPOLITAN AIR  
QUALITY MANAGEMENT DISTRICT**

**SACRAMENTO, CALIFORNIA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2011**

**PREPARED BY:  
FISCAL DIVISION**

# SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

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## **INTRODUCTORY SECTION**

January 18, 2012

Chairman, Governing Board and Citizens  
Of the Sacramento Metropolitan Air Quality Management District

State law requires that local governments publish 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 Sacramento Metropolitan Air Quality Management District (the District), Sacramento, California. Management assumes full responsibility for the completeness and reliability of all of the information presented in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The District's financial statements have been audited by James Marta & Company, Certified Public Accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the District 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 the District financial statements for the fiscal year ended June 30, 2011 are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor's report is located at the front of the financial section of this report.

The independent audit of the financial statements of the District 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 included in the Schedule of Expenditures of Federal Awards section.

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. The MD&A complements this letter of transmittal and should be read in conjunction with it.

## ***Profile of the Sacramento Metropolitan Air Quality Management District***

The Sacramento Air Pollution Control District was formed by the Sacramento County Board of Supervisors in December of 1959. In July of 1996 the Sacramento Metropolitan Air Quality Management District was created under Health and Safety Code Sections 40960 et. seq. to monitor, promote and improve air quality in the County of Sacramento. It is one of 35 local or regional air quality districts in California. It is part of the Sacramento Federal Nonattainment Area (SFNA), which is comprised of all of Sacramento and Yolo Counties, the eastern portion of Solano County, the southern portion of Sutter County and the western slopes of El Dorado and Placer Counties up to the Sierra crest and includes four other local air districts.

The District Governing Board is composed of 14 members, including all five Sacramento County Supervisors, four members of the Sacramento City Council, one member each from the Cities of Citrus Heights, Elk Grove, Folsom and Rancho Cordova, and one member representing the cities of Galt and Isleton. The Board appoints the agency's Executive Officer and District Counsel.

In spite of a huge increase in population over the last two decades, the Sacramento region's air quality has continued to improve. Although we're still home to some of the worst air quality in the nation, progress has been made even as standards have tightened. Air quality in the SFNA currently does not meet the federal health standards for ozone and PM2.5 as well as the more stringent California standards for ozone and particulate matter (PM10 and PM2.5).

A combination of poor atmospheric ventilation, a capping temperature inversion, bordering mountains and sunny days act to enhance smog formation and effectively trap pollutants in the Basin.

The Sacramento region has relatively few "smokestack" industries compared to the Bay Area and Southern California. Even if we were to shut down all of these stationary sources, it's unlikely that we could meet air quality standards, particularly the tougher state standards.

Mobile sources include the cars and trucks we drive, delivery vehicles and big rigs. It also includes "off-road" sources, such as construction, mining, and agricultural equipment. In 2011, these mobile sources are estimated to contribute about 53% of our Volatile Organic Compounds (VOC) and 84% of our Oxides of Nitrogen (NOx) emissions, while stationary (industrial) sources contribute about 17% of our VOC emissions and 12% of our NOx emissions. State and federal regulations will help to reduce the impact of motor vehicle fuel and engine emissions on our air quality in the future, but as growth in our region brings more vehicles in, mobile sources will continue to be a major factor in our air quality problem.

The District is responsible for monitoring air pollution within the Basin and for developing and administering programs to reduce air pollution levels below the health-based standards established by the state and federal governments.

The annual budget serves as the foundation for the District's financial planning and control. The Governing Board is required to adopt an annual budget by July 1 of each fiscal year. Budgets are adopted on a budgetary basis that includes encumbrances and 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.

The District maintains budgetary controls through both signature authority and automated budget verification. The objective of these controls is to ensure compliance with the annual appropriated budget approved by the Governing Board. The District maintains an accounting system of purchase requests and contracts at the fund level as a means of accomplishing budgetary control.

Open requests and contracts are reported as a reservation of fund balance at the end of the fiscal year. Purchase requests and contracts are reviewed to ensure that funds are available and that requests are properly authorized prior to being released or executed.

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

### ***Factors Affecting Financial Condition***

The District does not receive property tax support. Approximately 26% of its funding is derived from fees paid by stationary sources that emit air pollution; 24% from auto registration fees collected by the Department of Motor Vehicles and distributed to air districts throughout the state in support of motor vehicle emission reduction programs; 42% from federal and state grants and subventions, 5% from sales tax; and the remainder from general revenues such as, lease revenue and interest earnings.

To meet its program commitments, despite increased workload complexity, the District has successfully streamlined many of its operations, reducing the cost of its programs. While the District does not recover its activity costs fully from fees, support in the form of state subvention, federal grants, and other revenues offset much of the shortfall.

In fiscal year 2010-11, the employer contribution rates to our pension system increased slightly due primarily to a smoothing of losses and gains introduced by CalPers. The stock market downturn may cause District contributions in the CalPers Retirement program to be increased over the next several years.

The current economic downturn has had some effect on the district funding stream. Anticipated sales tax revenues from Measure A may increase slightly as the economic recovery takes hold. There is some uncertainty that funding streams from the State of California will continue at the same level pending the outcome of the State budget for the current fiscal year and the upcoming fiscal year.

To counter these potential negative impacts on the District funding stream, management has initiated a five-year financial program that has evaluated the potential internal, external and programmatic changes that can be implemented over the next fiscal year and beyond. The potential changes range from internal cost cutting enhancements to changes that will require state and federal legislative changes. All ideas are currently being evaluated and a plan will be recommended as part of the 2011-2012 budget.

## ***Long-term Financial Planning***

The District engaged the accounting firm of KPMG to conduct a fee study. The fee study determined that stationary source permit and fee revenue is insufficient to support the related program activities. The final fee study report indicated that a stationary source fee increase is overdue and should be presented to the Board with the next budget process. The District has taken steps to mitigate the “color of money” issue highlighted in the fee study. The current state and national economic situation will make near-term increases difficult, but it is important that a program be put in place looking out several years. There is a permit fee COLA designed to help keep pace with rising costs and needs to be implemented annually.

The District plans to hold expenditures at current levels into the next several years. As the economy improves and District revenues increase the long term financial plans will be reevaluated.

## ***Relevant Financial Policies***

### ***Cash Management***

The County of Sacramento provides treasury management services to the District. Cash resources of the individual District funds are invested as part of Sacramento County's Pooled Investment Portfolio. Investments are consistent with state adopted investment policy, with the majority of the maturities under one year. The investment policy authorizes investments in United States treasury bills, bonds and notes, obligations issued by agencies of the United States Government, bankers acceptances, commercial paper, medium term notes, certificates of deposit, and the State's Local Agency Investment Fund.

The District's portfolio at June 30, 2011 is \$48,360,238.

The District Governing Board annually reviews and approves the Sacramento County pooled investment fund policies. Monthly investment reports are reviewed by the District Accountant/Controller. The primary objective of the AQMD is to ensure money in the pooled investment fund not required for the immediate needs of AQMD is prudently invested to preserve principal and provide necessary liquidity, while earning a market average rate of return.

### ***Risk Management***

The District manages its risks of property and liability losses through commercial insurance. Commercial insurance coverage is obtained thru the Special District Risk Management Association (SDRMA). Policy coverage and limits are detailed in the notes to the financial statements.

### ***Pension Benefits***

The District provides its full-time employee's retirement and disability benefits, annual cost of living adjustments and death benefits to members and their beneficiaries through CalPers. The District does not have safety employees. The District does provide postretirement health care benefits. The District has prefunded the OPEB in a CALPERS trust.



## ***Major Initiatives***

During the next year, the AQMD will continue to work toward meeting non-attainment goals for ozone. Reducing ozone pollution will remain an important and core program of the District and region for many years. Moreover, the District was recently designated non-attainment for the new federal NAAQS for PM 2.5. While this is a significant challenge, controlling pollution from wood smoke on key days in the fall and winter appears to be an effective strategy to meet the new standard.

A major effort will continue with our local partners (cities, counties, SACOG) in responding to Climate Change as an issue, and specifically to regulatory and legislative changes that come our way. We are also working in partnership with other Air Districts through CAPCOA, with the Air Resources Board, and nationally with the National Association of Clean Air Agencies to ensure that local communities have the ability to shape their local response to climate change within the context of their local economic, structural and political framework. Moreover, it is important that state and federal agencies provide resources to local communities to help with inventories and planning to respond to this critical issue. The District must also ensure that climate change regulatory and incentive efforts are supportive of our long-term criteria pollutant mission and that public health is not adversely impacted by otherwise well-meaning global warming initiatives.

## ***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 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 and management staff of the Administration Program. These members have our sincere appreciation for the contribution made in the preparation of this report.

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

Respectfully submitted,



Larry Greene



Michael Sinkevich CPA

Executive Director

District Accountant/Controller

**SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT**

**GOVERNING BOARD**

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**SACRAMENTO COUNTY BOARD OF SUPERVISORS**

**PHIL SERNA**  
VICE CHAIR OF THE AQMD

**JIMMIE YEE**

**SUSAN PETERS**

**ROBERTA MACGLASHAN**

**DON NOTTOLI**

**COUNCIL MEMBERS**

**STEVE COHN**  
CITY OF SACRAMENTO

**JAY SCHENIRER**  
CITY OF SACRAMENTO

**ROBERT KING FONG**  
CITY OF SACRAMENTO

**SANDY SHEEDY**  
CITY OF SACRAMENTO

**DR. JAYNA KARPINSKI-COSTA**  
CHAIR OF THE AQMD  
CITY OF CITRUS HEIGHTS

**SOPHIA SCHERMAN**  
CITY OF ELK GROVE

**JEFF STARKY**  
CITY OF FOLSOM

**BARBARA PAYNE**  
CITY OF GALT

**ROBERT MCGARVEY**  
CITY OF RANCHO CORDOVA

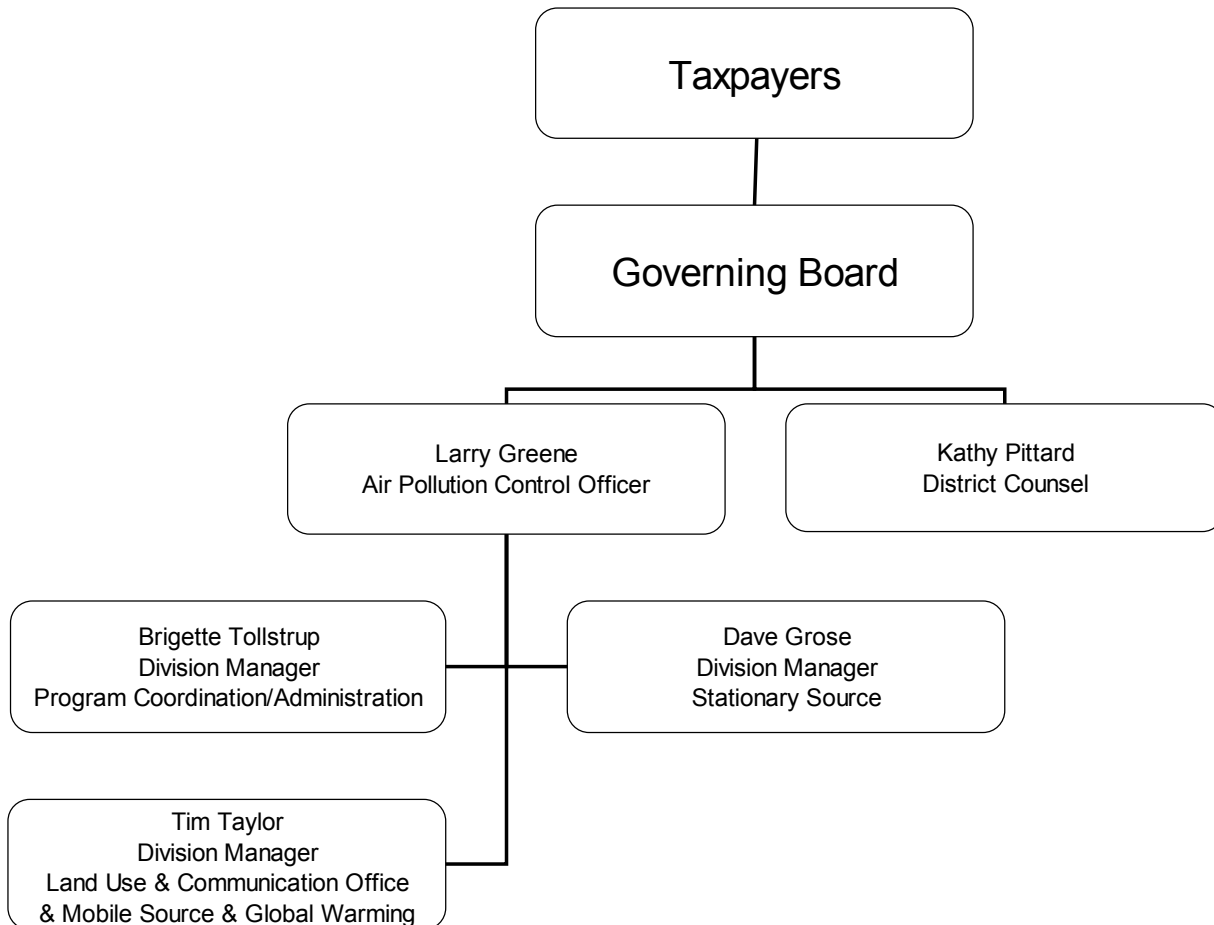
**EXECUTIVE DIRECTOR**

**LARRY GREENE**

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

ORGANIZATION CHART

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# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Sacramento Metropolitan  
Air Quality Management District  
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.



*Linda C. Davison*

President

*Jeffrey R. Enos*

Executive Director

## **FINANCIAL SECTION**



**James Marta & Company**  
*Certified Public Accountants*

*Accounting, Auditing, Consulting, and Tax*

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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Sacramento Metropolitan Air Quality Management District  
Sacramento, California 95814

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the proprietary fund for Sacramento Metropolitan Air Quality Management District (the "District"), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Sacramento Metropolitan Air Quality Management District's management. Our responsibility is to express an opinion 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 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, each major fund and the proprietary fund of the Sacramento Metropolitan Air Quality Management District as of June 30, 2011, and the respective changes in financial position and, where applicable, its 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 our report dated January 18, 2012, on our consideration of the District'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.

Management's Discussion and Analysis, the Schedule of Revenues, Expenditures, and Changes in Fund Balances General Fund – Budget and Actual, the Schedule of Revenues, Expenditures and Changes in Fund Balance Emission Technology Fund – Budget and Actual, and the Schedule of Funding Progress on pages 3 through 9 and 37 through 39 are not required parts of the 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 an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying "Schedule of Expenditures of Federal Awards," is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular *A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of Sacramento Metropolitan Air Quality Management District. It has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole. The introductory section and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. They have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

A handwritten signature in black ink that reads "James Marta & Company". The signature is written in a cursive, flowing style.

James Marta & Company  
Certified Public Accountants  
January 18, 2012



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

# SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

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As management of the Sacramento Metropolitan Air Quality Management District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2011. Please read it in conjunction with the accompanying transmittal letter, the basic financials statements, and the accompanying notes to those financial statements.

### A. Financial Highlights

- The assets of the District exceeded its liabilities by \$22,798,051 (*net assets*). Of this amount \$8,636,476 (*unassigned net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The District's total net assets decreased \$607,567 resulting from a decrease in incentive funding from the state of California.
- As of the close of the current fiscal year, the District's governmental funds reported an ending fund balance of \$21,675,987 a decrease of \$560,536 in comparison with the prior year resulting from a decrease in incentive funding from the state of California. Of this amount \$9,477,625 is *available for spending* at the government's discretion (*unassigned fund balance*).
- The District did not increase debt during the current fiscal year.

### B. Overview of Financial Statements

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

#### Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as an indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information showing how the District'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, revenue 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.

# SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

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Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes, grants and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the District include air pollution rule development and enforcement, public outreach, incentive programs, and various other air quality management activities. The business-type activities of the District include management and leasing of a building the District owns and occupies.

The government-wide financial statements can be found on pages 11-12 of this report.

### **Fund Financial Statements**

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

#### ***Governmental funds.***

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating government'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 the government's near-term financing decisions. Both of the Governmental Fund Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District adopts an annual appropriated budget for its general fund and Emission Technology Fund. A budgetary comparison statement has been provided for these funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 13-16.

#### ***Proprietary fund***

The District maintains a proprietary fund for the operation and maintenance of the headquarters building. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District's Proprietary Fund Financial Statements for the District's building and rental activities can be found on pages 17-19 of this report.

**SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2011**

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 19-36 of this report

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's final budget to actual comparison. Required supplementary information can be found on page 37-39.

**C. Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$22,798,051 at the close of the most recent fiscal year. The schedule below presents a condensed Statement of Net Assets as of June 30, 2011 compared with the prior fiscal year.

**SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT'S NET ASSETS  
(in thousands)**

|                          | <u>Governmental</u> |                  | <u>Business-Type</u> |                 | <u>Total</u>     |                  |
|--------------------------|---------------------|------------------|----------------------|-----------------|------------------|------------------|
|                          | <u>Activities</u>   |                  | <u>Activities</u>    |                 |                  |                  |
|                          | <u>2010</u>         | <u>2011</u>      | <u>2010</u>          | <u>2011</u>     | <u>2010</u>      | <u>2011</u>      |
| Current and other assets | \$ 37,917           | \$ 49,732        | \$ 1,024             | \$ 808          | \$ 38,941        | \$ 50,540        |
| Capital Assets           | 447                 | 328              | 5,230                | 5,355           | 5,677            | 5,683            |
| Total Assets             | <u>38,364</u>       | <u>50,060</u>    | <u>6,254</u>         | <u>6,163</u>    | <u>44,618</u>    | <u>56,223</u>    |
| Current liabilities      | 16,068              | 28,882           | 197                  | 218             | 16,265           | 29,100           |
| Non-current liabilities  | 451                 | 15               | 4,496                | 4,309           | 4,947            | 4,324            |
| Total Liabilities        | <u>16,519</u>       | <u>28,897</u>    | <u>4,693</u>         | <u>4,527</u>    | <u>21,212</u>    | <u>33,424</u>    |
| Net Assets:              |                     |                  |                      |                 |                  |                  |
| Total net assets         | <u>\$ 21,845</u>    | <u>\$ 21,163</u> | <u>\$ 1,561</u>      | <u>\$ 1,636</u> | <u>\$ 23,406</u> | <u>\$ 22,799</u> |

The largest portion of the District's net assets (42%) represents resources that are subject to external restrictions on how they may be used. These funds are restricted to expenditures for specific purposes. Approximately 3% of the District's net assets reflect its investment in capital assets used by the District (e.g. land, buildings, and equipment) less any related debt used to acquire those assets that is still outstanding.

# SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

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The remaining portion of the District's net assets (41%) is unrestricted which may be used to meet the District's ongoing operations and obligations to creditors. At the end of the current fiscal year, the District is able to report positive balances for both categories of net assets, the government as a whole, as well as for its separate government and business-type activities. The same situation held true for the prior fiscal year.

There was an increase of \$296,240 in the Net Assets Invested in Capital Assets, net of related debt for the business-type activities. This increase is due to continuing the scheduled payments on the bonds used to finance the District's building and facilities upgrades to the District's building.

There was a decrease of \$228,017 in the Unrestricted Net Assets for the business-type activities. This decrease is due to tenant improvements to the District building required by new lease, additional space used by the District and a one-time decrease in District rent.

The government's net assets decreased by \$682,513 during the current fiscal year; the decrease is a result of a decrease in earned incentive funding for engine retrofits.

### **Governmental Activities**

Governmental activities decreased the District's net assets by \$682,513 thereby accounting for 100 percent of the total decrease in the net assets of the District. Key elements of this decrease are presented in the schedule on the following page.

**SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2011**

The following schedule shows revenues by major source, expenses by function and changes in net assets for the fiscal years ended June 30, 2010 and June 30, 2011.

**Sacramento Metropolitan Air Quality Management District's Changes in Net Assets  
(in thousands)**

|                                     | <u>Governmental</u> |                  | <u>Business –Type</u> |                 | <u>TOTAL</u>     |                  |
|-------------------------------------|---------------------|------------------|-----------------------|-----------------|------------------|------------------|
|                                     | <u>2010</u>         | <u>2011</u>      | <u>2010</u>           | <u>2011</u>     | <u>2010</u>      | <u>2011</u>      |
| Revenues:                           |                     |                  |                       |                 |                  |                  |
| Program Revenues:                   |                     |                  |                       |                 |                  |                  |
| Charges for Services                | \$ 5,596            | \$ 6,482         | \$ 949                | \$ 807          | \$ 6,545         | \$ 7,289         |
| Operating Grants and Contributions  | 18,807              | 12,385           | -                     | -               | 18,807           | 12,385           |
| General Revenues:                   |                     |                  |                       |                 |                  |                  |
| Grants subventions                  | 5,685               | 5,697            | -                     | -               | 5,685            | 5,697            |
| Interest                            | 268                 | 230              | 31                    | 28              | 299              | 258              |
| Penalties/Settlements               | 702                 | 530              | -                     | -               | 702              | 530              |
| Total Revenues                      | <u>31,058</u>       | <u>25,324</u>    | <u>980</u>            | <u>835</u>      | <u>32,038</u>    | <u>26,159</u>    |
| Expenses:                           |                     |                  |                       |                 |                  |                  |
| Stationary Source activities        | 6,133               | 5,824            | -                     | -               | 6,133            | 5,824            |
| Mobile Source activities            | 13,096              | 12,208           | -                     | -               | 13,096           | 12,208           |
| Program Coordination activities     | 4,347               | 4,286            | -                     | -               | 4,347            | 4,286            |
| Strategic Planning activities       | 4,049               | 3,548            | -                     | -               | 4,049            | 3,548            |
| Building operations and obligations | -                   | -                | 739                   | 760             | 739              | 760              |
| Depreciation                        | 166                 | 141              | -                     | -               | 166              | 141              |
| Total Expenses                      | <u>27,791</u>       | <u>26,007</u>    | <u>739</u>            | <u>760</u>      | <u>28,530</u>    | <u>26,767</u>    |
| Increase (decrease) in Net Assets   | 3,267               | (683)            | 241                   | 75              | 3,508            | (608)            |
| Net Assets, Beginning               | <u>18,578</u>       | <u>21,845</u>    | <u>1,320</u>          | <u>1,561</u>    | <u>19,898</u>    | <u>23,406</u>    |
| Net Assets, Ending                  | <u>\$ 21,845</u>    | <u>\$ 21,162</u> | <u>\$ 1,561</u>       | <u>\$ 1,636</u> | <u>\$ 23,406</u> | <u>\$ 22,798</u> |

**Business-type activities**

Business-type activities increased the District's net assets by \$74,946. Key elements of this increase are as follows:

- Operating income from the building was \$807,106. This was a \$141,836 decrease from the prior year due to a one-time decrease of \$150,000 in District rent. Expenses increased \$27,200 over prior year. The District renegotiated a lease with one tenant decreasing their leased space and the District used a larger portion of the building.
- Building debt decreased \$175,000.

# SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

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### D. Financial Analysis of the Government's Funds

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

#### *Governmental Funds*

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

As of the end of the current fiscal year, the District's governmental funds reported an ending fund balance of \$21,675,987 a decrease of \$560,536 from the prior year. This decrease is due to a reduction of incentive funding received in the emission technology fund. Approximately 44% of this total amount \$9,477,625 constitutes *unassigned fund balance*, which is available for spending at the District's discretion. The remainder of fund balance is restricted or assigned to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period, 2) for a variety of other restricted purposes.

#### *Proprietary Funds*

The District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the proprietary fund at the end of the year were \$762,937. The total growth in net assets was \$74,946. Other factors concerning the finances of the proprietary fund have already been addressed in the discussion of the District's business-type activities.

### E. General Fund Budgetary Highlights

Over the course of the fiscal year, the District's budget was not amended.

For FY 2011, realized revenues were \$568,345 less than budgeted revenues, which is a variance of less than 4% from budgeted amounts. The District has various grants that are reimbursed as expended. If these grants are not expended in the current period they are carried forward. The District also receives incentive funds from various programs outside of state subventions.

Expenditures were \$2,718,588 less than budgeted. The majority of savings comes from unexpended contracts. The savings and associated costs are carried over into the next budget cycle and rebudgeted.

# SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

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### **F. Capital Assets and Debt Administration**

#### **Capital Assets**

The District's investment in capital assets for its governmental activities and business-type activities as of June 30, 2011 amounts to \$5,084,149 (net of accumulated depreciation). This investment in capital assets includes land, building, office equipment, laboratory equipment, and air monitoring stations. The total investment in capital assets for the current fiscal year was \$20,789 in the Governmental Funds and \$294,030 in Business-Type activities.

The increase in the capital assets reflects upgrades and maintenance to the District's monitoring stations, IT systems, and building.

Additional information on capital assets can be found in the Notes to the Financial Statements on page in Note 1 to the Basic Financial Statements, Letter H on page 22 and in Note 6 on page 28.

#### **Long-term Debt**

At the end of the current fiscal year, the District had outstanding bonds secured by the District's office building. Total debt outstanding as of June 30, 2011 was \$4,445,000.

Additional information on the District's long-term debt can be found in Note 1 to the Basic Financial Statements, Letter K on page 23 and Note 7 on page 29 of this report.

### **G. Economic Factors and Next Year's Budgets and Rates**

For the fiscal year (FY) 2011-12 the general revenue and expenditure budget showed a decrease of 20 percent compared to the FY 2010-11 budget. This decrease is attributable to a 5 percent reduction in District salaries and benefits and a 21 percent reduction in services and supplies. Budgeted Emission technology funds increased 11 percent. There was several new emission technology programs created that added to this increase. Most of these funds are provided through the state of California and are for incentive programs.

For the year ended June 30, 2011 there are no foreseeable economic or political conditions that would have a material effect on the financial position of the District. Although there has been a substantial economic downturn in Sacramento County, the District does not receive property tax monies and the sales tax monies received are only 6 percent of the total budget. Permits and fees are not projected to decrease materially.

#### **Requests for Information**

This financial report is designed to provide a general overview of the District's finances for readers of the financial statements. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

J. Michael Sinkevich, District Accountant/Controller  
Sacramento Metropolitan Air Quality Management District  
777-12<sup>th</sup> Street 3rd Floor, Sacramento, CA 95814.



## **BASIC FINANCIAL STATEMENTS**

**SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT**

**STATEMENT OF NET ASSETS**

**JUNE 30, 2011**

|   | Primary Government         |                             |                      |
|---|----------------------------|-----------------------------|----------------------|
|   | Governmental<br>Activities | Business-type<br>Activities | Total                |
| <u>Assets</u>   |                            |                             |                      |
| Current assets:   |                            |                             |                      |
| Cash and cash equivalents                                     | \$ 47,555,267              | \$ 804,971                  | \$ 48,360,238        |
| Receivables   | 2,014,786                  | 2,218                       | 2,017,004            |
| Prepaid expenses  | 161,877                    | 582                         | 162,459              |
| Total current assets:   | <u>49,731,930</u>          | <u>807,771</u>              | <u>50,539,701</u>    |
| Noncurrent assets:  |                            |                             |                      |
| Deposits with others - certificates of participation reserves | -                          | 433,754                     | 433,754              |
| Capital assets, net   | 327,593                    | 4,756,556                   | 5,084,149            |
| Underwriting costs, net                                       | -                          | 165,314                     | 165,314              |
| Total noncurrent assets:                                      | <u>327,593</u>             | <u>5,355,624</u>            | <u>5,683,217</u>     |
| Total assets:   | <u>50,059,523</u>          | <u>6,163,395</u>            | <u>56,222,918</u>    |
| <u>Liabilities</u>  |                            |                             |                      |
| Current liabilities:  |                            |                             |                      |
| Accounts payable and accrued liabilities                      | 1,811,925                  | 19,655                      | 1,831,580            |
| Accrued wages and benefits payable                            | 189,382                    | -                           | 189,382              |
| Deferred revenue  | 26,054,636                 | 13,815                      | 26,068,451           |
| Compensated absences - due within one year                    | 825,710                    | -                           | 825,710              |
| Certificates of participation - due within one year           | -                          | 185,000                     | 185,000              |
| Total current liabilities:                                    | <u>28,881,653</u>          | <u>218,470</u>              | <u>29,100,123</u>    |
| Noncurrent liabilities:                                       |                            |                             |                      |
| Deposits from others  | -                          | 11,364                      | 11,364               |
| Compensated absences - due in more than one year              | 15,439                     | -                           | 15,439               |
| Premium on certificates of participation, net                 | -                          | 37,941                      | 37,941               |
| Certificates of participation - due in more than one year     | -                          | 4,260,000                   | 4,260,000            |
| Total noncurrent liabilities:                                 | <u>15,439</u>              | <u>4,309,305</u>            | <u>4,324,744</u>     |
| Total liabilities:  | <u>28,897,092</u>          | <u>4,527,775</u>            | <u>33,424,867</u>    |
| <u>Net assets</u>   |                            |                             |                      |
| Investment in capital assets, net of related debt             | 327,593                    | 438,929                     | 766,522              |
| Restricted for:   |                            |                             |                      |
| Debt Service  | -                          | 433,754                     | 433,754              |
| Mobile Source incentive programs                              | 9,211,835                  | -                           | 9,211,835            |
| Assigned  | 2,986,527                  | -                           | 2,986,527            |
| Unrestricted  | 8,636,476                  | 762,937                     | 9,399,413            |
| Total net assets:   | <u>\$ 21,162,431</u>       | <u>\$ 1,635,620</u>         | <u>\$ 22,798,051</u> |

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

**SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT**

**STATEMENT OF ACTIVITIES**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

| Functions  | Program Revenues     |                      |                                    | Net (Expense) Revenue and Changes in Net Assets |                          |                      |
|--|----------------------|----------------------|------------------------------------|---|--------------------------|----------------------|
|  | Expenses             | Charges for Services | Operating Grants and Contributions | Governmental Activities                         | Business Type Activities | Total                |
| Primary government:  |                      |                      |                                    |   |                          |                      |
| Governmental activities:                                     |                      |                      |                                    |   |                          |                      |
| Stationary source activities                                 | \$ 5,823,570         | \$ 5,297,300         | \$ 336,324                         | \$ (189,946)                                    | \$ -                     | \$ (189,946)         |
| Mobile source activities                                     | 12,207,979           | 532,447              | 10,355,463                         | (1,320,069)                                     | -                        | (1,320,069)          |
| Program coordination activities                              | 4,286,273            | 84,794               | 1,086,075                          | (3,115,404)                                     | -                        | (3,115,404)          |
| Strategic planning activities                                | 3,548,148            | 567,305              | 607,520                            | (2,373,323)                                     | -                        | (2,373,323)          |
| Depreciation expense - unallocated                           | 140,459              | -                    | -                                  | (140,459)                                       | -                        | (140,459)            |
| Total governmental activities                                | 26,006,429           | 6,481,846            | 12,385,382                         | (7,139,201)                                     | -                        | (7,139,201)          |
| Business-type activities:                                    |                      |                      |                                    |   |                          |                      |
| Building operations and obligations                          | 760,079              | 807,106              | -                                  | -   | 47,027                   | 47,027               |
| Total primary government                                     | <u>\$ 26,766,508</u> | <u>\$ 7,288,952</u>  | <u>\$ 12,385,382</u>               | <u>(7,139,201)</u>                              | <u>47,027</u>            | <u>(7,092,174)</u>   |
| General revenues:  |                      |                      |                                    |   |                          |                      |
| Grants and subventions - not restricted to specific programs |                      |                      |                                    | 5,696,646                                       | -                        | 5,696,646            |
| Interest   |                      |                      |                                    | 230,368   | 27,919                   | 258,287              |
| Penalties/settlements  |                      |                      |                                    | 529,674   | -                        | 529,674              |
| Total general revenue  |                      |                      |                                    | <u>6,456,688</u>                                | <u>27,919</u>            | <u>6,484,607</u>     |
| Change in net assets   |                      |                      |                                    | (682,513)                                       | 74,946                   | (607,567)            |
| Net assets - beginning balance                               |                      |                      |                                    | 21,844,944                                      | 1,560,674                | 23,405,618           |
| Net assets - ending balance                                  |                      |                      |                                    | <u>\$ 21,162,431</u>                            | <u>\$ 1,635,620</u>      | <u>\$ 22,798,051</u> |

**SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**JUNE 30, 2011**

| <b>ASSETS</b>                                 | <b><u>General Fund</u></b>      | <b><u>Emission<br/>Technology</u></b> | <b><u>Total<br/>Governmental<br/>Funds</u></b> |
|---|---------------------------------|---------------------------------------|--|
| <b>Assets</b>                                 |                                 |                                       |  |
| Cash and equivalents                          | \$ 11,684,120                   | \$ 35,871,147                         | \$ 47,555,267                                  |
| Accounts receivable                           | 1,715,175                       | 299,611                               | 2,014,786                                      |
| Prepaid expenses                              | 161,877                         | -                                     | 161,877  |
| <b>Total Assets</b>                           | <b><u>\$ 13,561,172</u></b>     | <b><u>\$ 36,170,758</u></b>           | <b><u>\$ 49,731,930</u></b>                    |
| <br><b>LIABILITIES AND FUND BALANCE</b>       |                                 |                                       |  |
| <b>Liabilities</b>                            |                                 |                                       |  |
| Accounts payable                              | \$ 536,473                      | \$ 904,286                            | \$ 1,440,759                                   |
| Accrued wages and benefits payable            | 560,547                         | -                                     | 560,547  |
| Deferred revenue                              | -                               | 26,054,637                            | 26,054,637                                     |
| <b>Total Liabilities</b>                      | <b><u>1,097,020</u></b>         | <b><u>26,958,923</u></b>              | <b><u>28,055,943</u></b>                       |
| <br><b>Fund Balance</b>                       |                                 |                                       |  |
| Restricted                                    | -                               | 9,211,835                             | 9,211,835                                      |
| Assigned                                      | 2,986,527                       | -                                     | 2,986,527                                      |
| Unassigned                                    | 9,477,625                       | -                                     | 9,477,625                                      |
| <b>Total Fund Balance</b>                     | <b><u>12,464,152</u></b>        | <b><u>9,211,835</u></b>               | <b><u>21,675,987</u></b>                       |
| <br><b>Total Liabilities and Fund Balance</b> | <br><b><u>\$ 13,561,172</u></b> | <br><b><u>\$ 36,170,758</u></b>       | <br><b><u>\$ 49,731,930</u></b>                |

**SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS**

**JUNE 30, 2011**

---

|  |    |            |
|--|----|------------|
| Fund balances - total governmental funds | \$ | 21,675,987 |
|--|----|------------|

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

Capital assets net of accumulated depreciation have not been included as financial resources in governmental funds activity.

These capital assets are reported in the Statement of Net Assets as capital assets of the District as a whole.

327,593

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.

Compensated absences

(841,149)

Net assets of governmental activities:

\$ 21,162,431

**SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE - GOVERNMENTAL FUNDS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

|  | <b>General fund</b>  | <b>Emission<br/>Technology</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|--|----------------------|--------------------------------|---|
| <b>Revenues:</b>   |                      |                                |   |
| DMV surcharge  | \$ 4,239,801         | \$ 1,953,201                   | \$ 6,193,002                            |
| Sales/use tax  | 1,258,648            | -                              | 1,258,648                               |
| Permits and fees   | 6,479,071            | -                              | 6,479,071                               |
| Local government aid   | 532,448              | -                              | 532,448                                 |
| State subvention   | 1,557,310            | 7,084,298                      | 8,641,608                               |
| Federal grants   | 1,908,810            | 79,960                         | 1,988,770                               |
| Interest   | 59,403               | 170,965                        | 230,368                                 |
| Total revenues   | <u>16,035,491</u>    | <u>9,288,424</u>               | <u>25,323,915</u>                       |
| <b>Expenditures:</b>   |                      |                                |   |
| Stationary source activities                                 | 5,822,646            | -                              | 5,822,646                               |
| Mobile source activities                                     | 2,283,219            | 9,924,308                      | 12,207,527                              |
| Program coordination activities                              | 4,285,664            | -                              | 4,285,664                               |
| Strategic planning activities                                | 3,547,825            | -                              | 3,547,825                               |
| Capital outlay   | 20,789               | -                              | 20,789                                  |
| Total expenditures   | <u>15,960,143</u>    | <u>9,924,308</u>               | <u>25,884,451</u>                       |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>75,348</u>        | <u>(635,884)</u>               | <u>(560,536)</u>                        |
| <b>Other financing sources (uses):</b>                       |                      |                                |   |
| Interfund transfers out/(in)                                 | <u>783,157</u>       | <u>(783,157)</u>               | <u>-</u>                                |
| Net change in fund balance                                   | <u>(707,809)</u>     | <u>147,273</u>                 | <u>(560,536)</u>                        |
| Fund balance, July 1, 2010                                   | <u>13,171,961</u>    | <u>9,064,562</u>               | <u>22,236,523</u>                       |
| Fund balance, June 30, 2011                                  | <u>\$ 12,464,152</u> | <u>\$ 9,211,835</u>            | <u>\$ 21,675,987</u>                    |

**SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF**  
**ACTIVITIES**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

---

Net change in fund balances - total governmental funds \$ (560,536)

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

Governmental funds report capital outlay as expenditures. However, in the  
Government-wide Statement of Activities the cost of those assets is allocated  
over their estimated useful lives and reported as depreciation expense.  
This is the amount of capital outlay recorded in the current period. 20,789

Depreciation expense on capital assets is reported in the Government-wide  
Statement of Activities, but they do not require the use of current  
financial resources. Therefore, depreciation expense is not reported as  
expenditures in governmental funds. (140,459)

Long-term compensated absences are reported in the Government-wide  
Statement of Activities, but they do not require the use of current  
financial resources. Therefore, they are not reported as expenditures  
in governmental funds. (2,307)

Changes in net assets of governmental activities: \$ (682,513)

**SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT**

**STATEMENT OF FUND NET ASSETS – PROPRIETARY FUND**

**JUNE 30, 2011**

**ASSETS**

|  |                  |
|--|------------------|
| Current assets:                            |                  |
| Cash and cash equivalents                  | \$ 804,971       |
| Receivables                                | 2,218            |
| Prepaid expenses                           | 582              |
| Total current assets:                      | <u>807,771</u>   |
| Noncurrent assets:                         |                  |
| Restricted Investments                     | 433,754          |
| Capital assets:                            |                  |
| Land and other non-depreciated assets      | 1,086,652        |
| Other capital assets - net of depreciation | 3,669,904        |
| Underwriting costs, net                    | 165,314          |
| Total noncurrent assets:                   | <u>5,355,624</u> |
| Total assets:                              | <u>6,163,395</u> |

**LIABILITIES**

|   |                  |
|---|------------------|
| Current liabilities:                                    |                  |
| Accounts payable  | 19,655           |
| Deferred Revenue  | 13,815           |
| Certificates of participation - due within one year     | 185,000          |
| Total current liabilities:                              | <u>218,470</u>   |
| Noncurrent liabilities:                                 |                  |
| Deposits from others                                    | 11,364           |
| Certificate of participation, due in more than one year | 4,297,941        |
| Total noncurrent liabilities:                           | <u>4,309,305</u> |
| Total liabilities:                                      | <u>4,527,775</u> |

**NET ASSETS**

|   |                     |
|---|---------------------|
| Invested in capital assets, net of related debt | 438,929             |
| Restricted for debt service                     | 433,754             |
| Unrestricted                                    | 762,937             |
| Total net assets:                               | <u>\$ 1,635,620</u> |

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



**SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN NET ASSETS – PROPRIETARY FUND**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

---

Operating revenues:

|                          |    |                |
|--------------------------|----|----------------|
| Rental income            | \$ | 722,865        |
| Parking income           |    | 84,241         |
| Total operating revenues |    | <u>807,106</u> |

Operating expenses:

|  |  |                |
|--|--|----------------|
| Repairs and maintenance costs          |  | 143,206        |
| Utilities, security and communications |  | 87,796         |
| Management fees                        |  | 29,130         |
| Parking lot operations                 |  | 86,413         |
| Depreciation expense                   |  | 164,573        |
| Amortization expense                   |  | 10,665         |
| Other expense                          |  | 2,040          |
| Total operating expenses               |  | <u>523,823</u> |

|                  |  |                |
|------------------|--|----------------|
| Operating income |  | <u>283,283</u> |
|------------------|--|----------------|

Nonoperating revenues and expenses:

|                                      |  |                  |
|--------------------------------------|--|------------------|
| Interest income                      |  | 27,919           |
| Interest expense                     |  | (234,256)        |
| Investment services of trustee       |  | (2,000)          |
| Net nonoperating revenues (expenses) |  | <u>(208,337)</u> |

|                       |  |        |
|-----------------------|--|--------|
| Changes in net assets |  | 74,946 |
|-----------------------|--|--------|

|                                |  |                  |
|--------------------------------|--|------------------|
| Total net assets, July 1, 2010 |  | <u>1,560,674</u> |
|--------------------------------|--|------------------|

|                                 |    |                         |
|---------------------------------|----|-------------------------|
| Total net assets, June 30, 2011 | \$ | <u><u>1,635,620</u></u> |
|---------------------------------|----|-------------------------|

**SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT**

**STATEMENT OF CASH FLOWS – PROPRIETARY FUND**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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|  |                          |
|--|--------------------------|
| <u>Cash flows from operating activities:</u>   |                          |
| Cash received from rental activities   | \$ 829,557               |
| Cash paid for goods and services   | (338,539)                |
| Net Cash provided by operating activities  | <u>491,018</u>           |
| <u>Cash flows from capital and related financing activities:</u>   |                          |
| Principal paid on capital debt   | (175,000)                |
| Interest paid on long-term debt  | (234,256)                |
| Net cash used for capital financing activities   | <u>(409,256)</u>         |
| <u>Cash flows from investing activities:</u>   |                          |
| Increase (Decrease) in investments   | (6,723)                  |
| Purchases of Capital Assets  | (294,030)                |
| Interest and dividends received  | 25,471                   |
| Investment fees  | (2,000)                  |
| Net cash provided (used) by investing activities   | <u>(277,282)</u>         |
| Net increase (decrease) in cash and cash equivalents   | (195,520)                |
| Beginning cash and cash equivalents as of July 1, 2010   | <u>1,000,491</u>         |
| Ending cash and cash equivalents as of June 30, 2011   | <u><u>\$ 804,971</u></u> |
| <u>Reconciliation of operating income to net cash provided (used)</u><br><u>by operating activities:</u> |                          |
| Operating income   | \$ 283,283               |
| Adjustment to reconcile operating income to net cash<br>provided by operating activities:                |                          |
| Depreciation expense   | 164,573                  |
| Amortization expense   | 10,665                   |
| Effects of changes in :  |                          |
| Accounts receivable  | 9,110                    |
| Accounts payable   | (1,629)                  |
| Deferred revenue   | 13,341                   |
| Prepays  | 11,675                   |
| Net cash provided by operating activities  | <u><u>\$ 491,018</u></u> |

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

# SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. ACCOUNTING POLICIES

The Sacramento Metropolitan Air Quality Management District (District) accounts for its financial transactions in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA). For its proprietary operations, the District applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 and all GASB pronouncements.

#### B. REPORTING ENTITY

The Sacramento Air Pollution Control District was formed by the Sacramento County Board of Supervisors in December of 1959. In July of 1996 the Sacramento Metropolitan Air Quality Management District (SMAQMD) was created under Health and Safety Code Sections 40960 et. seq. to monitor, promote and improve air quality in the County of Sacramento. The District functions under the oversight of its elected fourteen-member Board of Directors. The District has no component units.

#### C. BASIS OF PRESENTATION

##### **Government-wide financial statements**

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, represented by activity type (e.g. governmental, business).

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared. Therefore, reconciliations, containing brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds, are included.

The government-wide statement of net assets records all of the District's assets and liabilities including capital assets and long-term liabilities.

The government-wide statement of activities presents a comparison between total expenses and program revenues for each function or program of the District's governmental activities. Total expenses are those that are associated with or allocated to a service, program, or department and are therefore identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District.

# SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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### **Fund financial statements**

The focus of governmental fund financial statements is on major funds rather than reporting funds by activity type. The District has two major funds for reporting purposes, called the general fund and the emission technology fund.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are the balance sheet, which includes current assets and current liabilities, and the statement of revenues, expenditures, and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. The purchase of capital assets and long-term debt proceeds and payments are reflected as revenues and expenditures on these statements.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of revenues, expenditures, and changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services, producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

### **D. BASIS OF ACCOUNTING**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting.

### **Revenues – exchange and nonexchange transactions**

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Under the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 60 days after year-end. District exchange transactions are Proprietary Fund building rents and parking revenues, interest revenue, Rule Book sales and Planet Polluto CD sales.

# SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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Imposed nonexchange transaction revenues result from assessments imposed on nongovernmental entities, including individuals (other than assessments imposed on exchange transactions) and the revenues are recognized in the period when use of the resources is required or first permitted. Deferred revenues are recognized when resources are received or recognized as receivable before the time requirements are met. District imposed non-exchange transactions are the DMV surcharge, planning service charges, Stationary Source Permit fees and renewals, Land Use Mitigation Permits, SEED program fees, Title V Permits, Agricultural Burning Fees, Asbestos Plan Check Fees, State Toxic Emission Fees, Variances, and Settlements.

Government-mandated nonexchange transactions result from one level of government providing resources to another level of government and requiring the recipient to use the resources for a specific purpose. Voluntary nonexchange transactions result from agreements entered into voluntarily by the parties thereto. Both types of nonexchange transaction revenues are treated in the same manner. Revenues are recognized when all applicable eligibility requirements are met. Deferred revenues are recognized when the recipient is required to use the resources in the following year thus resources provided before that period should be recognized as deferred. District transactions of both types include the Moyer program, State Subvention and Enforcement Grants, Goods Movement Emission Reduction (GMERP), Lower Emissions School Bus Program (LESBP), Measure A Sales Tax ½%, Environmental Protection Agency Section 103 and 105 grants, Congestion Mitigation in Air Quality (CMAQ) grants, State Implementation Plan (Spare the Air) and various agreements with Yolo/Solano Counties, El Dorado County and Placer County.

### **Expenses/expenditures**

The government-wide financial statements are presented using the accrual basis of accounting, where expenses are recognized at the time they are incurred. The focus of governmental fund accounting is short-term. Therefore, expenditures are recorded when paid. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first. Then, unrestricted resources are used as needed.

## **E. FUND ACCOUNTING**

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or net assets, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into three funds:

The **General Fund** is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

The **Emission Technology Fund** is a special revenue fund. It is used to account for monies related to mobile source incentive awards.

**SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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The **Proprietary Fund** reports the ownership and operational revenues and expenses of the District's building along with the long-term debt obligations.

**F. BUDGETS AND BUDGETARY ACCOUNTING**

Annual budgets, as required by state statutes, are adopted on a basis of accounting consistent with generally accepted accounting principles for the general fund, emission technology fund and the proprietary fund.

On or before the last day in February of each year, all divisions of the District submit budget packages to the administrative services manager so that a budget may be prepared. At the May Board of Directors' meeting, the proposed budget is presented to the Board for review. As required by air pollution control laws, noticing is done 30 days prior to the public hearing. The Board holds public hearings and a final budget must be prepared and adopted no later than the June meeting.

The appropriated budget is prepared by fund, function and division. The District's division managers may make transfers of appropriations within an object (e.g. salaries and benefits, services and supplies, capital outlay and interfund charges). Transfers of appropriations between objects require the approval of the Board. The legal level of budgetary control is the object level.

**G. CASH AND CASH EQUIVALENTS**

The District considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

**H. CAPITAL ASSETS**

Capital assets are those purchased or acquired with an original cost of \$5,000 or more and a useful life of greater than one year. They are reported at historical cost or estimated historical cost. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on a straight-line basis over the following estimated useful lives:

| <u>Asset Class</u>      | <u>Years</u> |
|-------------------------|--------------|
| Machinery and Equipment | 5-20         |
| Buildings               | 39           |

# SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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### I. COMPENSATED ABSENCES

Accumulated unpaid employee vacation benefits and compensated time-off for certain employees in lieu of overtime compensation and/or working on holidays per bargaining agreements are recognized as liabilities of the District on the government-wide financial statements. Compensated absences are liquidated by the General Fund.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expenditure in the period taken since such benefits do not vest nor is payment probable; however, a portion of sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

### J. FUND BALANCE RESERVES AND DESIGNATION

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*", the District is required to report fund balances in the following categories: Nonspendable, Restricted, Committed, Assigned and/or Unassigned.

*Nonspendable Fund Balance* reflects assets not in spendable form, either because they will never convert to cash (e.g. prepaid expense) or must remain intact pursuant to legal or contractual requirements.

*Restricted Fund Balance* reflects amounts that can be spent only for the *specific purposes* stipulated by constitution, external resource providers, or through enabling legislation.

*Committed Fund Balance* reflects amounts that can be used only for the *specific purposes* determined by a formal action of the government's highest level of decision-making authority: the Board of Directors. Commitments may be established, modified, or rescinded only through resolutions approved by the Board of Directors.

*Assigned Fund Balance* reflects amounts intended to be used by the government for *specific purposes* but do not meet the criteria to be classified as restricted or committed. Under the District's adopted policy, only the Board of Directors is authorized to assign amounts for specific purposes.

*Unassigned Fund Balance* represents the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

When expenditures are incurred for purposes of which restricted, committed, assigned and unassigned fund balances are available, the District considers restricted funds to have been spent first, followed by committed, assigned and unassigned, respectively.

### K. LONG-TERM LIABILITIES

The District reports long-term liabilities of governmental funds at face value in the government-wide financial statements, and long-term liabilities payable from proprietary funds are reported in the proprietary fund financial statements and government-wide financial statements. Debt premiums, discounts and issuance costs are deferred and amortized over the

**SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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life of the debt using the straight line method. Issuance costs are reported as deferred charges in other assets.

In the governmental fund financial statements, debt premiums, discounts, and issuance costs are recognized during the current period. The face amount of debt issued and any premiums received are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**L. DEFERRED REVENUE**

Under both the accrual and the modified accrual basis of accounting, revenue may be recognized only when it is earned. Revenue that is classified as deferred has been received but is unearned at June 30, 2011. The makeup of deferred revenue is

| <u>Programs</u> | <u>Governmental Funds</u> | <u>Proprietary Funds</u> |
|-----------------|---------------------------|--------------------------|
| Moyer           | \$ 4,880,106              | \$ -                     |
| GEMRP           | 4,115,740                 | -                        |
| LESBP           | 17,058,790                | -                        |
| Miscellaneous   | -                         | 13,805                   |
| Total           | <u>\$ 26,054,636</u>      | <u>\$ 13,805</u>         |

**M. REVENUE FROM BUILDING LEASES**

Lease revenues reported in the proprietary fund are recorded on a straight-line basis where the sums of all the rents payable over the life of a tenant lease are reported pro-ratably over the life of the lease.

**N. ELIMINATIONS AND RECLASSIFICATIONS**

In the process of aggregating data for the government-wide statements, some amounts reported as interfund activity and balances in the fund financial statements, were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the government activities column.

**O. USE OF ESTIMATES**

Management is called upon to use estimates and assumptions. These estimates and assumptions may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results may differ from those estimates.



**SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**2. CASH, CASH EQUIVALENTS, AND INVESTMENTS**

Cash and Investments

Cash and investments consisted of the following as of June 30, 2011:

|  | <b>Governmental<br/>Accounts</b> | <b>Proprietary<br/>Accounts</b> | <b>Total</b>         |
|--|----------------------------------|---------------------------------|----------------------|
| <b>Deposits:</b>                       |                                  |                                 |                      |
| Balance Per Bank                       | \$ 99,806                        | \$ -                            | \$ 99,806            |
| <b>Pooled Funds:</b>                   |                                  |                                 |                      |
| Cash in County Treasury                | 48,624,363                       | 714,632                         | 49,338,995           |
| Less: Outstanding Checks               | (1,168,902)                      | -                               | (1,168,902)          |
| Cash and Investments with fiscal agent | -                                | 524,093                         | 524,093              |
| <b>Total Cash and Investments</b>      | <b>47,555,267</b>                | <b>1,238,725</b>                | <b>48,793,992</b>    |
| Noncurrent reserves                    | -                                | (433,754)                       | (433,754)            |
| <b>Total Cash and Equivalents</b>      | <b>\$ 47,555,267</b>             | <b>\$ 804,971</b>               | <b>\$ 48,360,238</b> |

Cash in Bank

The carrying amount of the District's cash is covered by federal depository insurance up to \$250,000. Should deposits exceed the insured limits, the balance is covered by collateral held by the bank in accordance with California law requiring the depository bank to hold collateral equal to 110% of the excess government funds on deposit. This collateral must be in the form of government-backed securities.

Cash in County Treasury

In accordance with Board of Directors resolution AQM-96-0040, the District maintains substantially all of its cash in the Sacramento County Treasury (the Treasury). The Treasury pools these funds with those of other districts in the county and invests the cash. The share of each fund in the pooled cash account is separately accounted for and interest earned is apportioned quarterly to funds that are legally required to receive interest based on the relationship of a fund's daily balance to the total of pooled cash and investments.

Participants' equity in the investment pool is determined by the dollar amount of the participant deposits, adjusted for withdrawals and distributed income. This method differs from the fair value method used to value investments in these financial statements in that unrealized gains or losses are not distributed to pool participants. The fiscal year net earnings rate for this fund was approximately 1.04%. The pool is currently not rated by a nationally recognized statistical rating organization. The monies held in pooled investment funds are not subject to categorization by credit risk category.

The Treasury is authorized to deposit cash and invest excess funds by California Government Code Section 53601 et seq., section 53635 et seq., and the Sacramento County annual investment policy of

**SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

the pooled investment fund. The funds maintained by the Treasury are authorized investments established by the California Government Code sections 53601 et seq. and 53635 et seq.

**Interest Rate Risk.** SMAQMD’s investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Investments are generally limited to five years or less. At the end of June 30, 2011, Treasury’s investments are in accordance with SMAQMD’s investment policy. The Treasury’s investment has an average days-to-maturity of 190 days and yields .0480% as of June 30, 2011.

**Credit Risk.** Except for municipal obligations and Community Reinvestment Act (CRA) bank deposits and certificates of deposit, the issuer’s short-term credit ratings shall be at or above A-1 by Standard & Poor’s, P-1 by Moody’s and, if available, F 1 by Fitch, and the issuer’s long-term credit ratings shall be at or above A by Standard & Poor’s and A 2 by Moody’s, and, if available, A by Fitch. Municipal obligations shall be at or above a short-term rating of SP-1 by Standard & Poor’s, MIGI by Moody’s, and, if available, F1 by Fitch. In addition, domestic banks are limited to those with a Fitch Individual bank rating of B or better.

**Investments Authorized by the District’s Investment Policy**

The table below identifies the investment types authorized for the District by the California Government Code Section 53601. This table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

| <u>Authorized Investment Type</u>                   | <u>Maximum Maturity</u> | <u>Maximum Percentage of Portfolio</u> | <u>Maximum Investment in One Issuer</u> |
|---|-------------------------|--|---|
| U.S. Treasury Notes & Agency Obligations            | 5 years                 | 100%                                   | None                                    |
| Bonds issued by local agencies                      | 5 years                 | 80%                                    | None                                    |
| Registered State Warrants and Municipal Notes       | 5 years                 | 80%                                    | None                                    |
| Bankers Acceptances                                 | 180 days                | 40%                                    | None                                    |
| Commercial Paper                                    | 270 days                | 40%                                    | None                                    |
| Negotiable CRA Bank Deposit/Certificates of Deposit | 1 year                  | 30%                                    | None                                    |
| Repurchase Agreements                               | 1 year                  | 30%                                    | None                                    |
| Reverse Repurchase Agreements                       | 92 days                 | 20%                                    | None                                    |
| Medium Term Corporate Notes                         | 180 days                | 30%                                    | None                                    |
| Share of Money Market Mutual Fund                   | 60 days                 | 20%                                    | None                                    |
| Collateralized Mortgage Obligations                 | 180 days                | 20%                                    | None                                    |
| Local Agency Investment Fund (LAIF)                 | N/A                     | \$50 million                           | None                                    |

**SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**3. INVESTMENTS AUTHORIZED BY DEBT AGREEMENTS**

Investments of debt proceeds held by trustee, Certificate of Participation (COP) Reserve in the amount of \$433,754 are included in Business-type Activities as deposits with others. These moneys are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy.

Moneys in the COP Reserve will at all times be in the amount of the Reserve Requirement. The Reserve Requirement is defined as , the lesser of (i) 10% of the original principal amount, (ii) an amount equal to the maximum annual Lease payment payable in a Certificate Year by the District, or (iii) 125% of the average annual lease payment.

**4. ACCOUNTS RECEIVABLE**

Accounts receivable consisted of the following as of June 30, 2011:

|                         |                     |
|-------------------------|---------------------|
| Government Fund:        |                     |
| Measure A – Sales Taxes | \$ 110,932          |
| DMV Surcharge           | 848,445             |
| EPA and CMAQ Grants     | 668,577             |
| Mutual Settlement/Fines | 137,637             |
| State subvention        | 11,775              |
| Permits and fees        | 86,996              |
| Local Government Aid    | 111,171             |
| Miscellaneous           | <u>39,253</u>       |
| Total receivables       | <u>\$ 2,014,786</u> |
| Proprietary Fund:       |                     |
| Miscellaneous           | <u>\$ 2,218</u>     |

**5. OPERATING LEASES**

The District leases other equipment under operating leases. Total costs for such leases were \$87,378 for the year ended June 30, 2011. The future minimum lease payments for these leases are as follows:

| <u>Year ending, June 30</u> | <u>Amount</u>    |
|-----------------------------|------------------|
| 2012                        | \$ 22,860        |
| 2013                        | <u>9,075</u>     |
|                             | <u>\$ 31,935</u> |

**SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**6. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2011 was as follows:

|   | <u>Balance<br/>June 30, 2010</u> | <u>Additions</u>    | <u>Retirements</u> | <u>Balance<br/>June 30, 2011</u> |
|---|----------------------------------|---------------------|--------------------|----------------------------------|
| <b>Government Activities</b>                    |                                  |                     |                    |                                  |
| Capital assets, being depreciated:              |                                  |                     |                    |                                  |
| Equipment                                       | \$ 1,844,064                     | \$ 20,789           | \$ -               | \$ 1,864,853                     |
| Less: accumulated depreciation                  | <u>(1,396,801)</u>               | <u>(140,459)</u>    | <u>-</u>           | <u>(1,537,260)</u>               |
| Total capital assets,<br>being depreciated, net | <u>\$ 447,263</u>                | <u>\$ (119,670)</u> | <u>\$ -</u>        | <u>\$ 327,593</u>                |
| <br><b>Business-type Activities</b>             |                                  |                     |                    |                                  |
| Capital assets, not being depreciated:          |                                  |                     |                    |                                  |
| Land  | <u>\$ 1,086,652</u>              | <u>\$ -</u>         | <u>\$ -</u>        | <u>\$ 1,086,652</u>              |
| Total capital assets<br>not being depreciated:  | <u>\$ 1,086,652</u>              | <u>\$ -</u>         | <u>\$ -</u>        | <u>\$ 1,086,652</u>              |
| <br>Capital assets, being depreciated:          |                                  |                     |                    |                                  |
| Building  | \$ 4,512,163                     | \$ 294,030          | \$ -               | \$ 4,806,193                     |
| Less: accumulated depreciation                  | <u>(971,716)</u>                 | <u>(164,573)</u>    | <u>-</u>           | <u>(1,136,289)</u>               |
| Total capital assets,<br>being depreciated:     | <u>\$ 3,540,447</u>              | <u>\$ 129,457</u>   | <u>\$ -</u>        | <u>\$ 3,669,904</u>              |
| Business-type Activities<br>capital assets, net | <u>\$ 4,627,099</u>              | <u>\$ 129,457</u>   | <u>\$ -</u>        | <u>\$ 4,756,556</u>              |

**SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**7. LONG-TERM LIABILITIES**

Certificates of Participation

In February 2002, the District issued certificates of participation in the amount of \$5,835,000, with interest rates ranging from 1.50% to 5.25%. As of June 30, 2011, the principal balance outstanding was \$4,445,000. Proceeds included a premium of \$60,938, which is being amortized over the life of the COPs.

The certificates mature as follows:

| Year Ending<br>June 30,   | Principal           | Interest            | Total               |
|---------------------------|---------------------|---------------------|---------------------|
| 2012                      | \$ 185,000          | \$ 226,175          | \$ 411,175          |
| 2013                      | 195,000             | 216,675             | 411,675             |
| 2014                      | 205,000             | 206,675             | 411,675             |
| 2015                      | 215,000             | 196,175             | 411,175             |
| 2016                      | 225,000             | 185,175             | 410,175             |
| 2017-2021                 | 1,310,000           | 732,900             | 2,042,900           |
| 2022-2026                 | 1,710,000           | 339,150             | 2,049,150           |
| 2027                      | 400,000             | 10,500              | 410,500             |
| Sub-totals                | 4,445,000           | 2,113,425           | 6,558,425           |
| Plus: Unamortized Premium | 37,941              | -                   | 37,941              |
| Totals                    | <u>\$ 4,482,941</u> | <u>\$ 2,113,425</u> | <u>\$ 6,596,366</u> |

Total interest paid for the COPs in the fiscal year ended June 30, 2011 was \$234,256. Total principal payments for the COPs in the fiscal year ended June 30, 2011 was \$175,000.

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2011, was as follows:

|                                   | Beginning<br>Balance | Additions         | Deductions        | Ending<br>Balance   | Due Within<br>One Year |
|-----------------------------------|----------------------|-------------------|-------------------|---------------------|------------------------|
| Certificates of Participation     | \$ <u>4,620,000</u>  | \$ <u>-</u>       | \$ <u>175,000</u> | \$ <u>4,445,000</u> | \$ <u>185,000</u>      |
| Governmental Compensated Absences | \$ <u>838,842</u>    | \$ <u>818,936</u> | \$ <u>816,629</u> | \$ <u>841,149</u>   | \$ <u>825,710</u>      |

**SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**8. RISK MANAGEMENT/CLAIMS LIABILITIES**

The District is exposed to various risks of loss related to theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District is covered by commercial insurance purchased from independent third parties. There have been no significant changes in insurance coverage and no settlements or claims have been made in the last four years.

During the fiscal year ended June 30, 2011, the District insured with the Special District Risk Management Authority (SDRMA) for general liability, errors and omissions, workers' compensation, and a variety of comprehensive coverage (See Note 9). The District also provides a selection of health insurance coverage and elective options for additional health related insurance coverage.

**9. JOINT VENTURES (Joint Powers Agreement)**

The District is a member of the Special District Risk Management Authority (SDRMA), through a Joint Power Agreement (JPA). The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

SDRMA arranges for and provides property, liability, error and omissions, auto liability, crime and fidelity, workers' comp, and boiler and machinery insurance to its members. The JPA is governed by a board consisting of a representative from each member district. The board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in SDRMA.

**SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Nature of Participation

| <b>Program</b>                               | <b>Deductible per Occurrence</b> | <b>Annual Coverage Limit</b>                  |
|--|----------------------------------|---|
| General Liability*                           | \$0                              | \$10,000,000 Per Occurrence                   |
| Public Officials and Employees Errors        | \$0                              | \$10,000,000 Per Occurrence/General Aggregate |
| Person Liability for Board Members/Directors | \$500                            | \$500,000 Per Occurrence/General Aggregate    |
| Employment Practices Liability               | \$0                              | \$10,000,000 Per Occurrence/General Aggregate |
| Employee Benefits Liability                  | \$0                              | \$10,000,000 Per Occurrence/General Aggregate |
| Employee Dishonesty Coverage                 | \$0                              | \$400,000 Per Occurrence                      |
| Auto Liability*                              | \$0                              | \$10,000,000 Per Occurrence                   |
| Uninsured/Underinsured Motorists             | \$1,000                          | \$750,000 Each Accident                       |
| Property Coverage                            | \$2,000                          | \$1,000,000,000 Each Occurrence               |
| Boiler and Machinery Coverage                | \$1,000                          | \$100,000,000 Each Occurrence                 |
| Statutory Workers' Comp                      | \$0                              | Statutory Per Occurrence                      |
| Employers' Liability WC                      | \$0                              | \$5,000,000 Per Occurrence                    |

\* Third party deductible of \$500 and \$1,000 for General Liability and Auto Liability coverage, respectively.

**SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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Condensed audited financial information of SDRMA for the year ended June 30, 2011 is as follows:

|                                  |    |                   |
|----------------------------------|----|-------------------|
| Total Assets                     | \$ | 98,259,108        |
| Total Liabilities                | \$ | 47,376,526        |
| Net Assets                       |    | <u>50,882,582</u> |
| <br>                             |    |                   |
| Total Liabilities and Net Assets | \$ | <u>98,259,108</u> |
| <br>                             |    |                   |
| Total Revenues                   | \$ | 42,640,720        |
| Total Expenses                   |    | <u>36,844,462</u> |
| <br>                             |    |                   |
| Net Increase in Net Assets       | \$ | <u>5,796,258</u>  |

Complete audited financial statements for the JPA can be obtained by contacting SDRMA, 1112 I Street Suite 300, Sacramento, CA 95814.

**10. COMMITMENTS AND CONTINGENCIES**

State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement would not be material.

**11. EMPLOYEE RETIREMENT SYSTEMS**

SCERS:

On June 30, 1996, the District ceased participation in the Sacramento County Employees' Retirement System (SCERS). Vested participants were given the option of withdrawing their account balances or leaving their balances within SCERS. The District retained liability for its share of the County's bonded pension liability. The most recent actuarial valuation dated, December 5, 2005, of the District's bonded liability, at June 30, 2004, amounted to \$5,787,777, there was no unfunded liability as of June 30, 2004. The District was not required to pay any share of the pension bond debt service for fiscal year 2003-2004. The District's share of the bonded liability will change based upon employee turnover and the periodic actuarial evaluation.



**SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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CalPERS:

Effective July 1, 1996, all employees began participating in the California Public Employee Retirement System (CalPERS), a multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating agencies within the State of California.

The benefits for public agencies are established by contract with CalPERS in accordance with the provisions of the Public Employees Retirement Law. All permanent part-time and full-time employees of the District are required to participate in CalPERS. A CalPERS member becomes eligible for Service Retirement upon attainment of age 50 with at least 5 years of credited service (total service across all CalPERS employers and with certain other Retirement Systems with which CalPERS has reciprocity agreements).

The Service Retirement benefit calculated for service earned by this group of employees is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The benefit factor for this group of employees comes from the 2% at 55-benefit factor table. Until December 31, 2000, this factor was 2% @ 60. The years of service is the amount credited by CalPERS to a member while he or she is employed in this group. The final compensation is the monthly average of the member's last 36 consecutive months' full-time equivalent monthly pay.

CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office – 400 P Street – Sacramento, CA 95814.

Funding Policy

All permanent part-time and full-time employees of the District are required to contribute 7 percent of their annual salary to CalPERS of which the District pays 1%. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the year ended June 30, 2011 was 10.077%. The contribution requirements of plan members and the District are established and may be amended by CalPERS.

**SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Annual Pension Cost

For the year ended June 30, 2011 the District's annual pension cost was \$945,320 and the District actually contributed \$945,320. The required contribution for the year ended June 30, 2011 was determined as part of the June 30, 2008 actuarial valuation using the entry age normal cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.25% to 14.45% depending on age, Service, and type of employment, and (c) 3.0% cost-of-living adjustment. Both (a) and (b) include an inflation component of 3.00%. Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20 year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of 10% of unamortized gains and losses each year. Gains and losses that occur in the operation of the plan are amortized over a rolling 30 year period. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over 30 year amortization period. The District's contribution to CalPERS made on behalf of it's employees for the years ended June 30, 2011, 2010, and 2009 were \$945,320, \$973,956 and \$946,861, respectively.

**Three-Year Trend Information for The District**

| <u>Fiscal Year Ending</u> | <u>Annual Pension Cost</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|---------------------------|----------------------------|--------------------------------------|-------------------------------|
| 6/30/2009                 | \$ 946,861                 | 100%                                 | \$ 0                          |
| 6/30/2010                 | \$ 973,956                 | 100%                                 | \$ 0                          |
| 6/30/2011                 | \$ 945,320                 | 100%                                 | \$ 0                          |

**12. OTHER POSTEMPLOYMENT BENEFITS**

**A. PLAN DESCRIPTION**

The District participates in a single-employer defined benefit medical plan administered by the California Public Employees' Retirement System (CalPERS). The plan provides postemployment healthcare benefits to eligible retirees by contributing the minimum employer contributions (MEC) \$108 in calendar year 2011. An additional \$150 is contributed towards retiree health care costs based upon a Board approved employee contract. This coverage is available for employees who retire with the District on reaching normal retirement age. The District currently has 5 retirees participating in the plan.

The District has established an irrevocable trust to pre-fund the OPEB Annual Required Contribution (ARC) with the California Employers' Retiree Benefit Trust (CERBT).

**SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**B. FUNDING POLICY**

The Districts MEC is set by Government Code Section 22892. Effective January 1, 2011 the CalPERS Board will adjust the rate to reflect any change in the medical care component of the Consumer Price Index (CPI).

The District is required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45, which was initially implemented prospectively by the District. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

For the year ended June 30, 2011 the District funded \$39,765 into the CERBT. The current ARC rate is 0.436% of annual covered payroll.

**C. ANNUAL OPEB COST**

For the year ended June 30, 2011, the District's OPEB cost (expense) was \$39,765 which included the ARC and the Net OPEB Obligation at the beginning of the year.

| Year Ended June 30, 2011                   |                        |
|--|------------------------|
| Annual OPEB Cost                           | \$ 38,982              |
| Contributions Made                         | <u>39,765</u>          |
| Increase (Decrease) in net OPEB Obligation | (783)                  |
| Net OPEB Obligation (Asset) - Beginning    | <u>-</u>               |
| Net OPEB Obligation (Asset) - Ending       | <u><u>\$ (783)</u></u> |

The District's annual OPEB costs, the annual OPEB cost contributed to the plan, and the net obligation for the fiscal year ended June 30, 2011 and the two preceding fiscal years were as follows:

Three-Year Trend Information

| Fiscal Year Ended | Annual<br>OPEB Cost | Annual<br>OPEB Cost<br>Contributed | Net OPEB<br>Obligation<br>(Assets) |
|-------------------|---------------------|------------------------------------|------------------------------------|
| 6/30/2009         | \$ 117,406          | 761%                               | \$ -                               |
| 6/30/2010         | \$ 37,775           | 100%                               | \$ -                               |
| 6/30/2011         | \$ 38,982           | 102%                               | \$ (783)                           |

**SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**D. ACTUARIAL METHODS AND ASSUMPTIONS**

The assumptions used for this valuation are in accordance with CalPERS' "OPEB Assumption Model" which describes guidelines to be used for retiree healthcare valuations for agencies pre-funding retiree healthcare benefits through the CERBT.

All assets and liabilities are computed as of July 1, 2009. The rate of return for assets in the CERBT is assumed to be 7.75%. The cost of living as measured by the CPI is assumed to increase at the rate of 3.00% per year. Salaries are assumed to increase annually at 3.25%. Health care costs are projected to increase annually at 4.5%.

**13. DEFERRED COMPENSATION PLAN**

The District offers its employees an elective deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits a portion of the employees' salary to be deferred into future years. These funds are not available to employees until termination, retirement, death or unforeseen emergency.

The deferred compensation plan contributions are invested in various investment funds selected by the participating employees. The available investment options include a fixed return fund, stock fund, bond fund and a money market fund. All amounts of compensation deferred under the plan and all income attributed to those amounts are held in trust for the exclusive benefit and use of plan participants and their beneficiaries per federal legislation dated January 1, 1999.

**14. SUBSEQUENT EVENTS**

Management has reviewed its financial statements and evaluated subsequent events for the period of time from its year ended June 30, 2011 through January 18, 2012, the date the financial statements were issued. Management is not aware of any subsequent events that would require recognition or disclosure in the accompanying financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION SECTION**

**SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GENERAL FUND – BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

| Revenues:   | Original              | Final                 | Actual<br>Amounts   | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|-----------------------|-----------------------|---------------------|---|
| DMV surcharge   | \$ 4,305,000          | \$ 4,305,000          | \$ 4,239,801        | \$ (65,199)   |
| Sales/use tax   | 1,147,728             | 1,147,728             | 1,258,648           | 110,920   |
| Permits and fees  | 6,825,757             | 6,825,757             | 6,479,071           | (346,686)   |
| Local government aid  | 480,000               | 480,000               | 532,448             | 52,448  |
| State Subvention  | 1,438,591             | 1,438,591             | 1,557,310           | 118,719   |
| Federal grants  | 2,331,760             | 2,331,760             | 1,908,810           | (422,950)   |
| Interest  | 75,000                | 75,000                | 59,403              | (15,597)  |
| Total revenues  | <u>16,603,836</u>     | <u>16,603,836</u>     | <u>16,035,491</u>   | <u>(568,345)</u>  |
| <br>  |                       |                       |                     |   |
| Salaries and benefits                                       | 11,584,777            | 11,584,777            | 11,458,660          | (126,117)   |
| Services and supplies                                       | 7,033,611             | 7,033,611             | 4,480,694           | (2,552,917)   |
| Equipment   | 43,500                | 43,500                | 20,789              | (22,711)  |
| Interfund charges   | 800,000               | 800,000               | 783,157             | (16,843)  |
| Total expenditures  | <u>19,461,888</u>     | <u>19,461,888</u>     | <u>16,743,300</u>   | <u>(2,718,588)</u>                                      |
| <br>  |                       |                       |                     |   |
| Excess (deficiency) of revenues<br>over(under) expenditures | <u>\$ (2,858,052)</u> | <u>\$ (2,858,052)</u> | <u>\$ (707,809)</u> | <u>\$ 2,150,243</u>                                     |

Annual budgets, as required by state statutes, are adopted on a basis of accounting consistent with generally accepted accounting principles for the general fund.

**SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
EMISSION TECHNOLOGY FUND– BUDGET AND ACTUAL**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

| Revenues:   | Original               | Final                  | Actual<br>Amounts | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|------------------------|------------------------|-------------------|---|
| DMV surcharge   | \$ 1,900,000           | \$ 1,900,000           | \$ 1,953,201      | \$ 53,201   |
| Sales/use tax   | -                      | -                      | -                 | -   |
| Permits and fees  | -                      | -                      | -                 | -   |
| Local government aid  | 325,000                | 325,000                | -                 | (325,000)   |
| State Subvention  | 38,022,862             | 38,022,862             | 7,084,298         | (30,938,564)  |
| Federal grants  | 553,360                | 553,360                | 79,960            | (473,400)   |
| Interest  | 135,537                | 135,537                | 170,965           | 35,428  |
| Interfund Transfer  | 800,000                | 800,000                | 783,157           | (16,843)  |
| Total revenues  | <u>41,736,759</u>      | <u>41,736,759</u>      | <u>10,071,581</u> | <u>(31,665,178)</u>                                     |
| <br>  |                        |                        |                   |   |
| Expenditures:   |                        |                        |                   |   |
| Salaries and benefits                                       | -                      | -                      | -                 | -   |
| Services and supplies                                       | 54,476,339             | 54,476,339             | 9,924,308         | (44,552,031)  |
| Equipment   | -                      | -                      | -                 | -   |
| Interfund charges   | -                      | -                      | -                 | -   |
| Total expenditures  | <u>54,476,339</u>      | <u>54,476,339</u>      | <u>9,924,308</u>  | <u>(44,552,031)</u>                                     |
| <br>  |                        |                        |                   |   |
| Excess (deficiency) of revenues<br>over(under) expenditures | <u>\$ (12,739,580)</u> | <u>\$ (12,739,580)</u> | <u>\$ 147,273</u> | <u>\$ 12,886,853</u>                                    |

Annual budgets, as required by state statutes, are adopted on a basis of accounting consistent with generally accepted accounting principles for the emission technology fund.

**SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT**

**SCHEDULE OF FUNDING PROGRESS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

| Actuarial<br>Valuation Date | Actuarial<br>Accrued<br>Liability | Value of<br>Assets | Required Supplementary Information    |                  |                              |                            |
|-----------------------------|-----------------------------------|--------------------|---------------------------------------|------------------|------------------------------|----------------------------|
|                             |                                   |                    | Unfunded<br>(Overfunded)<br>Liability | Funded<br>Status | Annual<br>Covered<br>Payroll | UAAL<br>as % of<br>Payroll |
| 7/1/2005                    | N/A                               | N/A                | N/A                                   | N/A              | N/A                          | N/A                        |
| 7/1/2007                    | \$ 656,075                        | \$ -               | \$ 656,075                            | 0.0%             | \$ 7,664,279                 | 8.6%                       |
| 7/1/2009                    | \$ 626,637                        | \$ 712,866         | \$ (86,229)                           | 113.8%           | \$ 8,668,885                 | -1.0%                      |



**SUPPLEMENTARY INFORMATION SECTION**

**SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

|   | <u>Grant #</u> | <u>Federal<br/>CFDA<br/>Number</u> | <u>Total<br/>Expenditures</u> |
|---|----------------|------------------------------------|-------------------------------|
| <b><u>U.S Environmental Protection Agency</u></b>   |                |                                    |                               |
| Air Pollution Control Supply  | * A 00903111   | 66.001                             | \$1,058,374                   |
| Surveys, Studies, Investigations, ect.  | PM 98950701    | 66.034                             | 20,647                        |
| Sierra N. Railway Repower   | EM 83493001    | 66.202                             | 7,779                         |
| National Clean Diesel   | DE 96085501    | 66.039                             | <u>116,320</u>                |
|   |                |                                    | <u>1,203,120</u>              |
| <b><u>U.S Highway Planning and Construction</u></b>   |                |                                    |                               |
| Passed through the Claifornia Department<br>of Transportation Highway Planning and Construction | * CML - 6236   | 20.205                             | <u>785,650</u>                |
|   |                |                                    | <u>\$1,988,770</u>            |

\* Designates a major program

**Note: Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Sacramento Metropolitan Air Quality Management District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133 Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

## **STATISTICAL SECTION**

## STATISTICAL SECTION

|   |             |
|---|-------------|
| <p>This Part of the Sacramento Metropolitan Air Quality Management District’s (District) comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District’s overall financial health.</p> |             |
| <b>Contents</b>   | <b>Page</b> |
| <p><b>Financial Trends</b></p> <p>These schedules contain trend information to help the reader understand how the District’s financial performance and well-being have changed over time.</p>   | 42          |
| <p><b>Revenue Capacity</b></p> <p>These schedules present information to help the reader assess the District’s own source revenue, permits and fees.</p>  | 49          |
| <p><b>Demographic and Economic Information</b></p> <p>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Districts financial activities take place.</p>   | 51          |
| <p><b>Operating Information</b></p> <p>These schedules contain service and infrastructure data to help the reader understand how the information in the District’s financial report relates to the services the District provides and the activities it performs.</p>   | 54          |

Sacramento Metropolitan Air Quality Management District  
Schedule 1  
Net Assets By Component  
Last Nine Fiscal Years  
(accrual basis of accounting)  
(unaudited)

|  | <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>          |
|--|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>Governmental Activities</b>                       |                     |                     |                      |                      |                      |                      |                      |                      |                      |
| Investment in capital assets,<br>net of related debt | \$ 438,058          | \$ 442,652          | \$ 540,968           | \$ 522,329           | \$ 535,979           | \$ 624,503           | \$ 594,518           | \$ 447,263           | \$ 327,593           |
| Restricted   | 6,052,316           | 7,230,914           | 8,739,934            | 10,118,952           | 17,846,829           | 18,471,262           | 16,840,972           | 20,451,561           | 9,211,835            |
| Assigned   | -                   | -                   | -                    | -                    | -                    | -                    | -                    | -                    | 2,986,527            |
| Unrestricted   | <u>1,584,646</u>    | <u>1,345,006</u>    | <u>4,246,705</u>     | <u>4,627,737</u>     | <u>3,422,783</u>     | <u>3,150,700</u>     | <u>1,142,535</u>     | <u>946,120</u>       | <u>8,636,476</u>     |
| Total governmental activities net assets             | <u>\$ 8,075,020</u> | <u>\$ 9,018,572</u> | <u>\$ 13,527,607</u> | <u>\$ 15,269,018</u> | <u>\$ 21,805,591</u> | <u>\$ 22,246,465</u> | <u>\$ 18,578,025</u> | <u>\$ 21,844,944</u> | <u>\$ 21,162,431</u> |
| <b>Business-type Activities</b>                      |                     |                     |                      |                      |                      |                      |                      |                      |                      |
| Investment in capital assets,<br>net of related debt | \$ 48,391           | \$ 87,828           | \$ 173,753           | \$ 230,782           | \$ 313,326           | \$ 335,681           | \$ 85,216            | \$ 142,689           | \$ 438,929           |
| Restricted   | -                   | -                   | -                    | -                    | -                    | -                    | 431,776              | 427,031              | 433,754              |
| Unrestricted   | <u>(14,005)</u>     | <u>2,344</u>        | <u>(4,485)</u>       | <u>107,212</u>       | <u>287,763</u>       | <u>323,454</u>       | <u>802,936</u>       | <u>990,954</u>       | <u>762,937</u>       |
| Total business-type activities net assets            | <u>\$ 34,386</u>    | <u>\$ 90,172</u>    | <u>\$ 169,268</u>    | <u>\$ 337,994</u>    | <u>\$ 601,089</u>    | <u>\$ 659,135</u>    | <u>\$ 1,319,928</u>  | <u>\$ 1,560,674</u>  | <u>\$ 1,635,620</u>  |
| <b>Primary government</b>                            |                     |                     |                      |                      |                      |                      |                      |                      |                      |
| Investment in capital assets,<br>net of related debt | \$ 486,449          | \$ 530,480          | \$ 714,721           | \$ 753,111           | \$ 849,305           | \$ 960,184           | \$ 679,734           | \$ 589,952           | \$ 766,522           |
| Restricted   | 6,052,316           | 7,230,914           | 8,739,934            | 10,118,952           | 17,846,829           | 18,471,262           | 17,272,748           | 20,878,592           | 9,645,589            |
| Assigned   | -                   | -                   | -                    | -                    | -                    | -                    | -                    | -                    | 2,986,527            |
| Unrestricted   | <u>1,570,641</u>    | <u>1,347,350</u>    | <u>4,242,220</u>     | <u>4,734,949</u>     | <u>3,710,546</u>     | <u>3,474,154</u>     | <u>1,945,471</u>     | <u>1,937,074</u>     | <u>9,399,413</u>     |
| Total primary government net assets                  | <u>\$ 8,109,406</u> | <u>\$ 9,108,744</u> | <u>\$ 13,696,875</u> | <u>\$ 15,607,012</u> | <u>\$ 22,406,680</u> | <u>\$ 22,905,600</u> | <u>\$ 19,897,953</u> | <u>\$ 23,405,618</u> | <u>\$ 22,798,051</u> |

Data prior to 2003 not available

Sacramento Metropolitan air Quality Management District  
Schedule 2  
Changes in Net assets - Last Nine Fiscal Years  
(accrual basis of accounting)  
(unaudited)

|  | 2003                 | 2004                 | 2005                 | 2006                 | 2007                 | 2008                 | 2009                 | 2010                 | 2011                 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>Expenses</b>                                  |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| <b>Governmental Activities</b>                   |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Stationary source activities                     | \$ 3,556,848         | \$ 3,799,477         | \$ 3,231,647         | \$ 4,703,166         | \$ 5,091,593         | \$ 5,192,799         | \$ 8,954,634         | \$ 6,132,920         | \$ 5,823,570         |
| Mobile source activities                         | 7,156,116            | 4,635,708            | 3,017,870            | 6,902,841            | 11,450,669           | 11,310,141           | 11,652,160           | 13,096,491           | 12,207,979           |
| Program coordination activities                  | 2,315,572            | 3,022,409            | 2,600,064            | 2,943,252            | 3,883,940            | 3,519,465            | 4,581,824            | 4,346,725            | 4,286,273            |
| Strategic planning activities                    | 2,203,235            | 1,953,334            | 2,042,282            | 2,594,043            | 3,593,197            | 3,715,156            | 3,909,988            | 4,048,968            | 3,548,148            |
| Depreciation expense-unallocated                 | 72,670               | 69,606               | 80,979               | 103,278              | 112,904              | 138,142              | 149,067              | 165,753              | 140,459              |
| <b>Total governmental activities</b>             | <b>\$ 15,304,441</b> | <b>\$ 13,480,534</b> | <b>\$ 10,972,842</b> | <b>\$ 17,246,580</b> | <b>\$ 24,132,303</b> | <b>\$ 23,875,703</b> | <b>\$ 29,247,673</b> | <b>\$ 27,790,857</b> | <b>\$ 26,006,429</b> |
| <b>Business-type activities</b>                  |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Building operations and obligations              | \$ 634,486           | \$ 670,663           | \$ 692,099           | \$ 699,799           | \$ 740,111           | \$ 811,392           | \$ 779,943           | \$ 739,766           | \$ 760,079           |
| <b>Total primary government expenses</b>         | <b>\$ 15,938,927</b> | <b>\$ 14,151,197</b> | <b>\$ 11,664,941</b> | <b>\$ 17,946,379</b> | <b>\$ 24,872,414</b> | <b>\$ 24,687,095</b> | <b>\$ 30,027,616</b> | <b>\$ 28,530,623</b> | <b>\$ 26,766,508</b> |
| <b>Program Revenues</b>                          |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| <b>Governmental Activities</b>                   |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| <b>Charges for services</b>                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Stationary source activities                     | \$ 3,791,056         | \$ 3,474,961         | \$ 4,976,879         | \$ 4,072,422         | \$ 6,163,810         | \$ 4,617,658         | \$ 4,868,387         | \$ 4,857,740         | \$ 5,297,300         |
| Mobile source activities                         | 93,075               | 2,021                | -                    | 5,046,606            | -                    | -                    | -                    | 561,345              | 532,447              |
| Program coordination activities                  | 34,621               | 108,951              | 204,833              | 612,827              | (111,894)            | 41,879               | 136,336              | 136,552              | 84,794               |
| Strategic planning activities                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | 40,207.00            | 567,305              |
| <b>Operating grants and contributions</b>        |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Stationary source activities                     | 1,134,974            | 2,227,170            | 1,926,643            | 735,527              | 1,365,145            | 298,000              | 3,875,126            | 764,839              | 336,324              |
| Mobile source activities                         | 525,458              | 1,084,535            | 938,192              | 510,366              | 13,831,821           | 7,796,251            | 10,721,789           | 15,088,024           | 10,355,463           |
| Program coordination activities                  | 714,608              | 1,355,669            | 1,172,739            | 467,643              | 867,950              | 2,382,599            | 1,538,889            | 1,985,190            | 1,086,075            |
| Strategic planning activities                    | 277,451              | 511,281              | 442,290              | 204,377              | 379,326              | 554,018              | 964,812              | 969,308              | 607,520              |
| <b>Total governmental activities</b>             | <b>\$ 6,571,243</b>  | <b>\$ 8,764,588</b>  | <b>\$ 9,661,576</b>  | <b>\$ 11,649,768</b> | <b>\$ 22,496,158</b> | <b>\$ 15,690,405</b> | <b>\$ 22,105,339</b> | <b>\$ 24,403,205</b> | <b>\$ 18,867,228</b> |
| <b>Business-type activities</b>                  |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Building operations and obligations              | \$ 452,746           | \$ 476,329           | \$ 481,608           | \$ 840,666           | \$ 974,720           | \$ 837,381           | \$ 943,695           | \$ 948,942           | \$ 807,106           |
| <b>Total primary government program revenues</b> | <b>\$ 7,023,989</b>  | <b>\$ 9,240,917</b>  | <b>\$ 10,143,184</b> | <b>\$ 12,490,434</b> | <b>\$ 23,470,878</b> | <b>\$ 16,527,786</b> | <b>\$ 23,049,034</b> | <b>\$ 25,352,147</b> | <b>\$ 19,674,334</b> |

Sacramento Metropolitan air Quality Management District  
Schedule 2  
Changes in Net assets - Last Nine Fiscal Years  
(accrual basis of accounting)  
(unaudited)

|   | 2003                  | 2004                  | 2005                  | 2006                  | 2007                  | 2008                  | 2009                  | 2010                  | 2011                  |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Net (Expense) Revenue                           |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Government activities                           | \$ (8,733,198)        | \$ (4,715,946)        | \$ (1,311,266)        | \$ (5,596,812)        | \$ (1,636,145)        | \$ (8,185,298)        | \$ (7,142,334)        | \$ (3,387,652)        | \$ (7,139,201)        |
| Business-type activities                        | (181,740)             | (194,334)             | (210,491)             | 140,867               | 234,609               | 25,989                | 163,752               | 209,176               | 47,027                |
| Total primary government net (expenses) revenue | <u>\$ (8,914,938)</u> | <u>\$ (4,910,280)</u> | <u>\$ (1,521,757)</u> | <u>\$ (5,455,945)</u> | <u>\$ (1,401,536)</u> | <u>\$ (8,159,309)</u> | <u>\$ (6,978,582)</u> | <u>\$ (3,178,476)</u> | <u>\$ (7,092,174)</u> |
| General revenues                                |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Governmental activities                         |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Grants and subventions                          | \$ 6,948,200          | \$ 5,408,517          | \$ 5,386,522          | \$ 5,902,833          | \$ 6,090,320          | \$ 6,884,648          | \$ 8,324,288          | \$ 5,684,433          | \$ 5,696,646          |
| Interest  | 117,229               | 65,123                | 183,162               | 524,224               | 991,786               | 1,086,702             | 515,419               | 268,262               | 230,368               |
| Penalties/Settlements                           | 519,065               | 410,394               | 516,945               | 911,166               | 1,090,612             | 654,822               | 977,533               | 701,876               | 529,674               |
| Other revenue                                   | 19,069                | -                     | -                     | -                     | -                     | -                     | -                     | -                     | -                     |
| Merchandise sales                               | -                     | -                     | -                     | -                     | -                     | -                     | -                     | -                     | -                     |
| Transfers                                       | (169,993)             | (224,536)             | (266,328)             | -                     | -                     | -                     | (456,966)             | -                     | -                     |
| Total governmental activities                   | <u>\$ 7,433,570</u>   | <u>\$ 5,659,498</u>   | <u>\$ 5,820,301</u>   | <u>\$ 7,338,223</u>   | <u>\$ 8,172,718</u>   | <u>\$ 8,626,172</u>   | <u>\$ 9,360,274</u>   | <u>\$ 6,654,571</u>   | <u>\$ 6,456,688</u>   |
| Business-type activities                        |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Interest  | \$ 21,173             | \$ 25,584             | \$ 23,259             | \$ 27,859             | \$ 28,486             | \$ 32,058             | \$ 40,075             | \$ 31,570             | \$ 27,919             |
| Transfers                                       | 169,993               | 224,536               | 266,328               | -                     | -                     | -                     | 456,966               | -                     | -                     |
| Total business-type activities                  | <u>191,166</u>        | <u>250,120</u>        | <u>289,587</u>        | <u>27,859</u>         | <u>28,486</u>         | <u>32,058</u>         | <u>497,041</u>        | <u>31,570</u>         | <u>27,919</u>         |
| Total Primary government revenue                | <u>\$ 7,624,736</u>   | <u>\$ 5,909,618</u>   | <u>\$ 6,109,888</u>   | <u>\$ 7,366,082</u>   | <u>\$ 8,201,204</u>   | <u>\$ 8,658,230</u>   | <u>\$ 9,857,315</u>   | <u>\$ 6,686,141</u>   | <u>\$ 6,484,607</u>   |
| Change in net assets                            |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Government activities                           | \$ (1,299,628)        | \$ 943,552            | \$ 4,509,035          | \$ 1,741,411          | \$ 6,536,573          | \$ 440,874            | \$ 2,217,940          | \$ 3,266,919          | \$ (682,513)          |
| Business-type activities                        | 9,426                 | 55,786                | 79,096                | 168,726               | 263,095               | 58,047                | 660,793               | 240,746               | 74,946                |
| Total Primary government                        | <u>\$ (1,290,202)</u> | <u>\$ 999,338</u>     | <u>\$ 4,588,131</u>   | <u>\$ 1,910,137</u>   | <u>\$ 6,799,668</u>   | <u>\$ 498,921</u>     | <u>\$ 2,878,733</u>   | <u>\$ 3,507,665</u>   | <u>\$ (607,567)</u>   |

Data prior to 2003 not available

Sacramento Metropolitan Air Quality Management District  
Schedule 3  
Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)  
(unaudited)

|                                    | <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>          |
|------------------------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| General Fund                       |                     |                     |                     |                      |                      |                      |                      |                      |                      |                      |
| Restricted                         | \$ 7,007,300        | \$ 6,052,316        | \$ 7,230,914        | \$ 9,179,982         | \$ 10,118,952        | \$ 13,558,198        | \$ 16,637,844        | \$ 10,109,530        | \$ 2,858,052         | \$ -                 |
| Assigned                           | -                   | -                   | -                   | -                    | -                    | -                    | -                    | -                    | 2,407,273            | 2,986,527            |
| Unrestricted                       | 2,188,820           | 1,981,459           | 1,756,185           | 4,246,705            | 5,144,677            | 8,295,221            | 5,751,365            | 8,666,336            | 7,906,636            | 9,477,625            |
| Total General Fund                 | <u>\$ 9,196,120</u> | <u>\$ 8,033,775</u> | <u>\$ 8,987,099</u> | <u>\$ 13,426,687</u> | <u>\$ 15,263,629</u> | <u>\$ 21,853,419</u> | <u>\$ 22,389,209</u> | <u>\$ 18,775,866</u> | <u>\$ 13,171,961</u> | <u>\$ 12,464,152</u> |
| All other governmental funds       |                     |                     |                     |                      |                      |                      |                      |                      |                      |                      |
| Restricted                         | \$ -                | \$ -                | \$ -                | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ 9,064,562         | \$ 9,211,835         |
| Total all other governmental funds | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ 9,064,562</u>  | <u>\$ 9,211,835</u>  |



Sacramento Metropolitan Air Quality Management District  
Schedule 4  
Changes in Fund Balances of Government Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting )  
(unaudited)

|   | 2002                 | 2003                  | 2004                 | 2005                 | 2006                 | 2007                 | 2008                 | 2009                 | 2010                 | 2011                 |
|---|----------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Revenues:   |                      |                       |                      |                      |                      |                      |                      |                      |                      |                      |
| Licenses, permits and fees                                | \$ 3,302,226         | \$ 4,384,515          | \$ 3,998,973         | \$ 5,364,569         | \$ 5,903,839         | \$ 6,786,546         | \$ 6,405,970         | \$ 8,371,169         | \$ 6,705,683         | \$ 5,949,397         |
| DMV Surcharge   | 3,977,340            | 4,102,077             | 4,252,331            | 4,626,697            | 6,412,378            | 6,559,583            | 6,560,006            | 6,019,834            | 6,588,256            | 6,193,002            |
| Measure A (half-cent sales tax)                           | 425,512              | 2,846,123             | 1,153,541            | 759,621              | 1,592,717            | 1,713,010            | 2,509,280            | 3,451,493            | 1,437,054            | 1,258,648            |
| Local government aid                                      | 85,710               | 284,073               | 455,686              | 36,338               | 310,360              | 182,221              | 50,994               | 10,751,314           | 764,839              | 532,448              |
| State subvention/programs                                 | 5,163,077            | 813,430               | 2,235,914            | 3,384,774            | 2,636,919            | 11,058,290           | 5,023,916            | 336,656              | 13,308,493           | 8,641,608            |
| Federal grants  | 1,094,361            | 1,554,988             | 2,487,055            | 1,393,044            | 1,607,552            | 3,377,440            | 2,679,709            | 2,476,695            | 1,985,190            | 1,988,770            |
| Penalties/civil settlements                               | 603,558              | -                     | -                    | -                    | -                    | -                    | -                    | -                    | -                    | 529,674              |
| Interest  | 293,121              | 117,229               | 65,123               | 183,162              | 524,224              | 991,786              | 1,086,702            | 515,419              | 268,262              | 230,368              |
| Miscellaneous   | 7,408                | 72,369                | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    |
| Total revenue   | <u>\$ 14,952,313</u> | <u>\$ 14,174,804</u>  | <u>\$ 14,648,623</u> | <u>\$ 15,748,205</u> | <u>\$ 18,987,989</u> | <u>\$ 30,668,876</u> | <u>\$ 24,316,577</u> | <u>\$ 31,922,580</u> | <u>\$ 31,057,777</u> | <u>\$ 25,323,915</u> |
| Expenditures:   |                      |                       |                      |                      |                      |                      |                      |                      |                      |                      |
| Salaries and employee benefits                            | \$ 5,411,654         | \$ 5,927,855          | \$ 6,210,330         | \$ 6,637,130         | \$ 8,150,698         | \$ 8,933,557         | \$ 9,993,878         | \$ 11,328,021        | \$ 11,619,250        | \$ 11,458,660        |
| Insurance   | 51,110               | 73,525                | 71,872               | 70,553               | 87,799               | 75,810               | 97,389               | 96,890               | 69,476               | 62,085               |
| Building rent   | 229,943              | -                     | -                    | -                    | -                    | -                    | -                    | 526,457              | 954,219              | 335,625              |
| Equipment rent and lease                                  | -                    | 164,707               | 121,561              | 180,065              | 39,138               | 50,223               | 55,969               | 177,025              | 175,781              | 157,939              |
| Supplies and services purchased                           | 952,911              | 603,107               | 1,202,517            | 1,291,269            | 2,261,860            | 2,009,539            | 1,928,221            | 1,618,909            | 1,154,574            | 1,098,609            |
| Contract and special services                             | 6,079,269            | 8,385,644             | 5,790,283            | 2,683,977            | 6,526,913            | 12,883,403           | 11,478,664           | 15,251,787           | 13,605,322           | 12,750,744           |
| Transportation  | 96,130               | -                     | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    |
| Interfund Charges   | 410                  | -                     | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    |
| Capital outlay  | 117,713              | 12,319                | 74,200               | 179,295              | 84,639               | 126,554              | 226,666              | 119,082              | 18,498               | 20,789               |
| Total expenditures  | <u>\$ 12,939,140</u> | <u>\$ 15,167,157</u>  | <u>\$ 13,470,763</u> | <u>\$ 11,042,289</u> | <u>\$ 17,151,047</u> | <u>\$ 24,079,086</u> | <u>\$ 23,780,787</u> | <u>\$ 29,118,171</u> | <u>\$ 27,597,120</u> | <u>\$ 25,884,451</u> |
| Excess (deficiency) of revenues over (under) expenditures | \$ 2,013,173         | \$ (992,353)          | \$ 1,177,860         | \$ 4,705,916         | \$ 1,836,942         | \$ 6,589,790         | \$ 535,790           | \$ 2,804,409         | \$ 3,460,657         | \$ (560,536)         |
| Other financing uses:                                     |                      |                       |                      |                      |                      |                      |                      |                      |                      |                      |
| Interfund transfers in/(out)                              | -                    | 169,993               | 224,536              | 266,328              | -                    | -                    | -                    | 456,966              | -                    | -                    |
| Net increase(decrease) in fund balance                    | <u>\$ 2,013,173</u>  | <u>\$ (1,162,346)</u> | <u>\$ 953,324</u>    | <u>\$ 4,439,588</u>  | <u>\$ 1,836,942</u>  | <u>\$ 6,589,790</u>  | <u>\$ 535,790</u>    | <u>\$ 2,347,443</u>  | <u>\$ 3,460,657</u>  | <u>\$ (560,536)</u>  |

Sacramento Metropolitan Air Quality Management District  
Schedule 5  
Schedule of General Government Expenditures by Major Object (Budgetary Basis)  
Last Ten Fiscal Years (Unaudited)

| Fiscal Year | Salaries & Benefits | Services & Supplies | Equipment/Fixed Assets | Interfund Charges | Contingency | Total         |
|-------------|---------------------|---------------------|------------------------|-------------------|-------------|---------------|
| 01-02       | \$ 5,805,580        | \$ 6,597,919        | \$ 197,401             | \$ 658,817        | \$ -        | \$ 13,259,717 |
| 02-03       | \$ 6,178,752        | \$ 13,725,264       | \$ 64,997              | \$ 1,046,403      | \$ -        | \$ 21,015,416 |
| 03-04       | \$ 6,886,307        | \$ 11,617,722       | \$ 121,001             | \$ 432,824        | \$ 106,895  | \$ 19,164,749 |
| 04-05       | \$ 7,340,221        | \$ 8,740,742        | \$ 224,100             | \$ 435,672        | \$ 300,000  | \$ 17,040,735 |
| 05-06       | \$ 8,929,314        | \$ 17,878,385       | \$ 281,100             | \$ 436,000        | \$ 300,000  | \$ 27,824,799 |
| 06-07       | \$ 9,500,743        | \$ 26,180,780       | \$ 227,500             | \$ 414,682        | \$ 450,000  | \$ 36,773,705 |
| 07-08       | \$ 10,959,562       | \$ 22,329,068       | \$ 360,400             | \$ 840,000        | \$ 450,000  | \$ 34,939,030 |
| 08-09       | \$ 12,183,771       | \$ 62,339,385       | \$ 110,400             | \$ 424,353        | \$ 450,000  | \$ 75,507,909 |
| 09-10       | \$ 12,199,760       | \$ 57,217,281       | \$ 38,000              | \$ 3,851,831      | \$ -        | \$ 73,306,872 |
| 10-11       | \$ 11,584,777       | \$ 60,902,308       | \$ 43,500              | \$ 1,407,642      | \$ -        | \$ 73,938,227 |

The budgeted expenditures represent the adopted budget adjusted for Board approved modifications based on new or modified expenditures.

Sacramento Metropolitan Air Quality Management District  
Schedule 6  
Schedule of General Government Expenditures by Function  
Last Ten Years (Unaudited)

| Fiscal Year | Salaries & Benefits | Services &<br>Supplies | Payments to Gov'ts | Interfund Charges | Capital Outlay | Total         |
|-------------|---------------------|------------------------|--------------------|-------------------|----------------|---------------|
| 01-02       | \$ 5,411,654        | \$ 7,409,773           | \$ -               | \$ 50,389         | \$ 117,713     | \$ 12,989,529 |
| 02-03       | \$ 5,927,855        | \$ 9,226,983           | \$ -               | \$ 169,993        | \$ 12,319      | \$ 15,337,150 |
| 03-04       | \$ 6,210,330        | \$ 7,186,233           | \$ -               | \$ 224,536        | \$ 74,200      | \$ 13,695,299 |
| 04-05       | \$ 6,637,130        | \$ 4,225,864           | \$ -               | \$ 266,328        | \$ 179,295     | \$ 11,308,617 |
| 05-06       | \$ 8,150,698        | \$ 8,915,710           | \$ -               | \$ -              | \$ 84,639      | \$ 17,151,047 |
| 06-07       | \$ 8,933,557        | \$ 15,018,975          | \$ -               | \$ -              | \$ 126,554     | \$ 24,079,086 |
| 07-08       | \$ 9,993,878        | \$ 13,560,243          | \$ -               | \$ -              | \$ 226,666     | \$ 23,780,787 |
| 08-09       | \$ 11,328,021       | \$ 17,671,068          | \$ -               | \$ 456,966        | \$ 119,082     | \$ 29,575,137 |
| 09-10       | \$ 11,619,250       | \$ 16,383,724          | \$ -               | \$ (424,353)      | \$ 18,498      | \$ 27,597,119 |
| 10-11       | \$ 11,456,352       | \$ 14,506,789          | \$ -               | \$ 783,157        | \$ 20,789      | \$ 26,767,087 |

Note: Expenditures were previously reported in financial statements under the categories of Health & Sanitation (which included Salaries & Benefits, Services & Supplies, Payments to Gov'ts, Interfund Charges) and Capital Outlay.

Sacramento Metropolitan Air Quality Management District  
Schedule 7  
Schedule of General Government Revenues by Source  
Last Ten Years (Unaudited)

| Fiscal Year | Taxes        | Intergovernmental | Licenses/ Permits | Use of Money &<br>Property | Increase in Fair<br>Value of<br>Investments | Miscellaneous | Total         |
|-------------|--------------|-------------------|-------------------|----------------------------|---|---------------|---------------|
| 01-02       | \$ 4,402,852 | \$ 6,343,148      | \$ 3,302,226      | \$ 293,121                 | \$ -  | \$ 610,966    | \$ 14,952,313 |
| 02-03       | \$ 6,948,200 | \$ 2,652,492      | \$ 3,904,695      | \$ 117,229                 | \$ -  | \$ 552,188    | \$ 14,174,804 |
| 03-04       | \$ 5,405,872 | \$ 5,178,655      | \$ 3,998,973      | \$ 65,123                  | \$ -  | \$ -          | \$ 14,648,623 |
| 04-05       | \$ 5,386,318 | \$ 4,814,156      | \$ 5,364,569      | \$ 183,162                 | \$ -  | \$ -          | \$ 15,748,205 |
| 05-06       | \$ 8,005,095 | \$ 4,554,831      | \$ 5,903,839      | \$ 524,224                 | \$ -  | \$ -          | \$ 18,987,989 |
| 06-07       | \$ 8,272,593 | \$ 14,617,951     | \$ 6,786,546      | \$ 991,786                 | \$ -  | \$ -          | \$ 30,668,876 |
| 07-08       | \$ 9,069,286 | \$ 7,754,619      | \$ 6,405,970      | \$ 1,086,702               | \$ -  | \$ -          | \$ 24,316,577 |
| 08-09       | \$ 9,471,327 | \$ 13,564,665     | \$ 8,371,169      | \$ 515,419                 | \$ -  | \$ -          | \$ 31,922,580 |
| 09-10       | \$ 8,025,308 | \$ 16,058,522     | \$ 6,705,683      | \$ 268,262                 | \$ -  | \$ -          | \$ 31,057,775 |
| 10-11       | \$ 7,451,650 | \$ 11,162,826     | \$ 6,479,071      | \$ 230,368                 | \$ -  | \$ -          | \$ 25,323,915 |

Note-Increase in Fair Value of Investments is recorded as a result of GASB Statement No. 31.

Sacramento Metropolitan Air Quality Management District  
 Schedule 8  
 Own Source Government Revenue Base  
 Last Ten Years (Unaudited)

| Year | Active Permits | Actual Revenue |
|------|----------------|----------------|
| 2002 | 3,232          | \$ 1,933,231   |
| 2003 | 3,373          | \$ 2,161,977   |
| 2004 | 3,508          | \$ 2,362,409   |
| 2005 | 3,763          | \$ 2,464,720   |
| 2006 | 3,819          | \$ 2,529,261   |
| 2007 | 4,006          | \$ 2,757,297   |
| 2008 | 4,060          | \$ 2,974,293   |
| 2009 | 4,183          | \$ 3,276,452   |
| 2010 | 4,242          | \$ 3,314,929   |
| 2011 | 4,238          | \$ 4,245,918   |

Source: Sacramento Metropolitan Air Quality Management District  
 Stationary Source Data Base  
 Jorge DeGuzman, Program Supervisor

Sacramento Metropolitan Air Quality Management District  
Schedule 9  
Demographic Information  
Last Ten Years (Unaudited)

| Year | County Population<br>(January 1) | County Total<br>Personal Income | County Per<br>Capita Income | County<br>Unemployment<br>Rate |
|------|----------------------------------|---------------------------------|-----------------------------|--------------------------------|
| 2002 | 1,287,077                        | \$ 38,649,539                   | \$ 29,686                   | 5.7%                           |
| 2003 | 1,317,579                        | \$ 40,789,349                   | \$ 30,686                   | 5.9%                           |
| 2004 | 1,345,208                        | \$ 43,462,957                   | \$ 32,192                   | 5.6%                           |
| 2005 | 1,368,192                        | \$ 45,653,787                   | \$ 33,521                   | 5.0%                           |
| 2006 | 1,387,771                        | \$ 48,313,850                   | \$ 35,197                   | 4.8%                           |
| 2007 | 1,406,804                        | \$ 50,157,252                   | \$ 36,340                   | 5.5%                           |
| 2008 | 1,424,415                        | \$ 50,157,252                   | \$ 36,340                   | 7.7%                           |
| 2009 | 1,433,187                        | (2)                             | (2)                         | (2)                            |
| 2010 | 1,445,327                        | (2)                             | (2)                         | (2)                            |
| 2011 | 1,428,355                        | (2)                             | (2)                         | (2)                            |

Source: California State Department of Finance  
E-5 Population and Housing Estimates  
Long-term Socio-Economic Forecasts by County

California Employment Development  
Annual Average Employment by Industry Data

(1) No longer available

(2) Not yet available

County of Sacramento

Sacramento Metropolitan Air Quality Management District  
 Schedule 10  
 Vehicle Registrations (Automobiles & Trucks)  
 Last Ten Calendar Years  
 (unaudited)

| Year | Vehicles Registered (As<br>of December 31) |
|------|--|
| 2002 | 1,098,045                                  |
| 2003 | 1,110,073                                  |
| 2004 | 1,187,166                                  |
| 2005 | 1,181,625                                  |
| 2006 | 1,174,309                                  |
| 2007 | (1)  |
| 2008 | 1,157,002                                  |
| 2009 | 1,159,910                                  |
| 2010 | 1,157,341                                  |
| 2011 | (2)  |

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

(1) Data not available

(2) Not yet available

Sacramento Metropolitan Air Quality Management District  
 Schedule 11  
 Principal Employers  
 Current Year and Ten Years Ago

| Employer             | 2011           |      |   | 2002           |      |   |
|----------------------|----------------|------|---|----------------|------|---|
|                      | Employee<br>s  | Rank | Percentage of<br>Total County<br>Employment | Employees      | Rank | Percentage of<br>Total County<br>Employment |
| Private Industry     | 545,800        | 1    | 77%   | 406,727        | 1    | 71%   |
| State Government     | 85,500         | 2    | 12%   | 96,979         | 2    | 17%   |
| Local Government     | 66,600         | 3    | 9%  | 58,461         | 3    | 10%   |
| Federal Government   | 9,700          | 4    | 1%  | 11,244         | 4    | 2%  |
| Total All Industries | <u>707,600</u> |      | <u>100%</u>                                 | <u>573,411</u> |      | <u>100%</u>                                 |

Source: Employment Development Department

Labor Market Information Division

[www.labormarketinfo.edd.ca.gov](http://www.labormarketinfo.edd.ca.gov)

Historical Industry Employment Data Files

Employment by Industry, California Labor Market Info



Sacramento Metropolitan Air Quality Management District  
Schedule 12  
District Staff Position List  
Last Ten Years (Unaudited)

Full-Time Equivalent Employees as of June 30

| FUNCTION:  | 2002        | 2003        | 2004        | 2005         | 2006         | 2007         | 2008          | 2009          | 2010          | 2011         |
|--|-------------|-------------|-------------|--------------|--------------|--------------|---------------|---------------|---------------|--------------|
| Accountant I/II  | -           | -           | -           | 1            | 1            | 1            | 1             | 1             | 1             | 1            |
| Administrative Assistant I/II  | 1           | 1           | 1           | 1            | 2            | 2            | 2             | 2             | 2             | 2            |
| Administrative/Legal Analyst   | -           | -           | -           | -            | -            | -            | 1             | 1             | 1             | -            |
| Air Pollution Control Officer/Executive Director                                     | 1           | 1           | 1           | 1            | 1            | 1            | 1             | 1             | 1             | 1            |
| Asst/Assoc Air Quality Engineer (reclass 2006 to Air Quality)                        | 13          | 13          | 14          | 15           | 18           | 21.5         | 21.5          | 21.5          | 21.5          | 21.5         |
| Air Quality Instrument Specialist I/II   | 3           | 3           | 3           | 3            | 3            | 3            | 3             | 3             | 3             | 3            |
| Associate Air Quality Engineer   | -           | -           | -           | -            | -            | -            | -             | -             | -             | -            |
| Associate Air Quality Planner Analyst  | -           | -           | -           | -            | -            | -            | -             | -             | -             | -            |
| Associate Air Quality Specialist   | -           | -           | -           | -            | -            | -            | -             | -             | -             | -            |
| Associate Communications & Marketing Specialist                                      | -           | -           | -           | -            | -            | -            | -             | -             | -             | -            |
| Associate Personnel Analyst  | -           | -           | -           | -            | -            | -            | -             | -             | -             | -            |
| Assistant Air Quality Engineer   | -           | -           | -           | -            | -            | -            | -             | -             | -             | -            |
| Assistant Air Quality Planner Analyst  | -           | -           | -           | -            | -            | -            | -             | -             | -             | -            |
| Assistant Air Quality Specialist   | -           | -           | -           | -            | -            | -            | -             | -             | -             | -            |
| Asst/Assoc Air Quality Planner/Analyst (reclass 2006 to Air Quality Planner/Analyst) | 10          | 10          | 10          | 10           | 10.5         | 10.5         | 10.5          | 11            | 12            | 11           |
| Asst/Assoc Air Quality Specialist (reclass 2006 to Air Quality)                      | 16          | 16          | 17          | 17           | 19           | 19           | 22.5          | 21.5          | 20.6          | 18.6         |
| Asst/Assoc Communications/Marketing Specialist                                       | 1.6         | 1.6         | 1.6         | 1.85         | 1.85         | 1.85         | 2.85          | 2.85          | 2.85          | 1.85         |
| Clerical Services Supervisor   | 1           | 1           | 1           | 1            | 1            | 1            | 1             | 1             | 1             | 1            |
| District Accountant/Controller   | 1           | 1           | 1           | 1            | 1            | 1            | 1             | 1             | 1             | 1            |
| District Counsel   | 1           | 1           | 1           | 1            | 1            | 1            | 1             | 1             | 1             | 1            |
| District Counsel Legal Assistant   | 1           | 1           | 1           | 1            | 1            | 1            | 1             | 1             | 1             | 1            |
| Division Manager   | 5           | 5           | 5           | 5            | 5            | 5            | 4             | 4             | 4             | 4            |
| Executive Assistant/Clerk to the Board   | 1           | 1           | 1           | 1            | 1            | 1            | 1             | 1             | 1             | 1            |
| Fiscal Assistant I/II  | 1           | 1           | 1           | 1            | 1            | 1            | 1             | 1             | 1             | 1            |
| Human Resources Officer  | 1           | 1           | 1           | 1            | 1            | 1            | 1             | 1             | 1             | 1            |
| Information Systems Analyst/ Information Systems Administrator                       | 1           | 1           | 1           | 1            | 1            | 1            | 1             | 1             | 1             | 1            |
| Assistant Information Systems Analyst/Information Systems Analyst                    | 1           | 1           | 1           | 1            | 1            | 1            | 2             | 2             | 2             | 2            |
| Office Assistant I/II  | 3           | 3           | 3           | 3            | 2            | 3            | 3             | 3             | 3             | 3            |
| Personnel Assistant I/II/Human Resource Assistant II                                 | 1           | 1           | 1           | 1            | 2            | 2            | 2             | 2             | 2             | 2            |
| Program Coordinator  | 10          | 10          | 10          | 12           | 13           | 13           | 13            | 13            | 13            | 13           |
| Program Supervisor   | 3           | 3           | 3           | 3            | 4            | 4            | 5             | 5             | 5             | 5            |
| Secretary  | 1           | 1           | 1           | -            | -            | -            | -             | -             | -             | -            |
| Senior Accountant  | -           | -           | -           | 1            | 1            | 1            | 1             | 1             | 1             | 1            |
| Senior Communications & Marketing Specialist   | 1           | 1           | 1           | 1            | -            | -            | -             | -             | -             | -            |
| Statistician   | 1           | 1           | 1           | 1            | 1            | 1            | 1             | 1             | 1             | 1            |
| <b>Total Funded Positions</b>  | <b>79.6</b> | <b>79.6</b> | <b>81.6</b> | <b>85.85</b> | <b>93.35</b> | <b>97.85</b> | <b>104.35</b> | <b>103.85</b> | <b>103.95</b> | <b>98.95</b> |

Note: Funded Positions may vary from budget due to changes in staffing during the fiscal year

Positions Unfunded

|   |          |          |          |          |          |          |          |          |          |          |
|---|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Asst/Assoc. Communications/Marketing Specialist | 1        | 1        | 1        | -        | -        | -        | -        | -        | -        | -        |
| Deputy District Counsel                         | 1        | 1        | -        | -        | -        | -        | -        | -        | -        | -        |
| Asst/Assoc. Air Quality Engineer                | 1        | 1        | -        | -        | -        | -        | -        | -        | -        | -        |
| Air Quality Engineer (LT)                       | -        | -        | -        | -        | 1        | 1        | -        | -        | -        | -        |
| Air Quality Specialist (LT)                     | -        | -        | -        | -        | 1        | 1        | -        | -        | 1        | -        |
| Air Quality Specialist                          | -        | -        | -        | -        | -        | -        | -        | -        | -        | 2        |
| Administrative/Legal Analyst                    | -        | -        | -        | -        | -        | -        | -        | -        | -        | 1        |
| <b>Total Positions Unfunded</b>                 | <b>3</b> | <b>3</b> | <b>1</b> | <b>-</b> | <b>2</b> | <b>2</b> | <b>-</b> | <b>-</b> | <b>1</b> | <b>3</b> |

|                                |              |              |              |              |              |              |               |               |               |               |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|---------------|---------------|
| <b>Total Funded + Unfunded</b> | <b>82.60</b> | <b>82.60</b> | <b>82.60</b> | <b>85.85</b> | <b>95.35</b> | <b>99.85</b> | <b>104.35</b> | <b>103.85</b> | <b>104.95</b> | <b>101.95</b> |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|---------------|---------------|

The FTEs were collected from the SMAQMD Budget

Sacramento Metropolitan Air Quality Management District  
Schedule 13  
Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years

Business-type Activities

| <u>Fiscal Year</u> | <u>Certificate of Participation</u> | <u>Bond Premium</u> | <u>Total Primary Government</u> | <u>Percentage of Personal Income 1</u> | <u>Per Capita - Sacramento County based on United States Census Figures 1</u> |
|--------------------|-------------------------------------|---------------------|---------------------------------|--|---|
| 2002               | \$ 5,835,000                        | \$ 60,938           | \$ 5,895,938                    | 15%                                    | \$ 4,452  |
| 2003               | \$ 5,695,000                        | \$ 57,908           | \$ 5,752,908                    | 14%                                    | \$ 4,328  |
| 2004               | \$ 5,555,000                        | \$ 55,384           | \$ 5,610,384                    | 13%                                    | \$ 4,155  |
| 2005               | \$ 5,410,000                        | \$ 52,859           | \$ 5,462,859                    | 12%                                    | \$ 4,011  |
| 2006               | \$ 5,260,000                        | \$ 50,334           | \$ 5,310,334                    | 11%                                    | \$ 3,869  |
| 2007               | \$ 5,110,000                        | \$ 47,810           | \$ 5,157,810                    | 10%                                    | \$ 3,737  |
| 2008               | \$ 4,955,000                        | \$ 45,285           | \$ 5,000,285                    | 10%                                    | \$ 3,634  |
| 2009               | \$ 4,790,000                        | \$ 42,760           | \$ 4,832,760                    | (2)                                    | (2)   |
| 2010               | \$ 4,620,000                        | \$ 40,235           | \$ 4,660,235                    | (2)                                    | (2)   |
| 2011               | \$ 4,445,000                        | \$ 37,941           | \$ 4,482,941                    | (2)                                    | (2)   |

(1) See the Schedule of Demographic and Economic Statistics for personal income and population data

(2) Not yet available

Sacramento Metropolitan Air Quality Management District  
 Schedule 14  
 Capital Assets Statistics by Function/Program  
 Last Five Fiscal Years

| <u>Function/Program</u>  | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> |
|--|-------------|-------------|-------------|-------------|-------------|
| <b>Monitoring Air Quality</b>  |             |             |             |             |             |
| Number of air monitoring stations  | 9           | 9           | 9           | 9           | 9           |
| Number of air monitoring instruments installed in the air monitoring stations to measure air quality | 38          | 38          | 43          | 43          | 38          |
| Data prior to 2007 not available   |             |             |             |             |             |