

**SACRAMENTO METROPOLITAN AIR  
QUALITY MANAGEMENT DISTRICT**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED  
JUNE 30, 2007**

**PREPARED BY:  
FISCAL DIVISION**

January 14, 2008

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, 2007.

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, 2007 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, 2007 are fairly presented in conformity with accounting principles generally accepted in the United States. The independent auditor's report is located at the front of the financial section of this report.

The independent audit of the financial statements of the 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. 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 District began operation in July of 1996 as a local governmental agency established under Health and Safety Code Sections 40960 et. seq. 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 representing each of 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. The SFNA currently fails to attain the federal standard for ozone as well as the more stringent California standard for ozone and particulate matter (PM10 and PM2.5). The Air District also anticipates that the region will not meet the recently amended federal PM2.5 standards.

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 and agricultural equipment. These mobile sources contribute about two-thirds of our Volatile Organic Compounds (VOC) and 90% of our Oxides of Nitrogen (NOx) emissions, while stationary (industrial) sources contribute about 14% of our VOC emissions and 8% 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 as expenditures. All annual appropriations lapse at fiscal year end to the extent they have not been expended or encumbered. Amendments to increase the budget must be approved by the Governing Board.

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.

The accounting principles applied in developing the budget differ from the amount reported on the financial statements in conformity with generally accepted accounting principles. Reconciliation of the differences is presented in the Required Supplementary Information section of this report.

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

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

The District does not receive property tax support. Approximately 20% of its funding is derived from fees paid by stationary sources that emit air pollution; 21% 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; 47% from federal and state grants and subventions; and the remainder from general revenues such as penalties/settlements, lease revenue and interest earnings.

The District has hired the financial services firm KPMG to conduct a fee study. The fee study will determine if permit and fee revenue is sufficient to fund the associated programs. KPMG will make recommendations to the District based on the results of the fee study.

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.

For fiscal year 2007-08, the employer contribution rates to our pension system will decrease slightly due primarily to a smoothing of losses and gains introduced by CalPers.

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

The District has engaged the accounting firm of KPMG to conduct a fee study. The fee study will determine if stationary source permit and fee revenue is sufficient to support the related program activities. The District may seek future fee increases depending on the recommendations proposed in the fee study.

### ***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, 2007 is \$22,325,087.

The District Governing Board annually reviews and approves the Sacramento County pooled investment fund policies. Monthly investment reports are reviewed 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 coverages are 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 is contracted for an actuarial study of Other Post Employment Benefits (OPEB) obligations. The District is planning to prefund 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. With a new, lower, standard expected this year from the EPA Administrator, reducing ozone pollution will remain an important and core program of the district and region for many years. Moreover, the District is likely to be designated non-attainment for the new federal NAAQS for PM 2.5 later this year. While this is a significant challenge, controlling pollution from wood smoke on key days in the fall appears to be an effective strategy to meet the new standard.

A major effort during the next year will be working with our local partners (cities, counties, SACOG) in responding 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.

Respectfully submitted,



Larry Greene

APCO/Executive Officer



Michael Sinkevich CPA

District Accountant/Controller

**SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT**

**GOVERNING BOARD**

**JUNE 30, 2007**

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**SACRAMENTO COUNTY BOARD OF SUPERVISORS**

**ROGER DICKINSON**  
CHAIR OF THE AQMD

**JIMMIE YEE**

**SUSAN PETERS**

**ROBERTA MACGLASHAN**

**DON NOTTOLI**

**COUNCIL MEMBERS**

**STEVE COHN**  
CITY OF SACRAMENTO

**LAUREN HAMMOND**  
CITY OF SACRAMENTO

**KEVIN MCCARTY**  
CITY OF SACRAMENTO

**SANDY SHEEDY**  
VICE CHAIR OF THE AQMD  
CITY OF SACRAMENTO

**DR. JAYNA KARPINSKI-COSTA**  
CITY OF CITRUS HEIGHTS

**GARY DAVIS**  
CITY OF ELK GROVE

**JEFF STARSKY**  
CITY OF FOLSOM

**DARRYL CLARE**  
CITY OF GALT

**ROBERT MCGARVEY**  
CITY OF RANCHO CORDOVA

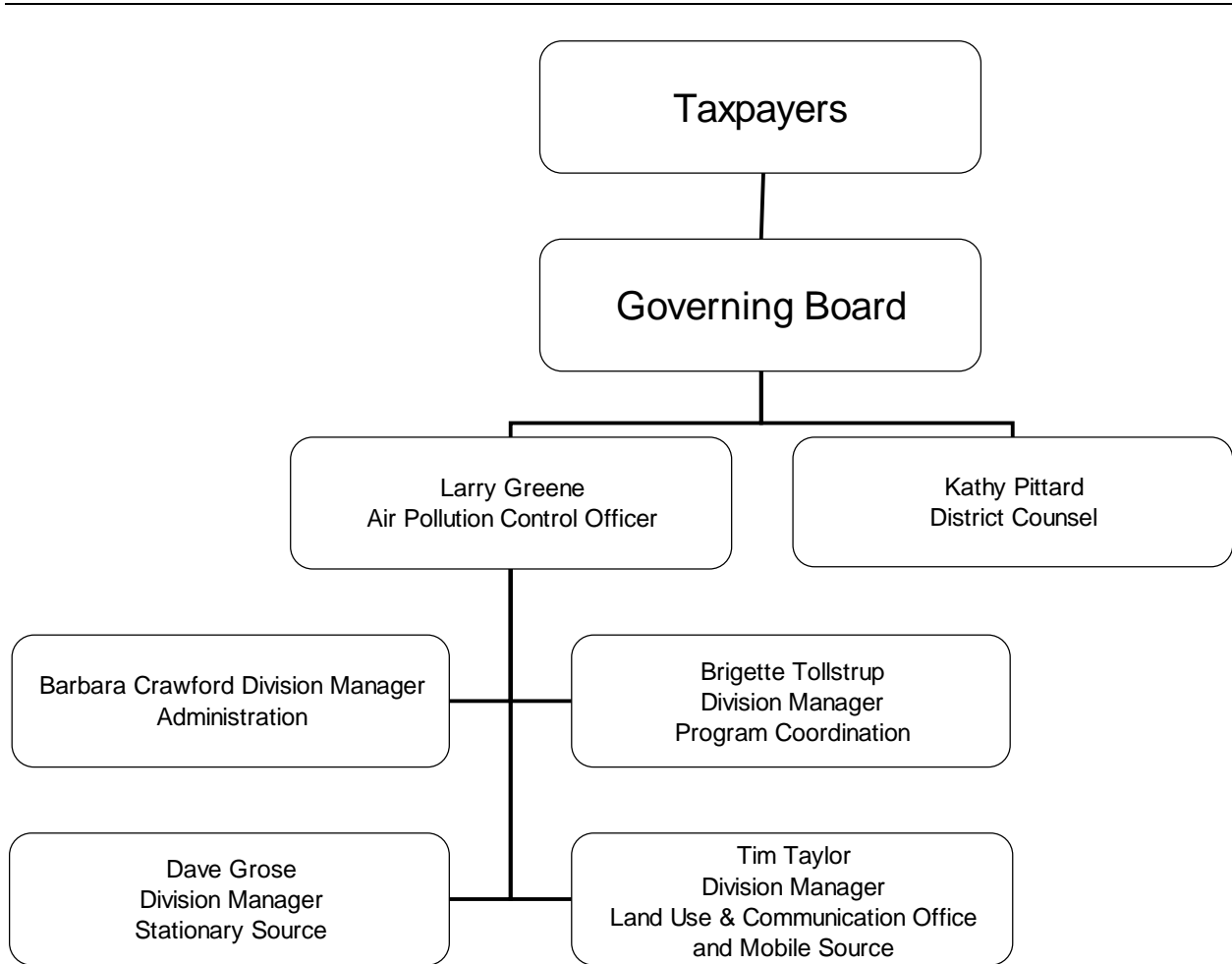
**EXECUTIVE DIRECTOR**

**LARRY GREENE**

**SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT**

**ORGANIZATIONAL CHART**

**JUNE 30, 2007**



SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

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## **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 for Sacramento Metropolitan Air Quality Management District (the District), as of and for the year ended June 30, 2007, 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.

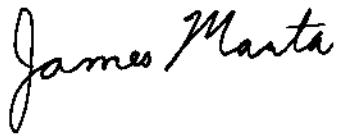
We conducted our audit in accordance with auditing standards accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, and the major funds of the Sacramento Metropolitan Air Quality Management District as of June 30, 2007, and the changes in financial position and its cash flows 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 10, 2008, on our consideration of the Sacramento Metropolitan Air Quality Management District's internal control over financial reporting and our tests of the District's 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 and other matters. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Fund Type – Budget and Actual are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, consisting 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 Sacramento Metropolitan Air Quality Management District's basic financial statements. 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. 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. The introductory section and the statistical section 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. The "Schedule of Expenditures of Federal Awards" has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



James Marta & Company, CPAs  
January 10, 2008

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

# SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

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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 fiscal year ended June 30, 2007. 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 \$21,805,591 (net assets). Of this amount \$3,422,783 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The District's total net assets increased \$6,536,573 due to an increase in cash and accounts receivable and a decrease in accounts payable and deferred revenue.
- 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 expenditures 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.

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

# SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

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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*, 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. 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. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 13-15

#### ***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.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. 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, 2007**

**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 20-35 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 36.

**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 \$22,406,679 at the close of the most recent fiscal year. The schedule below presents a condensed Statement of Net Assets as of June 30, 2007 compared to June 30, 2006.

**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>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>
Current and other assets	\$ 21,428	\$ 28,215	\$ 1,966	\$ 2,137	\$ 23,394	\$ 30,352
Capital Assets	522	536	3,744	3,681	4,266	4,217
Total Assets	<u>\$ 21,950</u>	<u>\$ 28,751</u>	<u>\$ 5,710</u>	<u>\$ 5,818</u>	<u>\$ 27,660</u>	<u>\$ 34,569</u>
Long-term liabilities						
outstanding	\$ 227	\$ 277	\$ 5,172	\$ 5,014	\$ 5,399	\$ 5,291
Other liabilities	6,454	6,668	200	203	6,654	6,871
Total Liabilities	<u>6,681</u>	<u>6,945</u>	<u>5,372</u>	<u>5,217</u>	<u>12,053</u>	<u>12,162</u>
Net Assets:						
Invested in capital assets,						
net of related debt	522	536	231	313	753	849
Restricted	10,119	17,847	-	-	10,119	17,847
Unrestricted	4,628	3,423	107	288	4,735	3,711
Total net assets	<u>\$ 15,269</u>	<u>\$ 21,806</u>	<u>\$ 338</u>	<u>\$ 601</u>	<u>\$ 15,607</u>	<u>\$ 22,407</u>

# SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

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By far the largest portion of the District's net assets (80%) represents resources that are subject to external restrictions on how they may be used. These funds are restricted to expenditures for specific purposes. Approximately 4% of the District's net assets reflects its investment in capital assets used by the District (e.g. land, buildings, equipment) less any related debt used to acquire those assets that is still outstanding.

The remaining portion of the District's net assets (16%) 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 continues to be no restricted net assets in the District's business-type activities and a continuation of no restricted net assets is forecasted for the future.

There was an increase of \$82 thousand 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.

There was an increase of \$181 thousand in the Unrestricted Net Assets for the business-type activities. This increase is due to the continued profitable operation of the District's building and rental of a portion of the space.

The government's net assets increased by \$6.5 million during the current fiscal year. The increase is due mainly to an increase in Moyer type incentive funds.

### **Governmental Activities**

Governmental activities increased the District's net assets by \$6.5 million, thereby accounting for 96 percent of the total growth in the net assets of the District. Key elements of this increase are presented in the following schedule.

**SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2007**

The following schedule shows revenues by major source, expenses by function and changes in net assets for the fiscal years ended June 30, 2006 and June 30, 2007.

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

	<u>Governmental</u>		<u>Business –Type</u>		<u>TOTAL</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>
Revenues:						
Program Revenues:						
Charges for Services	\$ 9,732	\$ 6,052	\$ 841	\$ 975	\$ 10,573	\$ 7,027
Operating Grants and Contributions	1,917	14,258	-	-	1,917	14,258
General Revenue	7,338	10,359	28	28	7,366	10,387
Total Revenues	<u>18,987</u>	<u>30,669</u>	<u>869</u>	<u>1,003</u>	<u>19,856</u>	<u>31,672</u>
Expenses:						
Stationary Source activities	4,703	5,092	-	-	4,703	5,092
Mobile Source activities	6,903	11,451	-	-	6,903	11,451
Program Coordination activities	2,943	3,884	-	-	2,943	3,884
Strategic Planning activities	2,594	3,593	-	-	2,594	3,593
Building operations and obligations	-	-	700	740	700	740
Depreciation	103	113	-	-	103	113
Total Expenses	<u>17,246</u>	<u>24,133</u>	<u>700</u>	<u>740</u>	<u>17,946</u>	<u>24,873</u>
Increase (decrease) in Net Assets,	1,741	6,537	169	263	1,910	6,800
Net Assets, Beginning	13,528	15,269	169	338	13,697	15,607
Net Assets, Ending	<u>\$ 15,269</u>	<u>\$ 21,806</u>	<u>\$ 338</u>	<u>\$ 601</u>	<u>\$ 15,607</u>	<u>\$ 22,407</u>

- Carl Moyer funding increased approximately \$9 million. These monies are used to provide funds on an incentive basis for the incremental cost of cleaner-than-required engines and equipment.
- There was an increase of approximately \$800 thousand dollars in EPA 105 funding. EPA funds are used to support the District's air monitoring efforts.

# SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

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- Land Use Mitigation fees increased approximately \$1 million. These monies are used to mitigate increased pollution from development.

### **Business-type activities**

Business-type activities increased the District's net assets by \$263 thousand, accounting for 4% of the total growth in the government's net assets. Key elements of this increase are as follows:

- Revenues from rents increased \$134 thousand.
- Building debt decreased \$150 thousand.

### **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 fund reported an ending fund balance of \$21,853,419, an increase of \$6,589,790 in comparison with the prior year. Approximately \$8,295,221 (38%) constitutes *unreserved, undesignated fund balance*, which is available for spending at the District's discretion. The remainder of fund balance is reserved or designated 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, and 2) for a variety of other 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 was \$288 thousand. The total growth in net assets was \$263 thousand. Other factors concerning the finances of the proprietary fund have already been addressed in the discussion of the District's business-type activities.

**SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2007**

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**E. General Fund Budgetary Highlights**

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

For fiscal year 2007, actual revenues exceeded the final budget by \$6,759,991 or 28%. This was due to intergovernmental funds that are received on a reimbursement basis. Contracts and projects associated with these funds were not completed within the fiscal year. These funds were carried forward into the next budget cycle.

Expenditures were \$12,694,619 less than budgeted, or a 35% savings. Moyer fund and other incentive contracts can take up to 24 months to complete. Expenditures associated with contracts were carried forward to the next budget cycle.

**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, 2007 amounts to \$5,303,431 (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 \$175,368.

The increase in the capital assets primarily reflects the purchase of gas calibrators and laboratory equipment for governmental activities and the purchase of an HVAC unit and an office remodel for business-type activities less depreciation for the year on all the business-type assets.

Additional information on capital assets can be found in the Notes to the Financial Statements on page 29.

**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, 2007 was \$5,110,000

Additional information on the District's long-term debt can be found in Note 6 to the Basic Financial Statements on page 30 of this report.

**SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2007**

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

As of June 30, 2007 there are no foreseeable economic or political conditions that would have a material effect on the financial position of the District.

**H. 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 the Chief Financial Officer, Sacramento Metropolitan Air Quality Management District, 777-12<sup>th</sup> Street, Sacramento, CA 95814.

## **BASIC FINANCIAL STATEMENTS**

**SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT**

**STATEMENT OF NET ASSETS**

**JUNE 30, 2007**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 22,375,143	\$ 82,807	\$ 22,457,950
Receivables	5,839,606	264,042	6,103,648
Total current assets:	<u>28,214,749</u>	<u>346,849</u>	<u>28,561,598</u>
Noncurrent assets:			
Deposits with others - certificates of participation reserves	-	495,632	495,632
Land	-	1,086,652	1,086,652
Capital assets, net	535,979	3,680,800	4,216,779
Underwriting costs, net	-	207,974	207,974
Total noncurrent assets:	<u>535,979</u>	<u>5,471,058</u>	<u>6,007,037</u>
Total assets:	<u>\$ 28,750,728</u>	<u>\$ 5,817,907</u>	<u>\$ 34,568,635</u>
<u>Liabilities</u>			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 2,605,535	\$ 42,104	\$ 2,647,639
Accrued wages and benefits payable	128,370	-	128,370
Deferred revenue	3,627,425	5,618	3,633,043
Compensated absences - due within one year	306,909	-	306,909
Certificates of participation - due within one year	-	155,000	155,000
Total current liabilities:	<u>6,668,239</u>	<u>202,722</u>	<u>6,870,961</u>
Noncurrent liabilities:			
Deposits from others	-	11,364	11,364
Compensated absences - due in more than one year	276,898	-	276,898
Premium on certificates of participation, net	-	47,733	47,733
Certificates of participation - due in more than one year	-	4,955,000	4,955,000
Total noncurrent liabilities:	<u>276,898</u>	<u>5,014,097</u>	<u>5,290,995</u>
Total liabilities:	<u>6,945,137</u>	<u>5,216,819</u>	<u>12,161,956</u>
Net assets:			
Investment in capital assets, net of related debt	535,979	313,325	849,304
Restricted	17,846,829	-	17,846,829
Unrestricted	3,422,783	287,763	3,710,546
Total net assets:	<u>\$ 21,805,591</u>	<u>\$ 601,088</u>	<u>\$ 22,406,679</u>

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



**SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT**

**BALANCE SHEET - GOVERNMENTAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2007**

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	<b>Governmental General Fund</b>
<b>ASSETS</b>	
Cash and equivalents	\$ 22,375,143
Accounts receivable	5,839,606
	<hr/>
Total Assets	\$ 28,214,749
	<hr/> <hr/>
<b>LIABILITIES AND FUND BALANCE</b>	
Liabilities	
Accounts payable	\$ 2,605,535
Accrued wages and benefits payable	128,370
Deferred revenue	3,627,425
	<hr/>
Total Liabilities	6,361,330
Fund Balance	
Reserved	13,558,198
Unreserved	8,295,221
	<hr/>
Total Fund Balance	21,853,419
	<hr/> <hr/>
Total Liabilities and Fund Balance	\$ 28,214,749

**SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT**

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

**FOR THE YEAR ENDED JUNE 30, 2007**

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Fund balances - total governmental fund \$ 21,853,419

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. 535,979

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 (583,807)

Net assets of governmental activities: \$ 21,805,591

**SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT**

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

**FOR THE YEAR ENDED JUNE 30, 2007**

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<u>Revenues:</u>	<u>General fund</u>
DMV surcharge	\$ 6,559,583
Sales/use tax	1,713,010
Permits and fees	6,786,546
Local government aid	182,221
State subvention	11,058,290
Federal grants	3,377,440
Interest	991,786
Total revenues	<u>30,668,876</u>
 <u>Expenditures:</u>	
Current:	
Salaries and employee benefits	8,933,557
Insurance	75,810
Equipment rent and lease	50,223
Supplies and services purchased	2,009,539
Contract and special services	12,883,403
Capital outlay	126,554
Total expenditures	<u>24,079,086</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,589,790</u>
 Other financing uses:	
Intrafund transfers out	<u>-</u>
Net increase (decrease) in fund balance	6,589,790
Fund balance, June 30, 2006	<u>15,263,629</u>
Fund balance, June 30, 2007	<u>\$ 21,853,419</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 YEAR ENDED JUNE 30, 2007**

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Net change in fund balances - total governmental funds	\$	6,589,790
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.		126,554
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.		(112,904)
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.		(66,867)
Changes in net assets of governmental activities:	<u>\$</u>	<u>6,536,573</u>

**SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT**

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

**JUNE 30, 2007**

**ASSETS**

Current assets:	
Cash and cash equivalents	\$ 82,807
Receivables	264,042
Total current assets:	<u>346,849</u>
Noncurrent assets:	
Restricted Investments	495,632
Capital assets:	
Land and other non-depreciated assets	1,086,652
Other capital assets - net of depreciation	3,680,800
Underwriting costs, net	207,974
Total noncurrent assets:	<u>5,471,058</u>
Total assets:	<u>\$ 5,817,907</u>

**LIABILITIES**

Current liabilities:	
Accounts payable	\$ 42,104
Deferred Revenue	5,618
Certificates of participation - due within one year	155,000
Total current liabilities:	<u>202,722</u>
Noncurrent liabilities:	
Deposits from others	11,364
Premium on certificates of participation, net	47,733
Certificate of participation, due in more than one year	4,955,000
Total noncurrent liabilities:	<u>5,014,097</u>
Total liabilities:	<u>5,216,819</u>

**NET ASSETS**

Invested in capital assets, net of related debt	313,325
Unrestricted	287,763
Total net assets:	<u>\$ 601,088</u>

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

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE – PROPRIETARY FUND

JUNE 30, 2007

Operating revenues:

Rental income	\$	878,969
Parking income		<u>95,750</u>
Total operating revenues		<u>974,719</u>

Operating expenses:

Repairs and maintenance costs		106,392
Utilities, security and communications		103,015
Management fees		69,020
Parking lot operations		78,987
Depreciation expense		111,687
Amortization expense		10,236
Other expense		<u>556</u>
Total operating expenses		<u>479,893</u>

Operating income 494,826

Nonoperating revenues and expenses:

Interest income		28,484
Interest expense		(257,670)
Investment services of trustee		<u>(2,546)</u>
Net non-operating revenues (expenses)		<u>(231,732)</u>

Transfers:

Transfers from general fund		<u>-</u>
Total transfers		<u>-</u>

Changes in net assets 263,094

Total net assets, June 30, 2006 337,994

Total net assets, June 30, 2007 \$ 601,088

**SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT**

**STATEMENT OF CASH FLOWS – PROPRIETARY FUND**

**JUNE 30, 2007**

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<u>Cash flows from operating activities:</u>	
Cash received from rental activities	\$ 863,618
Cash paid for goods and services	(366,082)
Net Cash provided by operating activities	<u>497,536</u>
<u>Cash flows from noncapital financing activities:</u>	
Transfer from general fund	<u>-</u>
<u>Cash flows from capital and related financing activities:</u>	
Principal paid on capital debt	(150,000)
Interest paid on long-term debt	(257,670)
Net cash used for capital financing activities	<u>(407,670)</u>
<u>Cash flows from investing activities:</u>	
Use of investments	(3,115)
Purchases of capital assets	(48,814)
Interest and dividends received	25,948
Investment fees	(2,546)
Net cash used for investing activities	<u>(28,527)</u>
Net decrease in cash and cash equivalents	61,339
Beginning cash and cash equivalents June 30, 2006	<u>21,468</u>
Ending cash and cash equivalents June 30, 2007	<u>\$ 82,807</u>
<u>Reconciliation of operating income to net cash provided by operating activities:</u>	
Operating income	\$ 494,825
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	111,687
Amortization expense	10,236
Effects of changes in :	
Accounts receivable	(116,720)
Accounts payable	(8,358)
Deferred revenue	5,618
Prepays	247
Net cash provided by operating activities	<u>\$ 497,536</u>

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

# SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2007

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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 District was created under Health and Safety Code Sections 40960 et. seq. in July of 1996 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 reviewed criteria to determine whether other entities with activities that benefit the District should be included within its financial reporting entity. The criteria include, but are not limited to, whether the entity exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), the scope of public service, and a special financing relationship. No such entities qualify for inclusion in the District's financial statements.

#### 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.

# SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2007

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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.

### **Fund financial statements**

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

# SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2007

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### **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.

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 NOx program, the Moyer program, State Subvention and Enforcement Grants, the Emulsified Fuel Program, Measure A Sales Tax ½%, Environmental Protection Agency Section 103 and 105 grants, Congestion Mitigation in Air Quality (CMAQ) grants, State Implementation Plan (SIP) grants, 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.

**SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2007**

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**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 two 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 **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.

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.

**SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2007**

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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

**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**

In the governmental fund financial statements, reservations of the ending fund balance indicate the portions of fund balance not appropriable for expenditure or amounts legally segregated for a specific future use. The reserves for legally restricted programs reflect the portions of fund balance that are not available for appropriation and expenditure at the balance sheet date.

**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.

**L. 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.

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2007

**M. 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.

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

Cash and Investments

Cash and investments consisted of the following as of June 30, 2007:

<b>Deposits:</b>	<u>2007</u>	<u>2006</u>
Balance Per Bank	\$ 50,056	\$ 34,135
Plus: Deposits in Transit	-	-
Less: Outstanding Checks	-	2,873
Balance Per Books	<u>50,056</u>	<u>31,262</u>
<b>Pooled Funds:</b>		
Cash in County Treasury	22,325,087	17,997,696
Cash and Investments with fiscal agent	<u>82,807</u>	<u>21,468</u>
Total Cash and Equivalents	<u>\$ 22,457,950</u>	<u>\$ 18,050,426</u>

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 5.0494%. The pool is currently not rated by a nationally recognized statistical rating organization.

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 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.

# SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2007

### 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 Certificates of Deposit	180 days	30%	None
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	90 days	20%	None
Collateralized Mortgage Obligations	5 years	20%	None

### Derivative Investments

The District did not directly enter into any derivative investments. Information regarding the amount invested in derivatives by the Treasury was not available.

### Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy.

### Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair values to changes in market interest rates.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the maturity date of each investment:

**SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2007**

		<u>Weighted Average Maturity (in years)</u>
Sacramento County Pooled		
Investment Fund	\$ 22,325,087	.50
Imprest cash	50,056	N/A
Cash with fiscal agents	82,807	N/A
Deposits with others	<u>495,632</u>	.03
 Total	 \$ <u>22,953,582</u>	

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County Treasury investment pool does not have a rating provided by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, or debt agreements, and the actual rating as of year-end for each investment type.

		<u>Minimum Legal Rating</u>	<u>Rating as of End of Year</u>
Sacramento County Treasury			
Investment pool	\$ 22,325,087	N/A	Not rated
Imprest Cash	50,056	N/A	Not rated
Cash with fiscal agents	82,807	N/A	N/A
Deposits with others	<u>495,632</u>	N/A	Aaa
 Total	 \$ <u>22,953,582</u>		

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total District investments.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits that are made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amounts deposited by the public agencies.

**SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2007**

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**3. ACCOUNTS RECEIVABLE**

Accounts receivable consisted of the following as of June 30, 2007:

General Fund:	
Measure A – Sales Taxes	\$ 1,132,372
DMV Surcharge	1,150,563
EPA and CMAQ Grants	2,666,629
Settlement	231,995
Local Government Agencies	19,067
Sacramento County	503,361
Miscellaneous	135,619
Total receivables	\$ <u>5,839,606</u>
Proprietary Fund:	
Lease Payments	\$ 237,426
Interfund	26,616
Total receivables	\$ <u>264,042</u>

**SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2007**

**4. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2007 was as follows:

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2007</u>
<b>Government Activities</b>				
Capital assets, being depreciated:				
Equipment	\$ 1,353,265	\$ 126,554	\$ -	\$ 1,479,819
Less: accumulated depreciation	<u>(830,936)</u>	<u>(112,904)</u>	<u>-</u>	<u>(943,840)</u>
Total capital assets, being depreciated, net	<u>\$ 522,329</u>	<u>\$ 13,650</u>	<u>\$ -</u>	<u>\$ 535,979</u>
<b>Business-type Activities</b>				
Capital assets, not being depreciated:				
Land	\$ <u>1,086,652</u>	\$ -	\$ -	\$ <u>1,086,652</u>
Total capital assets not being depreciated:	<u>1,086,652</u>	<u>-</u>	<u>-</u>	<u>1,086,652</u>
Capital assets, being depreciated:				
Building	4,191,640	48,814	-	4,240,454
Less: accumulated depreciation	<u>(447,967)</u>	<u>(111,687)</u>	<u>-</u>	<u>(559,654)</u>
Total capital assets, being depreciated:	<u>3,743,673</u>	<u>(62,873)</u>	<u>-</u>	<u>3,680,800</u>
Business-type Activities capital assets, net	<u>\$ 4,830,325</u>	<u>\$ (62,873)</u>	<u>\$ -</u>	<u>\$ 4,767,452</u>

**SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2007**

**5. OPERATING LEASES**

The District leases automobiles and other equipment under operating leases. Total costs for such leases were \$221,333 for the year ended June 30, 2007. The future minimum lease payments for these leases are as follows:

<u>Year ending, June 30</u>	<u>Amount</u>
2008	\$ 219,711
2009	219,451
2010	187,266
2011	83,421
	<u>\$ 709,849</u>

**6. 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 3.95%. As of June 30, 2007, the principal balance outstanding was \$5,110,000. Proceeds included a bond premium of \$60,938, which will be amortized over the life of the COPs.

The certificates mature as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 155,000	\$ 252,747	\$ 407,747
2009	165,000	247,142	412,142
2010	170,000	240,943	410,943
2011	175,000	234,256	409,256
2012	185,000	226,175	411,175
2013-2017	1,075,000	978,081	2,053,081
2018-2022	1,380,000	662,288	2,042,288
2023-2027	1,805,000	246,882	2,051,882
Sub-totals	5,110,000	3,088,514	8,198,514
Plus: Unamortized Premium	47,733	-	47,733
Totals	<u>\$ 5,157,733</u>	<u>\$ 3,088,514</u>	<u>\$ 8,246,247</u>

Total interest expense for the COPs in the fiscal year ended June 30, 2007 was \$257,670. Total principal payments for the COPs in the fiscal year ended June 30, 2007 was \$150,000.

**SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2007**

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-Type					
Activities:					
Certificates of					
Participation	\$ <u>5,260,000</u>	\$ <u>-</u>	\$ <u>150,000</u>	\$ <u>5,110,000</u>	\$ <u>155,000</u>
Governmental					
Activities:					
Compensated					
Absences	\$ <u>516,940</u>	\$ <u>66,867</u>	\$ <u>-</u>	\$ <u>583,807</u>	\$ <u>306,909</u>

**7. 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 have significantly exceeded insurance coverage for the last four years.

During the fiscal year ended June 30, 2007, the Special District Risk Management Authority (SDRMA) through a joint power agreement (JPA) provided general liability and errors and omissions insurance (See Note 8). The District also provides a selection of health insurance coverage and elective options for additional health related insurance coverage.

**SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2007**

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

The District is a member of the Special District Risk Management Authority (SDRMA) a 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.

Nature of Participation

<b>Program</b>	<b>Deductible per Occurance</b>	<b>Annual Coverage Limit</b>
General Liability	\$500	\$10,000,000 per occurrence
Employee Dishonesty	\$0	\$400,000
Personal Liability for Board Members/Directors	\$500	\$500,000 per board member
Property	\$2,000	\$350,000,000 (Scheduled Locations Only)
Boiler and Machinery	\$1,000	\$100,000,000 (Scheduled Locations Only)
Auto Liability	\$1,000	\$10,000,000 per occurrence
Uninsured Motorists	\$0	\$750,000 each accident
Employee Benefits Liability	\$0	\$10,000,000 per occurrence
Employee Practices Liability	\$0	\$10,000,000 per occurrence
Public Officials Errors & Omissions	\$0	\$10,000,000 per occurrence
Workers' Comp	\$0	\$200,000,000 per occurrence

**SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2007**

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Condensed audited financial information of SDRMA for the year ended June 30, 2007 is as follows:

Total Assets	\$ 60,103,067
Total Liabilities	42,623,168
Net Assets	<u>17,479,899</u>
Total Liabilities and Net Assets	\$ <u>60,103,067</u>
Total Revenues	\$ 28,957,986
Total Expenses	<u>28,192,556</u>
Net Increase in Net Assets	\$ <u>765,430</u>

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

**9. 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.

Pending Litigation

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the District Counsel that resolution of these matters will not have a material adverse effect on the financial condition of the District.

**10. 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, October 30, 2007, of the District's bonded liability, at June 30, 2006, amounted to \$6,590,782, there was no unfunded liability as of June 30, 2006. The District was not required to pay any share of the pension bond debt service for fiscal year 2005-2006. 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

JUNE 30, 2007

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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. 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, 2007 was 10.533 percent. The contribution requirements of plan members and the District are established and may be amended by CalPERS.

### Annual Pension Cost

For the year ended June 30, 2007 the District's annual pension cost was \$772,884 and the District actually contributed \$772,884. The required contribution for the year ended June 30, 2007 was determined as part of the June 30, 2004 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. If the plan's accrued liability exceeds the actuarial value of plan assets,

**SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2007**

then the amortization payment on the total unfunded liability may not be lower than the payment calculated over 30 year amortization period.

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

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/04	\$ 421,627	100%	\$ 0
6/30/05	620,786	100%	0
6/30/06	772,884	100%	0

**Funded Status of Plan**

	(A)	(B)	(C)	(D)	(E)	(F)
			Underfunded (Overfunded)	Funded Status	Annual Covered Payroll	Under/(Over) Funded Actuarial Liability as a % of Payroll
Actuarial Valuation Date	Actuarial Asset Value	Actuarial Accrued Liability	Liability	[(B)/(A)]		{[(B)-(A)]/(E)}
* 6/30/2004	\$ 2,746,095,668	\$ 2,460,944,656	\$ 285,151,012	89.6%	\$ 743,691,970	38.3%
* 6/30/2005	2,891,460,651	2,588,713,000	302,747,651	89.5%	755,046,679	40.1%
* 6/30/2006	2,754,396,608	2,492,226,176	262,170,432	90.5%	699,897,835	37.5%

\* Effective in 2003, SMAQMD was transferred to a multi employer risk pool by PERS.

**11. 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.

**REQUIRED SUPPLEMENTARY INFORMATION SECTION**

**SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES GOVERNMENTAL FUND TYPE – BUDGET AND ACTUAL**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>			
Taxes	\$ 8,179,418	\$ 8,272,593	\$ 93,175
Intergovernmental	10,567,939	14,617,951	4,050,012
Licenses and permits	4,611,528	5,695,934	1,084,406
Interest	200,000	991,786	791,786
Civil settlements	350,000	1,090,612	740,612
Miscellaneous	-	-	-
<b>Total revenues</b>	<u>23,908,885</u>	<u>30,668,876</u>	<u>6,759,991</u>
<b>Expenditures:</b>			
Salaries and benefits	9,500,743	8,933,557	(567,186)
Services and supplies	26,180,780	14,627,229	(11,553,551)
Equipment	227,500	126,554	(100,946)
Interfund charges	414,682	391,746	(22,936)
Contingency Appropriation	450,000	-	(450,000)
<b>Total expenditures</b>	<u>36,773,705</u>	<u>24,079,086</u>	<u>(12,694,619)</u>
<b>Excess (deficiency) of revenues over(under) expenditures</b>	\$ <u>(12,864,820)</u>	\$ <u>6,589,790</u>	\$ <u>(5,934,628)</u>

**SUPPLEMENTARY INFORMATION SECTION**

**SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Grant #</u>	<u>Federal CFDA Number</u>	<u>Total Expenditures</u>
<b><u>U.S Environmental Protection Agency</u></b>			
Air Pollution Con	* A 00903107	66.001	\$ 2,196,822
Surveys, Studies, Investigations, etc.	PM 97981101	66.034	42,336
Retrofit of Construction Equipment	XA 96938501	66.034	210,996
Head End Power Unit	XA 83219501	66.034	75,000
			<u>2,525,154</u>
<b><u>U.S. Highway Planning and Construction</u></b>			
Passed through the California Department of Transportation Highway Planning and Construction	CML -6236	20.205	<u>852,285</u>
<b>Total Revenues &amp; Expenditures related to grants</b>			<u>\$ 3,377,440</u>

\* Tested as a major program

**Note 1. 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 requirement 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.

**OTHER INDEPENDENT AUDITOR'S REPORTS**



**James Marta & Company**

*Certified Public Accountants*

*Accounting, Auditing, Consulting, and Tax*

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLAINTS AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING  
STANDARDS**

To the Board of Directors  
Sacramento Metropolitan Air Quality Management District  
Sacramento, California

We have audited the financial statements of Sacramento Metropolitan Air Quality Management District as of and for the year ended June 30, 2007, and have issued our report thereon dated January 10, 2008. Except as described below, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

*Internal Control over Financial Reporting*

In planning and performing our audit, we considered Sacramento Metropolitan Air Quality Management District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sacramento Metropolitan Air Quality Management District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over financial reporting.

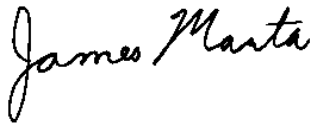
A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

*Compliance and Other Matters*

As part of obtaining reasonable assurance about whether Sacramento Metropolitan Air Quality Management District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the board of directors and management and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "James Marta". The signature is written in a cursive style with a large, looped initial "J".

James Marta & Company, CPAs  
January 10, 2008



**James Marta & Company**

*Certified Public Accountants*

*Accounting, Auditing, Consulting, and Tax*

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

**Compliance**

We have audited the compliance of Sacramento Metropolitan Air Quality Management District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. Those standards and OMB Circular A—133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about District's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on District's compliance with those requirements.

In our opinion, Sacramento Metropolitan Air Quality Management District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

**Internal Control Over Compliance**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Sacramento Metropolitan Air Quality Management District's internal control over compliance.

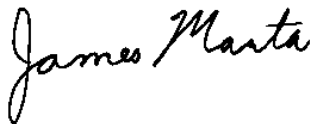
A control deficiency in an District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



James Marta & Company, CPAs  
January 10, 2008

## **FINDINGS AND RECOMMENDATIONS SECTION**

SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2007

SECTION I—SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditors report issued: *Unqualified*

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ yes x no

Reportable condition(s) identified that are not considered to be material weakness(es)? \_\_\_\_\_ yes x no

Noncompliance material to financial statements noted? \_\_\_\_\_ yes x no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ yes x no

Reportable condition(s) identified that are not considered to be material weakness(es)? \_\_\_\_\_ yes x none reported

Type of auditors report issued on compliance for major programs: *Unqualified*

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? \_\_\_\_\_ yes x no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
66.001	Air Pollution Control Program Support
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between type A and type B programs: \$500,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes x no

SECTION II—FINANCIAL STATEMENT FINDINGS

No Findings

**SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT**

**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED JUNE 30, 2007**

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**SECTION III—FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**No Findings**

**SECTION IV—STATE AWARD FINDINGS AND QUESTIONED COSTS**

**No Findings**

**SACRAMENTO METROPOLITAN AIR QUALITY MANAGEMENT DISTRICT**

**STATUS OF PRIOR YEAR FINDINGS**

**FOR THE YEAR ENDED JUNE 30, 2007**

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**STATUS OF PRIOR YEAR FINDINGS**

<b><u>FINDING #</u></b>	<b><u>FINDING/RECOMMENDATIONS</u></b>	<b><u>CURRENT STATUS</u></b>
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<b>No Prior Year Findings</b>		
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## **STATISTICAL SECTION**

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

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
<b>Governmental Activities</b>						
Investment in capital assets, net of related debt	\$ 498,407	\$ 438,058	\$ 442,652	\$ 540,968	\$ 522,329	\$ 535,979
Restricted	7,007,300	6,052,316	7,230,914	8,739,934	10,118,952	21,269,612
Unrestricted	1,868,941	1,584,646	1,345,006	4,246,705	4,627,737	-
<b>Total governmental activities net assets</b>	<b>\$ 9,374,648</b>	<b>\$ 8,075,020</b>	<b>\$ 9,018,572</b>	<b>\$ 13,527,607</b>	<b>\$ 15,269,018</b>	<b>\$ 21,805,591</b>
<b>Business-type Activities</b>						
Investment in capital assets, net of related debt	\$ -	\$ 48,391	\$ 87,828	\$ 173,753	\$ 230,782	\$ 313,326
Restricted	-	-	-	-	-	-
Unrestricted	24,960	(14,005)	2,344	(4,485)	107,212	287,763
<b>Total business-type activities net assets</b>	<b>\$ 24,960</b>	<b>\$ 34,386</b>	<b>\$ 90,172</b>	<b>\$ 169,268</b>	<b>\$ 337,994</b>	<b>\$ 601,089</b>
<b>Primary government</b>						
Investment in capital assets, net of related debt	\$ 498,407	\$ 486,449	\$ 530,480	\$ 714,721	\$ 753,111	\$ 849,305
Restricted	7,007,300	6,052,316	7,230,914	8,739,934	10,118,952	21,269,612
Unrestricted	1,893,901	1,570,641	1,347,350	4,242,220	4,734,949	287,763
<b>Total primary government net assets</b>	<b>\$ 9,399,608</b>	<b>\$ 8,109,406</b>	<b>\$ 9,108,744</b>	<b>\$ 13,696,875</b>	<b>\$ 15,607,012</b>	<b>\$ 22,406,680</b>

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

	2002	2003	2004	2005	2006	2007
<b>Expenses</b>						
<b>Governmental Activities</b>						
Stationary source activities	\$ 3,069,339	\$ 3,556,848	\$ 3,799,477	\$ 3,231,647	\$ 4,703,166	\$ 5,091,593
Mobile source activities	6,190,306	7,156,116	4,635,708	3,017,870	6,902,841	11,450,669
Program coordination activities	2,066,422	2,315,572	3,022,409	2,600,064	2,943,252	3,883,940
Strategic planning activities	1,498,100	2,203,235	1,953,334	2,042,282	2,594,043	3,593,197
Depreciation expense-unallocated	71,380	72,670	69,606	80,979	103,278	112,904
Total governmental activities	<u>12,895,547</u>	<u>15,304,441</u>	<u>13,480,534</u>	<u>10,972,842</u>	<u>17,246,580</u>	<u>24,132,303</u>
<b>Business-type activities</b>						
Building operations and obligations	182,301	634,486	670,663	692,099	699,799	740,111
Total primary government expenses	<u>\$ 13,077,848</u>	<u>\$ 15,938,927</u>	<u>\$ 14,151,197</u>	<u>\$ 11,664,941</u>	<u>\$ 17,946,379</u>	<u>\$ 24,872,414</u>
<b>Program Revenues</b>						
<b>Governmental Activities</b>						
<b>Charges for services</b>						
Stationary source activities	\$ 3,179,781	3,791,056	3,474,961	4,976,879	4,072,422	6,163,810
Mobile source activities	292	93,075	2,021	-	5,046,606	-
Program coordination activities	99,401	34,621	108,951	204,833	612,827	(111,894)
<b>Operating grants and contributions</b>						
Stationary source activities	1,354,452	1,134,974	2,227,170	1,926,643	735,527	
Mobile source activities	3,754,638	525,458	1,084,535	938,192	510,366	
Program coordination activities	902,968	714,608	1,355,669	1,172,739	467,643	
Strategic planning activities	331,088	277,451	511,281	442,290	204,377	
Total governmental activities	<u>9,622,620</u>	<u>6,571,243</u>	<u>8,764,588</u>	<u>9,661,576</u>	<u>11,649,768</u>	<u>6,051,916</u>
<b>Business-type activities</b>						
Building operations and obligations	150,186	452,746	476,329	481,608	840,666	974,720
Total primary government program revenues	<u>\$ 9,772,806</u>	<u>\$ 7,023,989</u>	<u>\$ 9,240,917</u>	<u>\$ 10,143,184</u>	<u>\$ 12,490,434</u>	<u>\$ 7,026,636</u>
<b>Net (Expense) Revenue</b>						
Government activities	\$ (3,272,927)	(8,733,198)	(4,715,946)	(1,311,266)	(5,596,812)	(3,822,673)
Business-type activities	(32,115)	(181,740)	(194,334)	(210,491)	140,867	234,609
Total primary government net (expenses) revenue	<u>\$ (3,305,042)</u>	<u>\$ (8,914,938)</u>	<u>\$ (4,910,280)</u>	<u>\$ (1,521,757)</u>	<u>\$ (5,455,945)</u>	<u>\$ (3,588,064)</u>
<b>General revenues</b>						
<b>Governmental activities</b>						
Grants and subventions	\$ 4,430,832	6,948,200	5,408,517	5,386,522	5,902,833	8,908,393
Interest	293,122	117,229	65,123	183,162	524,224	360,241
Penalties/Settlements	603,558	519,065	410,394	516,945	911,166	1,090,612
Other revenue	870	19,069	-	-	-	-
Merchandise sales	1,310	-	-	-	-	-
Transfers	(50,389)	(169,993)	(224,536)	(266,328)	-	-
Total governmental activities	<u>5,279,303</u>	<u>7,433,570</u>	<u>5,659,498</u>	<u>5,820,301</u>	<u>7,338,223</u>	<u>10,359,246</u>
<b>Business-type activities</b>						
Interest	6,686	21,173	25,584	23,259	27,859	28,486
Transfers	50,389	169,993	224,536	266,328	-	-
Total business-type activities	<u>57,075</u>	<u>191,166</u>	<u>250,120</u>	<u>289,587</u>	<u>27,859</u>	<u>28,486</u>
Total Primary government revenue	<u>5,336,378</u>	<u>7,624,736</u>	<u>5,909,618</u>	<u>6,109,888</u>	<u>7,366,082</u>	<u>10,387,732</u>
<b>Change in net assets</b>						
Government activities	2,006,376	(1,299,628)	943,552	4,509,035	1,741,411	6,536,573
Business-type activities	24,960	9,426	55,786	79,096	168,726	263,095
Total Primary government	<u>2,031,336</u>	<u>(1,290,202)</u>	<u>999,338</u>	<u>4,588,131</u>	<u>1,910,137</u>	<u>6,799,668</u>

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

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Fund										
Reserved	\$ 1,498,626	\$ 1,862,149	\$ 2,051,136	\$ 3,003,732	\$ 7,007,300	\$ 6,052,316	\$ 7,230,914	\$ 9,179,982	\$ 10,118,952	\$ 21,853,419
Unreserved	804,581	897,000	544,000	4,229,604	2,188,820	1,981,459	1,756,185	4,246,705	5,144,677	8,295,221
Total General Fund	\$ <u>2,303,207</u>	\$ <u>2,759,149</u>	\$ <u>2,595,136</u>	\$ <u>7,233,336</u>	\$ <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>30,148,640</u>

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

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Revenues:</b>										
Licenses,permits and fees	\$ 2,211,854	2,290,646	\$ 2,423,656	2,148,462	\$ 3,302,226	\$ 4,384,515	\$ 3,998,973	\$ 5,364,569	\$ 5,903,839	\$ 6,786,546
DMV Surcharge					3,977,340	4,102,077	4,252,331	4,626,697	6,412,378	6,559,583
Measure A (half-cent sales tax)					425,512	2,846,123	1,153,541	759,621	1,592,717	1,713,010
Taxes(DMV, half-cent sales tax)	3,896,484	\$ 4,271,511	4,447,434	\$ 4,370,895						
Local government aid					85,710	284,073	455,686	36,338	310,360	182,221
State subvention/programs					5,163,077	813,430	2,235,914	3,384,774	2,636,919	11,058,290
Federal grants					1,094,361	1,554,988	2,487,055	1,393,044	1,607,552	3,377,440
Intergovernmental (includes EPA 105 grant funding)	1,594,112	1,171,552	3,476,100	7,199,096						
Penalties/civil settlements					603,558					
Interest	79,639	109,323	130,235	191,886	293,121	117,229	65,123	183,162	524,224	991,786
Increase in Fair Value of Investments	7,970	10,012								
Miscellaneous	1,314,569	1,013,186	754,420	1,133,772	7,408	72,369				
<b>Total revenue</b>	<b>9,104,628</b>	<b>8,866,230</b>	<b>11,231,845</b>	<b>15,044,111</b>	<b>14,952,313</b>	<b>14,174,804</b>	<b>14,648,623</b>	<b>15,748,205</b>	<b>18,987,989</b>	<b>30,668,876</b>
<b>Expenditures:</b>										
Health and sanitation	\$ 8,633,015	\$	\$	\$	\$	\$	\$	\$	\$	\$
Salaries and employee benefits		4,597,484	4,778,274	4,590,651	5,411,654	5,927,855	6,210,330	6,637,130	8,150,698	8,933,557
Insurance					51,110	73,525	71,872	70,553	87,799	75,810
Building rent					229,943					
Equipment rent and lease						164,707	121,561	180,065	39,138	50,223
Supplies and services purchased		3,361,040	6,607,835	5,529,880	952,911	603,107	1,202,517	1,291,269	2,261,860	2,009,539
Contract and special services					6,079,269	8,385,644	5,790,283	2,683,977	6,526,913	12,883,403
Transportation					96,130					
Interfund Charges		590,438	587,216	277,580	410					
Capital outlay	93,848	166,583	36,540	10,800	117,713	12,319	74,200	179,295	84,639	126,554
<b>Total expenditures</b>	<b>8,726,863</b>	<b>8,715,545</b>	<b>12,009,865</b>	<b>10,408,911</b>	<b>12,939,140</b>	<b>15,167,157</b>	<b>13,470,763</b>	<b>11,042,289</b>	<b>17,151,047</b>	<b>24,079,086</b>
Excess (deficiency) of revenues over (under) expenditures	377,765	150,685	(778,020)	4,635,200	2,013,173	(992,353)	1,177,860	4,705,916	1,836,942	6,589,790
<b>Other financing uses:</b>										
Interfund transfers out						169,993	224,536	266,328	0	0
<b>Net increase(decrease) in fund balance</b>	<b>\$ 377,765</b>	<b>\$ 150,685</b>	<b>\$ (778,020)</b>	<b>\$ 4,635,200</b>	<b>\$ 2,013,173</b>	<b>\$ (1,162,346)</b>	<b>\$ 953,324</b>	<b>\$ 4,439,588</b>	<b>\$ 1,836,942</b>	<b>\$ 6,589,790</b>

Sacramento Metropolitan Air Quality Management District  
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	Increase Reserves	Building Lease	Contingency	Total
97-98	\$ 4,706,568	\$ 4,593,988	\$ 118,250	\$ 641,746	\$ 50,000		\$	\$ 10,110,552
98-99	5,033,977	4,638,056	196,905	604,369				10,473,307
99-00	5,182,140	7,962,688	75,500	605,644				13,825,972
00-01	5,341,532	8,306,394	113,800	598,413				14,360,139
01-02	5,805,580	6,597,919	197,401	658,817				13,259,717
02-03	6,178,752	13,433,941	64,997	1,046,403		410,763		21,134,856
03-04	6,886,307	11,617,722	121,001	432,824		493,273	106,895	19,658,022
04-05	7,340,221	8,671,202	224,100	435,672		757,100	300,000	17,728,295
05-06	8,929,314	18,119,184	281,100	436,000		777,502	300,000	28,843,100
06-07	9,500,743	26,180,780	227,500	414,682		881,996	450,000	37,655,701
	<u>\$64,905,134</u>	<u>\$110,121,874</u>	<u>1,620,554</u>	<u>\$5,874,570</u>	<u>50,000</u>	<u>3,320,634</u>	<u>1,156,895</u>	<u>\$187,049,661</u>

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 of General Government Expenditures by Function  
Last Sixteen Years (Unaudited)

Fiscal Year	Salaries & Benefits	Services & Supplies	Payments to Gov'ts	Interfund Charges	Capital Outlay	Total
91-92	\$ 6,334,071	\$	\$	\$	\$ 176,102	\$ 6,510,173
92-93	8,580,695				232,213	8,812,908
93-94	8,328,717				190,349	8,519,066
94-95	3,674,488	2,906,606	214,959	1,058,344	40,362	7,894,759
95-96	4,026,607	3,135,077	185,405	768,608	59,799	8,175,496
96-97	4,229,087	3,408,243		557,191	365,634	8,560,155
97-98	4,554,910	3,625,489		599,184	87,775	8,867,357
98-99	4,597,484	3,361,040		590,438	166,583	8,715,545
99-00	4,778,274	6,607,835		587,216	36,540	12,009,865
00-01	4,590,651	5,529,880		277,580	10,800	10,408,911
01-02	5,411,654	7,409,773		50,389	117,713	12,989,529
02-03	5,927,855	9,226,983		12,319	169,993	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

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. Prior to FY 94-95, this information is not available broken out by category.

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

Fiscal Year	Taxes	Intergovernmental	Licenses/ Permits	Use of Money & Property	Increase in Fair Value of Investments	Miscellaneous	Total
91-92	\$ 3,594,956	\$ 1,127,509	\$ 1,650,640	\$ 63,632	\$ -	\$ 503,487	\$ 6,940,224
92-93	3,259,872	1,421,355	2,039,320	83,816	-	324,721	7,129,084
93-94	4,074,433	1,249,979	1,622,493	46,077	-	825,982	7,818,964
94-95	3,860,464	1,793,511	1,384,835	46,837	-	460,715	7,546,362
95-96	3,822,954	1,636,288	1,978,135	54,990	-	810,871	8,303,238
96-97	4,186,164	1,708,472	2,146,634	56,307	-	642,773	8,740,350
97-98	3,896,484	1,594,112	2,211,854	79,639	7,970	1,314,569	9,104,628
98-99	4,271,511	1,171,552	2,290,646	109,323	10,012	1,013,186	8,866,230
99-00	4,447,434	3,476,100	2,423,656	130,235	-	754,420	11,231,845
00-01	4,370,895	7,199,096	2,148,462	191,886	-	1,133,772	15,044,111
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

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

Sacramento Metropolitan Air Quality Management District  
Demographic Information  
Last Sixteen Years (Unaudited)

Year	County Population (January 1)	% Increase
1992	1,099,058	0.00%
1993	1,121,239	2.02%
1994	1,130,363	0.81%
1995	1,149,187	1.67%
1996	1,123,400	-2.24%
1997	1,140,591	1.53%
1998	1,159,800	1.68%
1999	1,177,800	1.55%
2000	1,223,499	3.88%
2001	1,252,443	2.37%
2002	1,287,077	2.77%
2003	1,317,579	2.37%
2004	1,345,208	2.10%
2005	1,368,192	1.71%
2006	1,387,771	1.43%
2007	1,406,804	1.37%

Source: California State Department of Finance  
Demographic Research Unit  
City/County Population Estimates

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

<u>Year</u>	<u>Vehicles Registered (As of December 31)</u>	
1992	-	(1)
1993	-	(1)
1994	904,094	
1995	868,669	
1996	897,848	
1997	860,795	
1998	919,373	
1999	948,829	
2000	991,020	
2001	1,044,101	
2002	1,098,045	
2003	1,110,073	
2004	1,187,166	
2005	1,181,625	
2006	1,174,309	
2007		(2)

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

- (1) No longer available
- (2) Not yet available

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

FUNCTION:	Full-Time Equivalent Employees as of June 30									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Accountant I								1	1	1
Administrative Assistant	1	1	1	1	1	1	1	1	2	2
Air Pollution Control Officer	1	1	1	1	1	1	1	1	1	1
Air Quality Instrument Specialist I/II	3	3	3	3	3	3	3	3	3	3
Associate Air Quality Engineer	4	4								
Associate Air Quality Planner Analyst	7	7								
Associate Air Quality Specialist	12	12								
Associate Communications & Marketing Specialist	2.6	2.6								
Associate Personnel Analyst	1	1								
Assistant Air Quality Engineer	6	7								
Assistant Air Quality Planner Analyst	3	3								
Assistant Air Quality Specialist	3	2								
Assistant Information Systems Analyst			1	1	1	1	1	1	1	1
Asst/Assoc Air Quality Planner/Analyst (reclass 2006 Air Quality Planner/Analyst)			10	10	10	10	10	10	10.5	10.5
Asst/Assoc Air Quality Engineer (reclass 2006 to Air Quality Engineer)			11	12	13	13	14	15	18	19
Asst/Assoc Air Quality Specialist (reclass 2006 Air Quality Specialist)			14	15	16	16	17	17	19	19
Asst/Assoc Communications/Marketing Specialist			1.6	1.6	1.6	1.6	1.6	1.6	1.85	1.85
Asst/Assoc Personnel Analyst			1	1	1	1	1	1	1	1
Clerical Services Supervisor	1	1	1	1	1	1	1	1	1	1
Deputy District Counsel	1	1								
District Accountant (reclass 2006 to Program Supervisor)	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	5	5	5	5
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
Information Systems Analyst	1	1	1	1	1	1	1	1	1	1
Office Assistant I/II	3	3	3	3	3	3	3	3	2	3
Personnel Assistant I/II	1	1	1	1	1	1	1	1	2	2
Program Coordinator	10	10	10	10	10	10	10	11	13	13
Program Supervisor	3	3	3	3	3	3	3	3	4	4
Secretary	1	1	1	1	1	1	1			
Senior Accountant									1	1
Senior Communications & Marketing Specialist	1	1	1	1	1	1	1	1	1	1
Statistician	1	1	1	1	1	1	1	1	1	1
<b>Total Funded Positions</b>	<b>76.6</b>	<b>76.6</b>	<b>75.6</b>	<b>77.6</b>	<b>79.6</b>	<b>79.6</b>	<b>81.6</b>	<b>83.6</b>	<b>93.35</b>	<b>95.35</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	1			
Deputy District Counsel			1	1	1	1				
Asst/Assoc. Air Quality Engineer					1	1				
Air Quality Engineer (LT)									1	1
Air Quality Specialist (LT)									1	1
<b>Total Positions Unfunded</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>3</b>	<b>1</b>	<b>0</b>	<b>2</b>	<b>2</b>

The FTEs were collected from the SMAQMD Budget