San Joaquin Valley
UNIFIED AIR POLLUTION CONTROL DISTRICT
State of California

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2017

Prepared by
Administrative Services Department

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San Joaquin Valley
UNIFIED AIR POLLUTION CONTROL DISTRICT

State of California

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2017

Prepared By:
Administrative Services Department

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San Joaquin Valley Unified Air Pollution Control District

Comprehensive Annual Financial Report
Year Ended June 30, 2017

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INTRODUCTORY SECTION

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December 15, 2017

Governing Board
San Joaquin Valley Unified Air Pollution Control District

This Comprehensive Annual Financial Report (CAFR) of the San Joaquin Valley Unified Air Pollution Control District (District) is for the fiscal year ended June 30, 2017. Responsibility for the accuracy of the data, the completeness and fairness of the presentation, including all disclosures, rests with the District. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and reported in a manner designed to present fairly the financial position, changes in financial position, and all disclosures necessary to enable the reader to gain an understanding of the District's financial activities.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

ABOUT THE SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

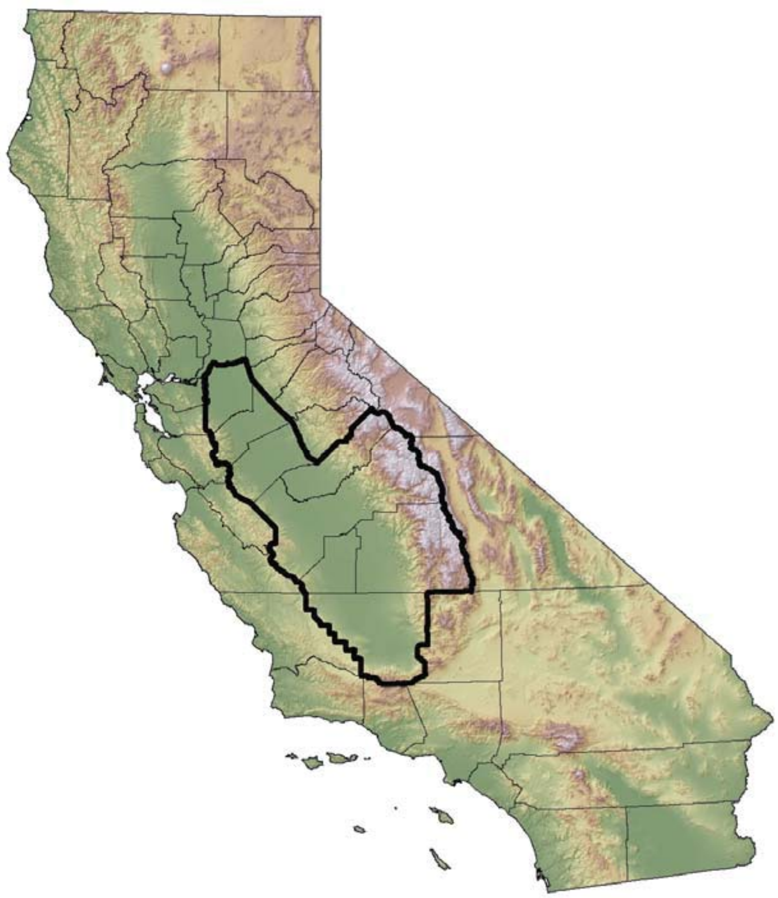
Background

The District began operation on March 20, 1991 as a unified air pollution control district operating under the provisions of Sections 40150 through 40162 of the California Health and Safety Code. The District is a regional agency responsible for air quality management in the eight counties in the San Joaquin Valley Air Basin: San Joaquin, Stanislaus, Merced, Madera, Fresno, Kings, Tulare and the Valley portion of Kern. The San Joaquin Valley Air Basin is the largest air basin in California and covers about 25,000 square miles (see map next page). The San Joaquin Valley (Valley) is one of California's fastest growing population areas, with a total estimated population of about 4.09 million residents in the calendar year 2017. Major urban centers exist in Stockton, Modesto, Fresno, Visalia, and Bakersfield.

The District works with local, state and federal government agencies, the business community and the residents of the Valley to reduce emissions that create harmful air quality conditions.

The District is governed by a fifteen member Board that consists of one representative from each of the Boards of Supervisors of all eight counties, five Council Members from Valley cities and two Governor-appointed public members. These locally elected and appointed officials ensure that the implementation of state and federal air pollution mandates in the Valley are tailored to local conditions and responsive to local needs.

San Joaquin Valley Unified Air Pollution Control District
Jurisdictional Boundaries



<u>Achieving Cleaner Air in the San Joaquin Valley</u>

Achieving Cleaner Air in the San Joaquin Valley for the 2012-2014 period, the Valley's air quality data demonstrated attainment of the federal 1-hour ozone standard, and subsequently the District submitted an official redesignation request to the California Air Resources Board and U.S. Environmental Protection Agency (EPA) on July 13, 2015. On July 18, 2016, the EPA published in the Federal Register a final action determining that the San Joaquin Valley has attained the 1-hour ozone national ambient air quality standard. By contrast, in 1996 the Valley experienced 281 individual hour exceedances of this hourly standard throughout the eight-county region. Reaching this milestone has been the key focus of the Valley's air quality management strategies for more than two decades. In 2004, the U.S. EPA classified the Valley as “Extreme” nonattainment for this standard, meaning that reaching the standard at that time was deemed impossible. The Valley is the first and only region in the nation to attain a standard after being classified as “Extreme” nonattainment by the federal EPA.

In the year 2016, the Valley experienced the region’s cleanest air quality year on record for PM2.5, bringing the Valley closer to attainment of federal air quality standards. As a result of this record breaking clean year for PM2.5, the District was able to prepare a clean data finding for the 1997 24-hour PM2.5 standard of 65 µg/m3, demonstrating that the Valley has attained this portion of the federal 1997 standard for the three year period of 2014-2016. Also, during the wood burning season of 2016-2017, the Valley marked another new record for the cleanest air quality the region has ever experienced for this time of the year. The Valley set new records across a number of metrics, placing the Valley back on track toward attaining the rest of the federal PM2.5 standards.

In addition, despite strings of triple digit temperatures and multiple wildfires, the Valley had another great ozone season in 2016, continuing the trend toward bringing the region into attainment of the federal ozone air quality standards. In particular, the Valley continued the trend of recording fewer days exceeding the federal 8-hour ozone standards compared to years in the past, completed the fourth consecutive year without violating the federal 1-hour ozone standard, and recorded the second lowest 8-hour ozone design value on record for the Valley, which is the official metric used to measure progress toward meeting federal ozone standards. Overall, 2016 was a near-record clean ozone year and continued to demonstrate tremendous progress with respect to ozone throughout the Valley. Furthermore, based on preliminary data, the 2017 ozone season may break Valley records in becoming the cleanest ozone season across a number of key metrics, continuing the region’s progress toward attaining the federal standards.

These improvements would not be possible without the success of the District’s control strategy through its various attainment planning efforts, its robust incentive programs, and the commitment from the Valley’s stakeholders in doing their part to reduce emissions as much as possible.

The District has the primary authority in regulating stationary sources of pollution, such as factories, businesses, and industries. Although state and federal laws preempt the District from setting new tailpipe standards for mobile sources of emissions, the District implements indirect source regulations and incentive-based programs to reduce emissions from on-road and off-road sources of air pollution. The primary authority to regulate emissions from mobile sources of air pollution, such as cars and trucks, lies with the state and federal government. In achieving clean air goals, the District partners with a number of other governmental agencies:

- The **federal government**, primarily through the EPA, sets health-based standards for air pollutants. The EPA also oversees state and local actions to improve air quality.
- The **state government,** through the California Air Resources Board (ARB) and the Bureau of Automotive Repair, develops programs to reduce pollution from vehicles and consumer products. The state also oversees the actions of local air districts and city and county agencies.
- **County and city governments** are responsible for land-use planning to address issues such as “urban sprawl” as well as transportation and mass transit planning.

Progress in cleaning our air is often measured in relation to the health-based standards established by the federal government. The State of California also establishes ambient air quality standards that serve as ultimate goals in achieving clean air.

In a regulatory sense, the road to cleaner air can be described as follows:

- EPA establishes the health standards.
- EPA identifies the regions that do not meet the new standards.
- EPA establishes deadlines for meeting the new standards and for submitting plans to get there.
- In collaboration with ARB, the District develops air quality plans outlining strategies needed to reduce emissions and meet the new standards.
- ARB forwards the plans for EPA approval after it reviews, approves, and adds state strategies.
- The District, ARB, and EPA adopt and implement plan commitments.
- The District provides routine updates and progress reports.

<u>How the District Does Its Job</u>

The District is a public health agency whose mission is to improve the health and quality of life for all Valley residents through efficient, effective and entrepreneurial air quality-management strategies. Toward that end, the District conducts the following activities:

- Develops and adopts air quality plans outlining strategies needed to reduce emissions.
- Develops, adopts and implements rules and regulations to reduce emissions.
- Leaves no stone unturned in crafting, promoting, and implementing innovative emission reduction strategies to achieve early attainment.
- Administers an efficient and comprehensive permitting system for stationary sources and offers meaningful business assistance to the regulated community in meeting applicable regulations.
- Maintains and updates an inventory of emissions from various Valley sources on an ongoing basis.
- Maintains an active and effective enforcement program.

- Administers voluntary incentive grants offering financial assistance to reduce air pollution.
- Operates an extensive air monitoring network to measure air pollutants throughout the Valley and track air quality improvements.
- Conducts comprehensive public education and outreach.
- Continues to set high standards in legal activities.
- Collaborates with state and local agencies.

MAJOR ACCOMPLISHMENTS FOR 2016-17

Air Quality Plans

The District has written several air quality plans (State Implementation Plans, or SIPs) over the years that serve as road maps for the new measures needed for the Valley to reach federal air quality standards. The District's air quality plans include emissions inventories showing the sources of air pollutants, evaluations of how well different control methods have worked, and a strategy for how air pollution will be further reduced. The air quality plans also use complex computer modeling to estimate future levels of pollution and to ensure that the Valley will meet air quality goals as expeditiously as practicable. In September 2016, the District Governing Board adopted the 2016 Moderate Area Plan for the 2012 PM2.5 Standard.

The District continues to implement commitments in previously adopted air quality plans and has been leading an extensive public process to develop a comprehensive attainment strategy that addresses the 1997, 2006, and 2012 federal PM2.5 standards.

Rules and Regulations

The District continues its leadership in developing groundbreaking regulatory strategies to reduce emissions. Tough, innovative rules such as the District's rules for indirect source review, residential fireplaces, glass manufacturing, and agricultural burning have set benchmarks for California and the nation. The District is working on addressing rule commitments for flares and winery tanks. New rule commitments for future years will be considered in upcoming air quality plans, including the comprehensive attainment PM2.5 attainment strategy that will be adopted in 2018.

District Rule 3110 - Air Toxics Fees was adopted in fiscal year 2016-17. The purpose of this rule is to recover District costs for implementing an integrated air toxics program that addresses both State and Federal mandates, as well as State costs for implementing the Air Toxics "Hot Spots" Program as charged to the District. The amendment reduced the District's Air Toxics "Hot Spots" fees due to efficiencies gained through significant streamlining of program administration and implementation.

Permitting

The District has the responsibility for issuing or denying permits, registrations and plan approvals for more than 30,000 non-mobile sources of air contaminants, and for tracking and assessing the impacts of these facilities' annual pollutant emissions. During the fiscal year 2016-17 reporting period, permitting activities included:

- 2,975 Authority to Construct permits issued
- 30 new Permits to Operate issued
- 194 Permit-Exempt Equipment Registrations issued
- 320 new Title V permits issued to 3 facilities
- 6,128 Title V permit renewals issued to 68 facilities
- 862 Title V permit modifications
- 492 Conservation Management Practices plans issued
- 209 Emission Reduction Credit certificates issued or transferred
- 678 toxic air contaminant risk-management reviews performed
- 4,603 annual emissions inventory statements and surveys processed
- 2,560 California Environmental Quality Act (CEQA) review requests processed
- 537 CEQA comment letters
- 236 CEQA documents prepared
- 241 Indirect Source Review applications processed
- 274 Employer Trip Reduction Implementation Plans (eTRIP)

Enforcement

The District maintains an active and effective enforcement program to assure real and continued reductions in emissions. The District inspects sources of air pollution, including all facilities with permits issued by the District. When sources are found in violation of District rules and regulations, citations are issued and monetary fines are levied. For 2016-17:

- 32,568 units inspected
- 2,069 Notices of Violation issued
- 2,891 public complaints investigated
- 1,944 open burn sites inspected
- 3,293 incentive funding units (i.e., trucks, engines) inspected
- 702 asbestos projects reviewed and inspected

Voluntary Incentive Grants

To attain the current health-based air quality standards, the Valley must achieve an additional 90% reduction in emissions from current levels. The District, however, has limited legal authority to achieve these emission reductions, as mobile sources comprise 85% of the Valley's NOx emission inventory. Thus, District regulations alone will not bring the Valley into attainment of federal air quality standards. Voluntary incentive programs play a critical role in achieving and accelerating the reductions required for the Valley's attainment.

Since inception, over $1.8 billion in public/private investment in clean air projects has been made through these incentive programs, resulting in more than 139,000 tons of emission reductions. During the 2016-17 fiscal year, the District executed more than 7,700 agreements for more than $126 million. These projects are expected to reduce more than 7,900 tons of emissions.

The District's incentive program has become a model for grant programs throughout the State. In recent state audits, the District was noted for its efficient, robust and effective use of incentive grant funds in reducing air pollution. The District funds the following types of projects:

- Diesel agriculture irrigation pump replacements
- New electric agricultural irrigation pump purchase
- Emerging technology demonstration projects
- Electric forklift purchases
- Bicycle path construction
- On-road and off-road vehicle engine replacements, engine retrofit and vehicle replacements
- Wood-stove replacements
- School bus replacements, retrofits, and CNG tank replacements
- Gross-polluting vehicle crushing and replacements
- New, clean vehicle purchases
- Transit pass subsidies
- Locomotive replacements
- E-mobility equipment
- Vanpools
- Lawn and garden equipment
- Alternate fuel mechanic training
- Advanced transit and transportation
- Electric vehicle charging stations for public use

The District has received high marks for efficiency and accountability in our administration of these programs by ARB and EPA auditors in the past. In fact, District incentive program policies and procedures are often used as examples of "best practices" that other programs throughout the State can emulate, and the District has been awarded administration of grant funds for other air agencies as a result.

Comprehensive Public Education and Outreach

The District's Outreach and Communications Department continues to set the standard for innovative, effective and efficient outreach strategies and campaigns. Operating with a budget much less than other air management agencies statewide, the District's outreach department nonetheless is just as effective in conveying critical public information, policy and air quality news.

The District’s Outreach and Communications team, a highly skilled group of communications professionals with expertise in public relations, media, graphics and web design, audio-video production and event organization, continues to expand its activities and District messaging in the Valley air basin through programs tailored to each sector in the broader community. The District continues to spearhead many important public outreach campaigns, including:

- **Check Before You Burn:** This annual multimedia, multilingual outreach campaign runs from November through February, and is credited with the Valley achieving unprecedented improvements in wintertime air quality.

- **Burn Cleaner:** This campaign focuses on encouraging residents to replace their dirty wood burning devices with cleaner, more efficient EPA-certified wood burning or natural gas devices through the District’s Burn Cleaner incentive program.

- **Healthy Air Living “Go Big”:** The summer Healthy Air Living outreach campaign focused on those voluntary activities residents can take to reduce vehicle emissions during the important back-to-school season.

- **Drive Clean:** Electric vehicle workshops were hosted in partnership with the California Center for Sustainable Energy (CCSE) in Fresno and Modesto. The workshops featured presentations by the District and CCSE staff, as well as representatives of utility providers and owners’ panels, about the technology behind the newest plug-in vehicles, generous incentives for their purchase and the experience of driving them. Attendees were given the opportunity to investigate a variety of electric vehicles on site, as well.

- **Tune In, Tune Up** is a program designed to identify and repair high-emitting vehicles. The Tune In, Tune Up program is operated in partnership with Valley Clean Air Now, which has a long history of successfully implementing this program, and excels at reaching residents in environmental justice communities who otherwise may not be able to afford costly vehicle repairs. Reaching this key demographic is essential as the emission reductions are most needed in low-income communities, which are historically home to the greatest percentage of high-emitting vehicles. Through weekend events held throughout the Valley in 2016-17, participating residents could have their vehicles screened to determine if they qualified for emissions-related repairs at little to no cost to them. In the Tune In, Tune Up program, vehicle owners bring their vehicles to one of the program’s weekend events, where an emissions test is performed to determine the likelihood of that vehicle failing the required biennial smog test. Owners of vehicles that fail this initial screening are provided with vouchers that are redeemable at participating smog shops for up to $500 in emissions-related repairs. Once the vehicle is repaired, confirmatory smog tests are conducted that can then be used for vehicle re-registration purposes. As a recent new feature of this program, vehicles better suited for replacement are identified and residents are offered incentives to assist them in replacing their high polluting vehicle with a clean vehicle.

FACTORS AFFECTING FINANCIAL CONDITIONS

The District's operations are primarily supported by permit and motor vehicle registration fees, as well as state and federal grant revenue. In addition, the District receives penalties, settlements, interest and other miscellaneous revenues.

The District has been able to maintain low permit fees and administrative overhead through implementation of Zero-based budgeting, ongoing cost-cutting efforts through efficiency and streamlining measures, and investment in technology and automation. During this period, the District continued to devise and implement a number of efficiency and streamlining measures aimed at minimizing operating costs while delivering a high level of customer service. Additionally, through strict position control, the District was able to achieve 7% in salary savings.

Despite the District's commitment to cost-cutting measures, it is anticipated that the District's operating costs will continue to rise and outpace fee revenues. As indicated in the most recent audit by the State Auditor, even after the fee increases were adopted in 2015, the District's fees do not cover program costs, with the fees being 15 percent to 86 percent below the costs of the respective regulatory activities. Even with its low fees, the District meets or exceeds all mandated responsibilities as evidenced by the high grades earned across many recent program audits. To cover program costs, the District uses a portion of its other revenues to supplement fee revenue; however, with the unavoidable rise in operating costs a modest fee increase may be necessary to cover the growing shortfall in fee revenues.

Long-term Financial Planning

While the District's permit fee and DMV revenues are relatively stable, the current state of the economy continues to dampen any growth in these fees. Operating costs, however, continue to grow due to inflation, increased state and federal mandates, and rising pension costs. Over the past several years, the District has placed a high priority on addressing rising pension costs and unfunded pension liability. As a first step, the District negotiated with employees to add a second retirement tier for new employees hired on or after July 31, 2012. During the most recent labor agreement negotiation in 2015, the District took significant steps to reduce the District's future unfunded pension obligations by accelerating the move to an employee contribution of a 50% share of total normal retirement costs resulting in a reduction in employer contribution rate from 42.13% in 2015 to 36.91% for the 2017-18 year. Despite these efforts, the current unfunded liability remains high. The Kern County Employees' Retirement Association Comprehensive Annual Financial Report and Actuarial Valuation reported an unfunded actuarial accrued liability of $62 million at a funded ratio of 59.6% for the fiscal year ended June 30, 2016. During the 2016-17 Budget process, the Governing Board approved funding a new Pension Stabilization Reserve Fund of $1,250,000 which equals 2% of the District's share of Kern County Employees' Retirement Association Unfunded Accrued Actuarial Liability (UAAL) as of June 30, 2016, and an additional annual contribution equivalent to 1% of the UAAL balance each year thereafter. The Pension Stabilization Reserve Fund can be utilized to fund the District's Employer Required Contribution in circumstances of large unexpected Retirement Rate increase or for funding District's UAAL. Future funding and utilization of the Pension Stabilization Reserve Fund will require the Governing Board's approval. The District will continue to look for additional opportunities within the bounds of applicable laws to reduce the District's long-term pension costs.

FINANCIAL CONTROLS

Annual and Independent Audit

It is the policy of the District to have an annual audit performed by an independent certified public accounting firm appointed by the District's Governing Board. Brown Armstrong Accountancy Corporation conducted the independent audit of the District's financial statements for the fiscal year ended June 30, 2017. The auditor's unmodified opinion on the basic financial statements is included in the Financial Section of this report.

As part of the District's annual audit engagement, the auditors review the District's internal control structure, as well as compliance with applicable laws and regulations. The results of the District's annual audit for the fiscal year ended June 30, 2017 provided no instances of material weaknesses in connection with the internal control structure or violations of applicable laws and regulations.

As a recipient of federal and state financial resources, the District is required to undergo an annual single audit. The information related to this single audit, including the Schedule of Expenditures of Federal Awards, findings and recommendations and auditor's reports on the internal control structure and compliance with applicable laws and regulations, is included in a separately issued report.

Relevant Financial Policies

The District's budget process is mandated by Section 40131 of the Health and Safety Code. Section 40131 places the following three requirements on the adoption of the District's annual budget:

1. The District shall notice and hold a public hearing for the exclusive purpose of allowing the public an opportunity to comment on the Budget. This hearing must be separate from the hearing at which the District adopts the Budget.
2. The District must have summary information regarding the Budget available to the public at least 30 days prior to the public hearing.
3. The District must notify each person subject to fees imposed by the District in the preceding year of the availability of the Budget summary information.

In addition to Health and Safety Code, the District Administrative Code requires the Executive Director/Air Pollution Control Officer to present recommended budget to the Board prior to June 30th.

Internal Accounting Controls

Management of the District is responsible for establishing, maintaining and evaluating the District's accounting system with an emphasis on the adequacy of an internal control structure. The internal accounting controls are designed to: ensure that the assets of the District are protected against loss, theft or misuse; ensure the reliability of adequate accounting data for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America; and provide reasonable, but not absolute, assurances that these objectives are met. The concept of reasonable assurance recognizes that the costs of a control should not exceed the benefits likely to be derived from it and that the evaluation of costs and benefits require estimates and judgment be made by management.

The District's internal control evaluations occur within the above framework, which ensures adequate safeguard of the District's assets and reasonable assurance of proper recording of financial transactions.

Budgetary Control

In accordance with the provisions of the State Health and Safety Code Section 40131, the District's Formation Agreement, and the District's Administrative Code, the District prepares and legally adopts a final balanced budget on or before June 30 of each fiscal year. The final adopted budget is available for review on the District's Website, **www.valleyair.org**.

Budgetary control is exercised at the object level. All amendments or transfers of appropriations between these levels are authorized by the Executive Director/Air Pollution Control Officer (APCO) and must be approved by the District Governing Board. Supplemental appropriations financed by unanticipated revenues also must be approved by the Board.

Expenditures, except for capital outlays, are controlled at the object level for all program budgets within the District. Capital outlays are controlled at the sub-object level. There are no excess expenditures over the related appropriations in any object. Budgeted amounts are reported as amended.

Encumbrances, which are commitments related to executory contracts for goods or services, are recorded for budgetary control purposes. Encumbrance accounting is utilized for budgetary control and accountability and to facilitate effective cash planning and control.

Unencumbered appropriations lapse at year-end and encumbrances outstanding at that time are reported as assigned fund balance for subsequent year expenditures.

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

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the San Joaquin Valley Unified Air Pollution Control District for its comprehensive annual financial report for the fiscal year ended June 30, 2016. This was the third consecutive year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the District must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The dedicated services of the District Administrative Services Department made the preparation of our comprehensive annual financial report possible.

Recognition is also given to the Governing Board for their leadership and support and to all employees of the District who continue to promote technology and improve operations to accomplish the District's mission of protecting public health from air pollution in an efficient and cost effective manner.

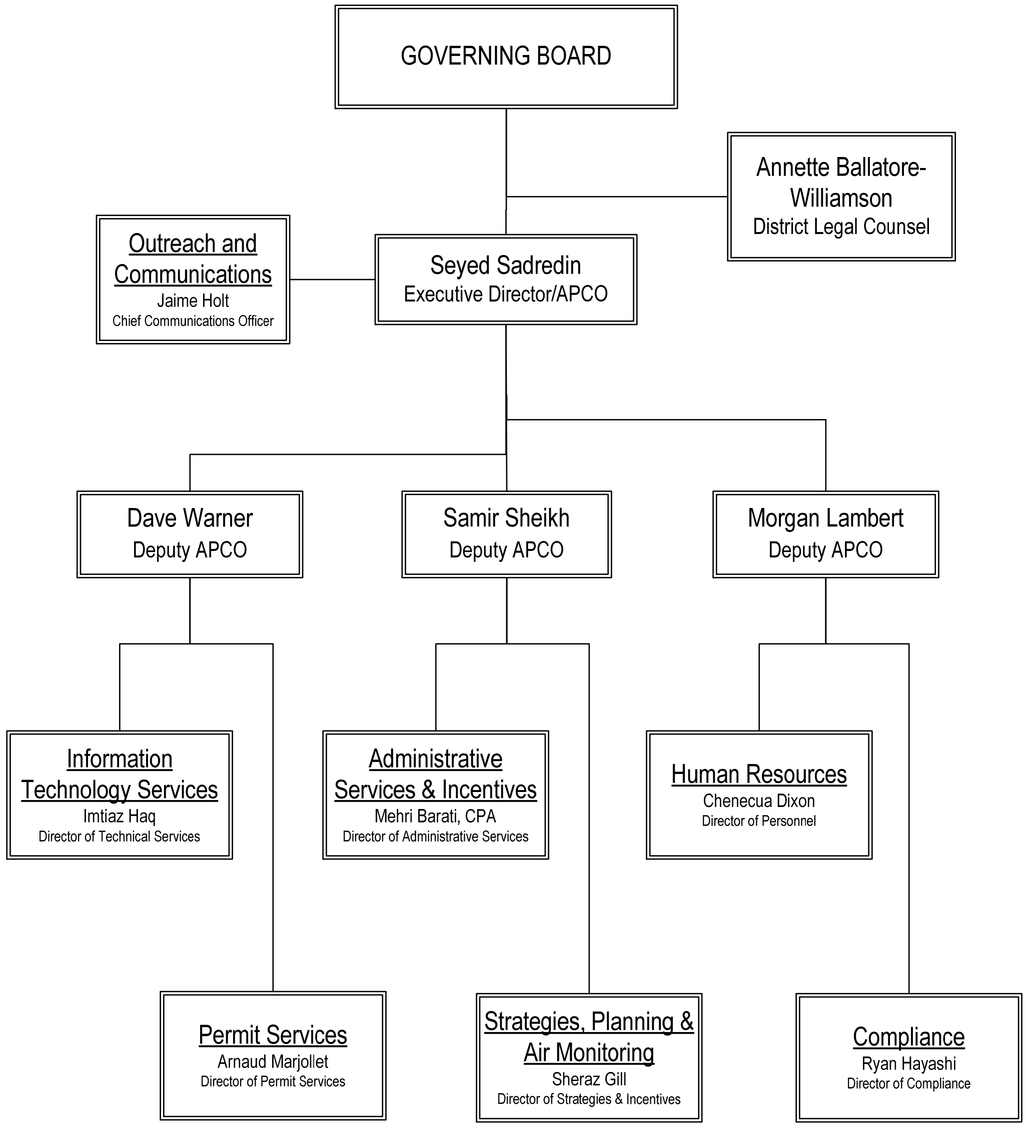
Respectfully submitted,

Seyed Sadredin
Executive Director/Air
Pollution Control Officer

Mehri Barati, C.P.A.
Director of Administrative
Services

San Joaquin Valley Unified Air Pollution Control District

June 30, 2017



San Joaquin Valley Unified Air Pollution Control District

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

San Joaquin Valley

Unified Air Pollution Control District

California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

FINANCIAL SECTION

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ARMSTRONG

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BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Governing Board
San Joaquin Valley Unified Air
Pollution Control District
Fresno, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and General Fund of the San Joaquin Valley Unified Air Pollution Control District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and General Fund of the District, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule for the General Fund, Kern County Employees' Retirement Association – Schedule of the District's Proportionate Share of Net Pension Liability, and Schedule of the District's Pension Contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
December 15, 2017

San Joaquin Valley Unified Air Pollution Control District
Management's Discussion and Analysis
June 30, 2017

Our discussion and analysis of the San Joaquin Valley Unified Air Pollution Control District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the transmittal letter and the basic financial statements.

A. Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $125.7 million *(net position).* Of this amount, $129.6 million is restricted for specific purposes and $9.4 million represents the net investment in capital assets. Both of these are offset by a negative balance of $13.3 million *(unrestricted net position),* which is primarily a result of the District's unfunded pension liability.

- The District's total net position increased $31.8 million as compared to the prior fiscal year. The majority of this increase was related to a significant increase in special revenue sources, such as Carl Moyer Program, Proposition 1B and State Cap and Trade and Air Quality Improvement Program, that was received this year in comparison to last year.

- At the close of the current fiscal year, the District's Governmental Fund reported a total fund balance of $185.5 million at year-end, a $34.5 million increase as compared to the prior year-end balance. Approximately 7.65% of this amount ($14.2 million) is available for spending at the government's discretion (*unassigned fund balance*).

- At the end of the current fiscal year, unrestricted fund balance (the total of the *assigned* and *unassigned* components of *fund balance*) for the general fund was $54.9 million, or approximately 45.0% of total general fund expenditures.

B. Overview of the 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 have three components: 1) Government-wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Basic Financial Statements. The District's Comprehensive Annual Financial Report (CAFR) also includes required supplementary information to the Basic Financial Statements. In general, the purpose of financial reporting is to provide external parties that read the financial statements with information that will help them make decisions or draw conclusions about an entity. In order to address the needs of as many parties as reasonably possible, the District, in accordance with required reporting standards, presents government-wide financial statements and fund financial statements.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to commercial enterprises or a private-sector business. These financial statements include the Statement of Net Position and the Statement of Activities.

The Statement of Net Position presents information on all of the District's Assets and Deferred Outflows of Resources and Liabilities and Deferred Inflows of Resources with the difference reported as Net Position. This difference is comparable to total stockholders' equity presented by a commercial enterprise. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities reports the net cost of the District's activities by program and is prepared on the full accrual basis of accounting. Revenues and expenses are recognized as earned and incurred even though they may not have been received or paid in cash.

The focus of the Statement of Activities is on the cost of various program activities performed by the District. The statement begins with a column that identifies the cost of each of the District's major programs. Another set of columns identifies the revenues that are specifically related to these activities. The difference between the expenses and the revenues related to specific program activities represents the net cost or revenue of the program. This determines the amount, if any, drawn from general revenues by each program activity.

The District's government-wide financial statements are presented on pages 20 and 21 of this report.

Fund Financial Statements

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole.

Governmental Fund

The fund financial statements consist of the Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance. These are prepared on the modified accrual basis of accounting. See Note 1, section (B), which explains the modified accrual basis of accounting. In contrast, the government-wide financial statements are prepared on the full accrual basis of accounting.

The District's Balance Sheet is presented on page 22 and Statement of Revenues, Expenditures, and Changes in Fund Balance is presented on page 24 of this report.

The focus of the fund financial statements is narrower than that of the government-wide financial statements. Since different accounting bases are used to prepare the above statements, a reconciliation is required to facilitate the comparison between the fund financial statements and the government-wide financial statements. The reconciliation of the total fund balance and total net position reported in these two statements can be found on page 23 of this report.

The reconciliation of the total changes in fund balance for the governmental fund to the change in net position can be found on page 25 of this report.

Notes to the Basic Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 26 to 49 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the budgetary comparison schedule and budgetary reconciliation. The Schedule of General Fund Budgeted and Actual Expenditures can be found on page 53 of this report with the Notes to the Schedule on page 54. The Schedule of the District's Proportionate Share of the Net Pension Liability and the Schedule of the District's Contributions can be found on page 55.

C. Government-wide Financial Analysis

Our analysis focuses on the net position and the changes in net position of the District's governmental activities.

The following schedule is a condensed Statement of Net Position as of the year ended June 30, 2017, as compared to the prior fiscal year.

Statement of Net Position
(In Thousands)

	Fiscal Year 2016-17	Fiscal Year 2015-16	Increase (Decrease)	Percent Change
Current and other assets	$ 188,266	$ 154,223	$ 34,043	22.1%
Capital assets	9,397	9,568	(171)	-1.8%
Total assets	197,663	163,791	33,872	20.7%
Total deferred outflows of resources	23,821	15,436	8,385	54.3%
Current liabilities	2,743	3,446	(703)	-20.4%
Noncurrent liabilities	87,236	78,094	9,142	11.7%
Total liabilities	89,979	81,540	8,439	10.3%
Total deferred inflows of resources	5,775	3,806	1,969	51.7%
Net position:				
Net investment in capital assets	9,397	9,568	(171)	-1.8%
Restricted for special projects/programs	129,584	105,725	23,859	22.6%
Unrestricted	(13,251)	(21,412)	8,161	-38.1%
Total net position	$ 125,730	$ 93,881	$ 31,849	33.9%

The District's total net position increased $31,848,809 from the prior fiscal year. This was primarily due to Carl Moyer, Proposition 1B, and Cap and Trade funding received and not spent by the end of the year as well as increased permitting revenue.

The District's total liabilities increased $8,438,537 from the prior year; of this, current liabilities decreased $703,283 and noncurrent liabilities increased $9,141,820. The decrease in current liabilities can be attributed to a decrease in accrued payables related to capital assets received just before year-end as compared to prior year. The majority of the increase in noncurrent liabilities is due to an increase in net pension liability.

Of the District's total net position, the majority is legally or contractually restricted to expenditures for incentives and grants. This amount is offset by a negative unrestricted net position, which is due to the District's net pension liability. Additionally, $9.4 million is net position in the form of capital assets (e.g., land, buildings, equipment, and vehicles). Consequently, these assets are not available for future spending.

The following is a condensed schedule of Changes in Net Position for the fiscal year ended June 30, 2017, as compared to the prior year.

Changes in Net Position
(In Thousands)

	Fiscal Year 2016-17	Fiscal Year 2015-16	Increase (Decrease)	Percent Change
Revenues:				
Program revenues:				
Fees and charges - stationary sources	$ 26,721	$ 24,936	$ 1,785	7.2%
Fees and charges - mobile sources	17,961	13,084	4,877	37.3%
Operating grants	2,078	2,168	(90)	-4.2%
Restricted special revenue sources	101,102	64,488	36,614	56.8%
General revenues:				
State subvention - not restricted	929	916	13	1.4%
Interest - not restricted	1,611	1,334	277	20.8%
Penalties/settlements	6,004	3,672	2,332	63.5%
Gain on disposal of capital assets	-	70	(70)	-
Miscellaneous revenue	61	126	(65)	-51.6%
Total revenues	156,467	110,794	45,673	41.2%
Expenses:				
Permitting	14,108	12,906	1,202	9.3%
Enforcement/agricultural burning	15,084	14,532	552	3.8%
Plan and rule development	726	1,148	(422)	-36.8%
Mobile sources	5,417	4,885	532	10.9%
Outreach and communications	2,804	2,502	302	12.1%
Air quality analysis/air monitoring	4,910	4,246	664	15.6%
Restricted for grants and other uses	81,569	69,043	12,526	18.1%
Total expenses	124,618	109,262	15,356	14.1%
Increase (decrease) in net position	31,849	1,532	30,317	1978.9%
Net position - beginning	93,881	92,349	1,532	1.7%
Net position - ending	$ 125,730	$ 93,881	$ 31,849	33.9%

Governmental Activities

The objective of the Statement of Activities is to report the full cost of providing government services for the year. The format also permits the reader to ascertain the extent to which each function is either self-financing or draws from the general revenues of the District.

The Statement of Activities presents information showing how the District's net position changed during the year. All changes in net position are reported as soon as the underlying event occurs regardless of the timing of the cash flows.

Fees, grants, state subvention, penalties, and settlements predominantly support the governmental functions of the District. The primary governmental activities of the District include the following: Permit Services, Enforcement/Air Monitoring/Agricultural Burning, Plan and Rule Development, Mobile Source, Outreach and Communications, Air Quality Analysis, and Grants and Other Special Uses. The following is a schedule of Revenues by Major Source for the fiscal year ended June 30, 2017, as compared to the prior year.

Revenues by Major Source
Governmental Activities
(In Thousands)

	Fiscal Year 2016-17	Fiscal Year 2015-16	Increase (Decrease)
Stationary Sources	$ 26,721	$ 24,936	$ 1,785
Mobile Sources	17,961	13,084	4,877
Operating Grants	2,078	2,168	(90)
General Revenues *	8,605	6,118	2,487
Restricted Special Revenue Sources	101,102	64,488	36,614
	$ 156,467	$ 110,794	$ 45,673

* Includes State Subvention, Interest, Penalties and Settlements, and other Miscellaneous Revenues that are not restricted to specific programs.

Following are explanations of the significant revenue variances from the prior fiscal year:

Stationary Source Revenue

- Stationary Source Revenue increased $1,785,139 compared to the prior fiscal year. The majority of this increase was due to increased permitting revenue from Residential Furnaces Rule 4905 and fee collections.

Management’s Discussion and Analysis

Mobile Source Revenue

- Mobile Source Revenue shows an increase of $4,876,638 compared to the prior fiscal year. This was primarily due to an increase in administrative fee revenue received.

Operating Grant Revenue

- Operating Grant Revenue is lower this year by $90,477 as compared to the prior fiscal year due to a decrease in U.S. Environmental Protection Agency (EPA) 103 revenue received in the previous year.

Grant Revenue	Fiscal Year 2016-17	Fiscal Year 2015-16	Increase (Decrease)
EPA 105 Grant	$ 1,919,646	$ 1,912,330	$ 7,316
EPA 103 Grant	157,980	255,773	(97,793)
Total Grant Revenue	$ 2,077,626	$ 2,168,103	$ (90,477)

General Revenues

- General Revenues increased $2,486,679 as compared to the prior fiscal year due to increased revenue from settlement fees and Ag Burn Abatement Penalties.

Restricted Special Revenue Sources

- Restricted Special Revenue increased $36,614,600 compared to the prior fiscal year. The table below details the major changes to the various incentive programs that make up this increase. Changes are due to the availability of and/or timing of the receipt of grant and other funding sources.

Incentive Program	Fiscal Year 2016-17	Fiscal Year 2015-16	Increase (Decrease)
DMV Surcharge Fees	$ 45,406,273	$ 45,640,380	$ (234,107)
Carl Moyer Program	17,283,271	294,471	16,988,800
Proposition 1B	10,146,687	59,651	10,087,036
State Cap and Trade and Air Quality Improvement Program	9,354,554	3,428,138	5,926,416
Diesel Emission Reduction Act	1,575,993	1,382,799	193,194
Voluntary Emission Reduction	8,998,493	8,612,007	386,486
Agriculture Tractor Replacement Program	586,495	225,017	361,478
Indirect Source Mitigation Fees	5,062,491	2,024,165	3,038,326
Other Miscellaneous Incentives	2,688,097	2,821,126	(133,029)
Total	$ 101,102,354	$ 64,487,754	$ 36,614,600

Total District Expenses increased by $15,355,293. The majority of this increase was due to grant related expenses for the Cal Moyer, Proposition 1B and Cap and Trade grant program funds. The following is a schedule of District expenses by activity for the fiscal year ending June 30, 2017 with a comparison of prior year expenses.

Expenses by Activities
Governmental Activities

	Fiscal Year 2016-17	Fiscal Year 2015-16	Increase (Decrease)
Permitting	$ 14,108,474	$ 12,906,182	$ 1,202,292
Enforcement/Agricultural Burning	15,084,374	14,532,516	551,858
Plan and Rule Development	725,613	1,147,918	(422,305)
Mobile Source	5,416,974	4,885,046	531,928
Outreach & Communications	2,803,370	2,502,259	301,111
Air Quality Analysis/Air Monitoring	4,910,143	4,245,554	664,589
Total Operating Expenses	43,048,948	40,219,475	2,829,473
Restricted for Grants and Special Uses	81,568,823	69,043,003	12,525,820
Total District Expenses	$ 124,617,771	$ 109,262,478	$ 15,355,293

D. Financial Analysis of the District's General Fund

General Fund

As of the end of the fiscal year, the District's General Fund reported an ending fund balance of $185,523,171, an increase of $34,501,500 in comparison with the prior year. Of the ending fund balance, 69.9% or $129,583,911 is restricted for grants and incentives. The long-term contractual commitments related to these restricted programs involve multiple-year expenditures. The ending fund balance also includes 0.6% or $1,018,421 not in spendable form for items that are not expected to be converted to cash, such as prepaid expenses, and 22.0% or $40,722,814 assigned to be used for Community Incentive programs, encumbrances and other assignments of Fund Balance listed in Note 1.K on page 31 of this report.

At the end of the fiscal year, the District's Unassigned Fund Balance was $14,198,025, an increase of $1,027,985 compared with the prior year. The majority of this increase was related to an increase in penalties and settlements revenue along with new rules that took effect this fiscal year.

Operating Revenues

- Total Operating Revenues increased $8,971,315, which was mainly due to increases in penalties and settlements revenue.

Operating Expenditures

Total Operating Expenditures increased $628,051 as compared to the prior fiscal year.

- Total salaries and benefits increased $1,086,252 compared to the prior fiscal year. The major factors in this increase, offset by salary savings, were due to a scheduled salary increase per the employees' Memorandum of Understanding.

- Total services and supplies decreased $17,805 from the prior fiscal year. This decrease was due to reduced expenditures in professional and specialized services.

- Total capital outlay decreased $440,396 as compared to the prior fiscal year. This was primarily the result of major projects not expensed during the fiscal year, such as fleet replacement. The table below details the major changes to the various capital asset accounts that make up this decrease.

Account Title	Fiscal Year 2016-17	Fiscal Year 2015-16	Increase (Decrease)
Computer Equipment	$ 661,783	$ 588,350	$ 73,433
Telephone System	4,720	4,647	73
Automobiles	6,624	246,511	(239,887)
Office Improvements	48,803	129,224	(80,421)
Audio/Visual Equipment	19,337	-	19,337
Video Conferencing System	9,312	74,537	(65,225)
Air Monitoring Station Automation Project	29,884	92,615	(62,731)
Air Monitoring Station Equipment	395,526	331,341	64,185
Monitoring Near Roadw ays	54,485	203,645	(149,160)
Total	$ 1,230,474	$ 1,670,870	$ (440,396)

Non-Operating Revenues

- Non-Operating Revenues increased $36,614,600 mainly due to funding received through state and federal programs such as Carl Moyer, Proposition 1B, and Cap and Trade.

Non-Operating Expenditures

- Non–Operating Incentive Program expenditures increased $12,525,820 compared to the prior fiscal year. This was primarily due to project expenditures such as Carl Moyer, DMV and Cap and Trade Programs. The table below details the major changes to the various Incentive Programs that make up this increase.

Incentive Program Name	Fiscal Year 2016-17	Fiscal Year 2015-16	Increase (Decrease)
DMV Heavy-Duty Program	$ 47,177,634	$ 39,826,106	$ 7,351,528
Carl Moyer Program	7,802,745	5,992,831	1,809,914
School Bus Retro/Replace Program	398,033	653,352	(255,319)
Federal EPA Incentive Program	1,116,535	621,800	494,735
State Cap and Trade and AQIP	11,090,837	1,052,086	10,038,751
Voluntary Emission Reduction Agreements	3,767,002	1,395,589	2,371,413
Indirect Source Review Rule Mitigation Program	1,131,052	1,258,176	(127,124)
Proposition 1B Program	3,531,037	11,526,453	(7,995,416)
Diesel Emission Reduction Act	1,575,754	1,381,609	194,145
Community Incentive Programs	3,512,091	5,080,869	(1,568,778)
Air Toxics	167,270	17,171	150,099
Misc. Incentive Grants	270,083	57,676	212,407
Hearing Board Incentive Grant	28,750	179,285	(150,535)
Total	$ 81,568,823	$ 69,043,003	$ 12,525,820

E. Capital Assets

The District's capital assets are used for governmental activities. The book value was $9,396,756 (net of accumulated depreciation of $12,870,727) as of June 30, 2017. Capital assets include land, buildings and improvements, equipment for air monitoring stations, computer and office equipment, video conferencing equipment, and District vehicles.

Additional information on capital assets can be found in the "Notes to the Basic Financial Statements" on page 39 of this report.

F. Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred Outflows of Resources

Deferred outflows of resources, although similar to assets, are set apart because these items do not meet the technical definition of being a District asset on the date of these financial statements. In other words, these amounts are not available to pay liabilities in the way assets are available. When all the recognition criteria are met, the deferred outflows of resources will become expenses/expenditures.

The most significant deferred outflows of resources reported are related to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68 and GASB Statement No. 71 for pension liability reporting. GASB Statement No. 71 requires that contributions made during the fiscal year to the retirement system be reported as deferred outflows of resources. Consequently, the majority of the deferred outflows of resources reported are comprised of current year contributions to the retirement system. However, there may be some deferred outflows of resources attributable to the various components that impact pension changes, and can include investment changes, amortization, changes due to actuarial assumptions, and differences between expected or actual experience.

Deferred Inflows of Resources

Deferred inflows of resources are the counterpart to deferred outflows of resources on the Statement of Net Position. Deferred inflows of resources are not technically liabilities of the District as of the date of the financial statements. When all the recognition criteria are met, the deferred inflows of resources will become revenue or increases to net position. The only types of deferred inflows of resources being reported on the District's Statement of Net Position are those related to pensions.

Deferred inflows of resources related to pensions represent a net amount attributable to the various components that impact pension changes, and can include investment changes, amortization, changes due to actuarial assumptions, and differences between expected or actual experience.

G. Current Year's Long-Term Debt

At the end of the current fiscal year, the District had total long-term debt outstanding of $3,524,506. This amount is comprised solely of compensated absences, including the portion due within one year of $248,514. Additional information on the District's compensated absences can be found in Note 4 under the Notes to the Basic Financial Statements section of this report.

H. Current Year's Budget

The District Budget is divided into two sections. The Operating Budget represents those expenditures that directly support the everyday operations of the District, including administration of incentive programs. The Non-Operating Budget represents those expenditures for the emission reduction incentive programs administered by the District. In addition to funding provided by the District, various federal and state agencies provide funding for these programs in the form of grants or agreements. Listed below are the major factors that explain the change from the Adopted Budget to the final Adjusted Budget at year-end.

The original Operating Budget adopted in June 2016 was $46,295,968. The Final Adjusted Budget was $46,370,968. Under District budget policy, all prior unused appropriations lapse at year-end and are re-budgeted. Revenues unrealized as of the fiscal year 2016-17 year-end are re-budgeted in 2017-18. Revenues already received, but unspent, are included in the 2017-18 budget as available Fund Balance.

The Adjusted Non-Operating Budget at June 30, 2017 was $275,730,925, including $850,000 appropriated for contingencies. This was an increase of $123,989,925 over the originally adopted Non-Operating Budget. This increase was due to fewer than expected expenditures occurring in fiscal year 2015-16, which increased that year's ending fund balance. That fund balance was a revenue source for fiscal year 2016-17, supporting the same expenditures as the previous year. Listed below are the major budget additions made during the year:

- The mid-year non-operating budget true-up of $67,707,100, including increases to DMV Surcharge Fees, Carl Moyer Program, Proposition 1B, Federal Diesel Emission Reduction Act (DERA), and Cap and Trade and Air Quality Improvement Program (AQIP) funds.
- $845,228 for Environmental Protection Agency Diesel Emission Reduction Act Truck Replacement Program.
- $4,551,947 for Environmental Protection Agency Air Shed Truck Replacement and Wood Stove Replacement Programs.
- $23,750,000 for the Enhanced Fleet Modernization and Plus Up Programs.
- $2,880,000 Kern County Oil and Gas funds for the Voluntary Emission Reduction Program (VERA).
- $24,109,736 for State Cap and Trade and Air Quality Improvement Programs (AQIP).
- $145,914 for the Air Toxics "Hot Spots" Program.

Operating Budget

Revenues
Actual Operating Revenues at June 30, 2017 were $53,414,357, as compared to the final Adjusted Budget of $52,607,204, a positive variance of $807,153. Revenues were higher than expected in fiscal year 2016-17 due to an increase in administrative fees, and license and permit fees received.

Expenditures
Actual Operating Expenditures at June 30, 2017 were $40,386,143 as compared to the final Adjusted Budget of $46,370,968, a positive variance of $5,984,825.

Salaries and Benefits
Actual salary and benefit expenditures at year-end were $34,661,446 as compared to the final Adjusted Budget of $38,177,648, a positive variance of $3,516,202. Salary and benefit savings on vacant positions during the year were the major factors contributing to the positive variance.

Services and Supplies
Actual services and supplies expenditures at year-end were $4,716,093 as compared to the final Adjusted Budget of $6,260,046, a positive variance of $1,543,953. Of the total expenditure amount, $708,365 was encumbered at year-end. Listed in the table below are the expenditures that make up the variances in the services and supplies accounts.

	Final Adjusted Budget	Actual Expenditures June 30, 2017	Variance With Final Budget Positive (Negative)
Mobile Communications	$ 247,532	$ 182,135	$ 65,397
Equipment Maintenance	1,279,003	931,647	347,356
Professional and Specialized Services	4,592,666	3,503,010	1,089,656
Publications and Legal Notices	140,845	99,301	41,544
Total	$ 6,260,046	$ 4,716,093	$ 1,543,953

Capital Assets
Actual Capital Outlay expenditures at year-end were $1,008,604 as compared to the final Adjusted Budget of $1,933,274, a positive variance of $924,670. Several planned purchases were delayed until fiscal year 2017-18, contributing to this variance. Listed in the table on the following page are the expenditures that make up the variances in the Capital Assets accounts.

	Final Adjusted Budget	Actual Expenditures June 30, 2017	Variance With Final Budget Positive (Negative)
Office Improvements	$ 145,000	$ 36,412	$ 108,588
Computer Equipment	784,104	286,474	497,630
Automobiles	248,000	130,698	117,302
Office Machines and Equipment	72,150	6,993	65,157
Telephone System	20,570	4,612	15,958
Audio/Visual Equipment	20,000	19,337	663
Video Teleconferencing System	25,950	7,952	17,998
Air Monitoring/Detection Equipment	442,500	433,129	9,371
Air Monitoring Station Automation Project	175,000	27,865	147,135
Monitoring Near Roadw ays	-	55,132	(55,132)
Total	$ 1,933,274	$ 1,008,604	$ 924,670

Non-Operating Budget

Revenues

Actual Non-Operating Revenues at June 30, 2017 were $99,855,184 as compared to the final Adjusted Budget of $174,344,866, a negative variance of $74,489,682. Listed in the table below are the revenues that make up the major variances in Non-Operating Revenues.

	Final Adjusted Budget	Actual Revenues June 30, 2017	Variance With Final Budget Positive (Negative)
Air Toxics	$ 170,914	$ 167,270	$ (3,644)
DMV Surcharge Fees	43,101,872	45,263,395	2,161,523
Carl Moyer Program	8,300,000	17,163,224	8,863,224
Proposition 1B	41,545,600	10,058,015	(31,487,585)
School Bus Programs	2,750,000	2,020,770	(729,230)
DERA Program Funds	4,422,550	471,913	(3,950,637)
Federal and Heavy Duty Grants	7,668,179	361,368	(7,306,811)
CEC - Energy Efficiency Block Grant	300,000	69,078	(230,922)
VERA/ISR Rule Mitigation Funds	10,109,215	14,229,237	4,120,022
State Cap and Trade and AQIP Funding	55,084,736	9,495,452	(45,589,284)
Non-operating Interest	516,800	543,784	26,984
Other Miscellaneous Incentives	375,000	11,678	(363,322)
Total	$ 174,344,866	$ 99,855,184	$ (74,489,682)

The negative variances of $31,487,585 for Proposition 1B funds and $45,589,284 for State Cap and Trade funds are due to the delay in receipt of this revenue because of program milestones that must be met prior to receiving the revenue. These funds are anticipated to be available during the 2017-18 fiscal year.

Expenditures

Actual Non-Operating Expenditures at June 30, 2017 were $81,568,736 as compared to the final Adjusted Budget of $274,880,925, a positive variance of $193,312,189. Listed in the table below are the expenditures that make up the variances in Non-Operating Expenditures.

	Final Adjusted Budget	Actual Expenditures June 30, 2017	Variance With Final Budget Positive (Negative)
Air Toxics-Pass Through	$ 170,914	$ 167,270	$ 3,644
Federal and Heavy Duty Grants	12,090,675	2,274,248	9,816,427
Carl Moyer Program	15,288,800	7,802,745	7,486,055
DMV Surcharge Fees	101,926,300	47,177,634	54,748,666
VERA/ISR Rule Mitigation Program	21,711,800	4,898,054	16,813,746
Proposition 1B Program	45,600,700	3,531,037	42,069,663
School Bus Programs	6,310,700	816,074	5,494,626
Greenhouse Gas Support for Cities and Counties	250,000	-	250,000
Drought Relief Program	300,000	186,500	113,500
Community Incentive Programs	7,624,700	3,160,961	4,463,739
State Cap and Trade and AQIP Funding	62,278,636	11,090,837	51,187,799
CEC - Energy Efficiency Block Grant	300,000	69,078	230,922
Miscellaneous Incentive Programs	1,027,700	394,298	633,402
Total	$ 274,880,925	$ 81,568,736	$ 193,312,189

The District has a policy of not entering into incentive agreements for non-federal grant contracts until grant funds are received by the District. This occasionally results in delayed expenditures. A significant amount of grant funds that were received and appropriated in fiscal year 2016-17 (Carl Moyer Program, Proposition 1B Program, Cap and Trade Program, and VERA/ISR Rule Mitigation Program) will not be expended on incentive contracts until fiscal year 2017-18 or later. Federal incentive grant contracts are reimbursable grants whereby the District must expend the incentive grant funds prior to receiving reimbursement from the Federal government.

I. Next Year's Budget

The Adopted Budget for fiscal year 2017-18 is $233,650,518 as compared to the Adjusted Budget for fiscal year 2016-17 of $317,404,032, a decrease of $83,753,514. In June 2011, the District Governing Board adopted a change in the

District's non-operating budgeting approach which combined the Prior Year and Current Year Budgets used previously, into a single ongoing budget for the current and future years. Since the adopted budget is based on estimated revenues, expenditures, and encumbrances occurring, and due to the length of the budget development process, every year after the financial closing, the budget is adjusted to reflect the actual available fund balance based on the year-end closing actuals. The 2017-18 adopted budget will be also adjusted to include year-end encumbrances and reflect actual year-end reserves.

J. Economic Factors

It is important to note that the District is relatively self-sufficient with no significant dependence on the state or federal funding for its operating expenditures. In addition, ongoing, long-term forecasts project stable fiscal health for the District. While the District does face a full agenda of challenges, the Governing Board generally has sufficient resources available to meet them.

K. 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 Director of Administrative Services, 1990 East Gettysburg Avenue, Fresno, California 93726-0244.

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San Joaquin Valley Unified Air Pollution Control District
Statement of Net Position
June 30, 2017

	Governmental Activities
Assets	
Current assets:	
Cash and investments	$ 165,411,376
Accrued revenues	21,768,741
Prepaid expenses	1,018,421
Advances	67,000
Total current assets	188,265,538
Noncurrent assets:	
Land	904,208
Depreciable assets, net of accumulated depreciation	8,492,548
Total noncurrent assets	9,396,756
Total assets	197,662,294
Deferred outflows of resources	
Deferred pension	23,820,680
Total deferred outflows of resources	23,820,680
Liabilities	
Current liabilities:	
Accounts payable	793,044
Accrued wages payable	1,459,491
Advances from grantors	489,832
Total current liabilities	2,742,367
Noncurrent liabilities:	
Compensated absences payable:	
Due within one year	248,514
Due in more than one year	3,275,992
Net pension liability	83,711,648
Total noncurrent liabilities	87,236,154
Total liabilities	89,978,521
Deferred inflows of resources	
Deferred pension	5,774,897
Total deferred inflows of resources	5,774,897
Net position	
Net investment in capital assets	9,396,756
Restricted for:	
VERA/ISR mitigation programs	21,313,718
DMV surcharge programs	71,902,398
Carl Moyer funds	16,451,523
Proposition 1B programs	10,477,295
Other special projects/programs	9,438,977
Unrestricted	(13,251,111)
Total net position	$ 125,729,556

The notes to the financial statements are an integral part of the this statement.

San Joaquin Valley Unified Air Pollution Control District
Statement of Activities
For the Year Ended June 30, 2017

		Program Revenues				Net (Expense) Revenue and Changes in Net Position
		Fees and Charges for Services			Restricted Special	
Programs	Expenses	Stationary Sources	Mobile Sources	Operating Grants	Revenue Sources *	Governmental Activities
Governmental Activities:						
Permitting	$ 14,108,474	$ 17,247,569	$ 2,655,084	$ 1,096,433	$ -	$ 6,890,612
Enforcement/agricultural burning	15,084,374	9,473,168	2,352,524	399,751	-	(2,858,931)
Plan and rule development	725,613	-	1,681,668	93,096	-	1,049,151
Mobile sources	5,416,974	-	7,490,007	-	-	2,073,033
Outreach and communications	2,803,370	-	2,484,244	-	-	(319,126)
Air quality analysis/air monitoring	4,910,143	-	1,296,947	488,346	-	(3,124,850)
Restricted for grants and other special uses	81,568,823	-	-	-	101,102,354	19,533,531
Total governmental activities	$ 124,617,771	$ 26,720,737	$ 17,960,474	$ 2,077,626	$ 101,102,354	23,243,420

General Revenues:	
State subvention - not restricted to specific programs	929,057
Interest - not restricted to specific programs	1,610,865
Penalties / settlements	6,004,361
Miscellaneous revenue	61,106
Total general revenues	8,605,389
Change in net position	31,848,809
Net position - beginning, July 1, 2016	93,880,747
Net position - ending, June 30, 2017	$ 125,729,556

* Restricted Special Revenue Sources consist of pass-through and/or one-time limited duration funding sources that are restricted for specific programs such as the Carl Moyer Program Fund and the Proposition 1B Program Fund.

The notes to the financial statements are an integral part of this statement.

San Joaquin Valley Unified Air Pollution Control District

Balance Sheet - Governmental Fund

General Fund

June 30, 2017

Assets		
Cash and investments	$	165,411,376
Accrued revenues		21,768,741
Prepaid items		1,018,421
Advances		67,000
Total assets	$	188,265,538
Liabilities		
Accounts payable	$	793,044
Accrued wages payable		1,459,491
Advances from grantors		489,832
Total liabilities		2,742,367
Fund Balance		
Nonspendable fund balance		1,018,421
Restricted fund balance		129,583,911
Assigned fund balance		40,722,814
Unassigned fund balance		14,198,025
Total fund balance		185,523,171
Total liabilities and fund balance	$	188,265,538

The notes to the financial statements are an integral part of this statement.

San Joaquin Valley Unified Air Pollution Control District

Reconciliation of the Balance Sheet of the Governmental Fund to the Statement of Net Position

June 30, 2017

Amounts reported for governmental activities in the statement of net position are different because:	
Fund balance - governmental fund	$ 185,523,171
Land and capital assets net of accumulated depreciation have not been included as financial resources in the governmental fund activity. These capital assets are reported in the statement of net position as capital assets of the District as a whole.	9,396,756
Deferred outflows of resources reported in the statement of net position.	23,820,680
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.	(87,236,154)
Deferred inflows of resources reported in the statement of net position.	(5,774,897)
Net position of governmental activities	$ 125,729,556

The notes to the financial statements are an integral part of this statement.

San Joaquin Valley Unified Air Pollution Control District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
General Fund
For the Year Ended June 30, 2017

Revenues:	
License and permit fees	$ 39,673,091
Administrative fees	5,008,122
Penalties and settlements	6,004,361
Interest	1,610,865
State grants	929,057
Federal grants	2,077,626
Miscellaneous revenue	61,106
Incentive grants	97,868,416
Incentive grant interest	543,784
Federal incentive grants	2,690,153
Total revenues	156,466,581
Expenditures:	
Current:	
Salaries and benefits	34,668,985
Services and supplies	4,496,799
Grants and other special uses	81,568,823
Capital outlay	1,230,474
Total expenditures	121,965,081
Net change in fund balance	34,501,500
Beginning fund balance, July 1, 2016	151,021,671
Ending fund balance, June 30, 2017	$ 185,523,171

The notes to the financial statements are an integral part of this statement.

San Joaquin Valley Unified Air Pollution Control District
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Fund to the Statement of Activities
For the Year Ended June 30, 2017

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

Net Change in Fund Balance - governmental fund		$ 34,501,500
The governmental fund reports capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of the capital outlays recorded in the current period.		1,156,950
Depreciation expense on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in the governmental fund.		(1,272,627)
The net effect of disposal of assets.		(55,507)
Certain pension expenses in the statement of activities are recognized on the accrual basis of accounting in accordance with GASB Statement No. 68.		
Amount of pension expenditures at fund modified accrual level	8,147,209	
Amount of pension expenses recognized at government-wide level	(10,456,905)	(2,309,696)
Increase in long-term compensated absences		(171,811)
Change in net position of governmental activities		$ 31,848,809

The notes to the financial statements are an integral part of this statement.

SAN JOAQUIN VALLEY UNIFIED
AIR POLLUTION CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Reporting Entity

The San Joaquin Valley Unified Air Pollution Control District (District) is a special district operating under the provisions of Sections 40150 through 40162 of the California Health and Safety Code. The District exists to develop and implement programs on a local level to meet the requirements of state and federal air pollution control laws in the San Joaquin Valley. The San Joaquin Valley Air Basin (SJVAB) comprises eight counties (San Joaquin, Stanislaus, Merced, Madera, Fresno, Kings, Tulare, and the Valley portion of Kern), and covers about 25,000 square miles. The District is governed by a fifteen member Governing Board that consists of one representative from the board of supervisors of all eight counties, five council members from Valley cities and two governor-appointed public members. The District operates a network of air monitoring stations, analyzes air quality data and establishes maximum emission levels for stationary, commercial, and industrial facilities that are enforced through the District's permit system.

B. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

The District considers accrued revenue to be available if it is collected within 90 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under the accrual basis of accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments, are recorded only when payment is due. State and federal grants, vehicle registration fees, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. All other revenue items are considered to be measurable and available only when the District receives cash.

Government-wide Financial Statements

The District government-wide financial statements include a Statement of Net Position and Statement of Activities. These statements present summaries of governmental activities for the District as a whole.

These statements are presented on an economic resources measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets, deferred outflows of resources, liabilities, including capital assets and long-term liabilities and deferred inflows of resources are included in the accompanying Statement of Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

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

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

- Permitting
- Enforcement / Agricultural Burning
- Plan and Rule Development
- Mobile Sources
- Outreach and Communications
- Air Quality Analysis / Air Monitoring

The types of transactions reported as program revenues are reported in three categories: 1) Fees and Charges, including stationary source fees from permitted facilities and mobile source fees derived from motor vehicle registrations, 2) Operating Grants that are in support of air pollution program activities, and 3) Restricted Special Revenue Sources. Program revenues are netted with program expenses to present the net cost of each functional activity. Interest income and other miscellaneous revenue that cannot be identified with a program are reported as General Revenues.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements rather than reporting them as expenditures.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balance.

Reconciliation of the fund financial statements to the government-wide financial statements is provided to explain the differences as a result of the integrated approach of the Governmental Accounting Standards Board (GASB) Statement No. 34 reporting.

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

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended rather than recording them as fund assets.

C. Fund Types

General Fund

The primary operating fund of the District is used to record transactions relating to its general business operations.

D. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting is employed in the General Fund. Purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation. Unencumbered appropriations lapse at year-end and encumbrances outstanding at that time are recorded as assignment of fund balance for expenditure in a subsequent year. These outstanding encumbrances do not constitute expenditures or liabilities until performance has occurred on the part of the vendors with whom the District has entered into an agreement.

E. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and governmental fund financial statements. The cost is recorded as an expense as prepaid items are consumed.

Prepaid Expenses of the District for the year ended June 30, 2017 consisted of the following:

Loans Receivable	$	63,560
Prepaid Payroll		832,937
Prepaid Medical Insurance		121,924
Total Prepaid Expenses	$	1,018,421

F. Capital Assets and Depreciation

Land, equipment, buildings and improvements are valued at cost unless obtained by donation, in which case the assets are recorded at the acquisition value at the date of receipt. Capital asset purchases with values of at least $2,000 and with an expected useful life greater than one year are capitalized. The District implemented GASB Statement No. 51 and started capitalizing intangible software that was developed internally and met the threshold of $100,000 for intangible asset capitalization.

Repair and maintenance costs are charged to current expenditures as incurred. Equipment disposed of or no longer required for its existing use is removed from the records at actual or estimated cost.

Depreciation is charged as an expense against operations, and accumulated depreciation is reported on the Statement of Net Position. Property, plant, and equipment of the District are depreciated using the straight-line method over the following useful lives:

Buildings and Improvements	20-40 Years
Air Monitoring and Detection Equipment	5-10 Years
Office Furniture and Other Misc. Equipment	5-10 Years
Telephone Equipment	10 Years
Computer Equipment and Software	5 Years
Automobiles	5 Years

G. Compensated Absences

Regular employees accumulate annual leave. Certain restrictions apply with respect to the accumulation of annual leave and its payment at termination.

The compensated absences due within one year and due in more than one year amounted to $248,514 and $3,275,992, respectively, and have been reflected in the Statement of Net Position.

H. Pensions

In government-wide financial statements, retirement plans (pensions) are required to be recognized and disclosed using the accrual basis of accounting (see Note 5 and the required supplementary information (RSI) section immediately following the Notes to Financial Statements), regardless of the amount recognized as pension expenditures on the governmental fund statements, which use the modified accrual basis of accounting.

In general, the District recognizes a net pension liability, which represents the District's proportionate share of the excess of the total pension liability over the fiduciary net position of the pension reflected in the actuarial report provided by the Kern County Employees' Retirement Association (KCERA). The net pension liability is measured as of the District's prior fiscal year-end. Changes in the net pension liability are recorded, in the period incurred, as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) are amortized over the weighted average remaining service life of all participants in the respective pension plan and are recorded as a component of pension expense beginning with the period in which they are incurred.

For purposes of measuring the net pension liability and deferred outflows/inflows of resources relating to pensions and pension expense, information about the fiduciary net position of the District's pension plan with KCERA and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by KCERA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefits terms. Investments are reported at fair value.

Projected earnings on pension investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed basis five-year period of recognition.

I. Self-Insurance

The District is self-insured on comprehensive/collision coverage on all District automobiles. The Special District Risk Management Authority provides coverage for comprehensive general and auto liability, workers' compensation liability, public officials liability, public employees blanket bond, and the replacement cost of property. (See Note 6.)

J. Restrictions on Net Position

Total Restricted Net Position at year-end was $129,583,911. Restricted Net Position is net position that is subject to restrictions beyond the District's control. The programs listed below are subject to restrictions imposed by the grantors of each program. The amounts for each program are as follows:

Federal and Heavy Duty Grants	$ 182,846
School Bus Programs	4,839,805
DMV Surcharge Fees	71,902,398
State Cap and Trade and AQIP Funds	4,107,874
Carl Moyer Funds	16,451,523
Proposition 1B Program	10,477,295
Community and Other Misc. Grants	308,452
VERA/ISR Mitigation Programs	21,313,718
Total Restricted Net Position	$ 129,583,911

As these restrictions are also restrictions of fund balance, a description and the purpose of each program can be found in Note 1.K.

K. Fund Balance

Beginning with fiscal year 2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This statement provides more clearly defined fund balance categories to make the nature and extent of the constraint placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance—amounts that are not in spendable form (such as inventory or prepaid expenses) or are required to be maintained intact.

- Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provision, or by enabling legislation.

- Committed fund balance—amounts constrained to a specific purpose by the District itself, using its highest level of decision-making authority (i.e., District Governing Board). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same level of action to remove or change the constraint.

- Assigned fund balance—amounts the District intends to use for a specific purpose. Intent can be expressed by the District Governing Board (the Board) or by an official or body to which the Board delegates the authority.

- Unassigned fund balance—amounts that are available for any purpose. Only the General Fund reports positive amounts.

The District Governing Board establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the Governing Board through adoption or amendment of the budget as intended for specific purpose.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balance is available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

The amounts of various fund balance categories required by GASB Statement No. 54 are as follows:

Nonspendable Fund Balance	$ 1,018,421
Restricted Fund Balance:	
Federal and Heavy Duty Grants	182,846
School Bus Programs	4,839,805
DMV Surcharge Fees	71,902,398
State Cap and Trade and AQIP Funds	4,107,874
Carl Moyer Funds	16,451,523
Proposition 1B Program	10,477,295
Community and Other Misc Grants	308,452
VERA/ISR Mitigation Programs	21,313,718
Total Restricted Fund Balance	129,583,911
Assigned Fund Balance:	
Encumbrances	958,026
Community Incentive Programs	31,183,627
Long-Term Building Maintenance	523,000
Contingency Reserve	850,000
Pension Stabilization Reserve	1,250,000
Video Teleconferencing and Computer Equipment	550,000
Drought Relief Program	113,500
Appropriated FY 2017-18 Budgetary Deficit	5,294,661
Total Assigned Fund Balance	40,722,814
Unassigned Fund Balance:	
General Reserve	4,700,000
Unassigned	9,498,025
Total Unassigned Fund Balance	14,198,025
Total Fund Balances	$ 185,523,171

Nonspendable Fund Balance:

- The $1,018,421 fund balance is for prepaid medical, payroll and other expenses and long-term notes receivable to the flex spending bank account.

Restricted Fund Balance:

- The $182,846 fund balance for the Federal and Heavy Duty Grants represents monies identified by the District Governing Board for distribution to qualifying Heavy Duty Programs. The qualifying programs include the DERA - Diesel Emission Reduction Program - which represents funds from the Environmental Protection Agency passed through to the California Air Resources Board and the Federal Diesel Earmark Grant.

- The $4,839,805 fund balance for the School Bus Programs represents funds received from the California Air Resources Board. The District will use these funds for the District's Heavy-Duty Engine Program for school bus replacement and retrofits.

- The $71,902,398 fund balance for DMV Surcharge Fees represents monies identified by the District Governing Board for distribution to qualifying agencies or individuals in the District's DMV Heavy Duty Emissions Program and the DMV Mobile Source Incentives Program.

- The $4,107,874 fund balance for the State Cap and Trade and Air Quality Improvement Program (AQIP) Funds represents monies from the California Air Resources for projects that generate reductions in greenhouse gas emissions with potential co-benefits of criteria pollutant reductions. The District will use these funds for several programs aimed at disadvantaged communities, administered by Valley Clean Air Now.

- The $16,451,523 fund balance for the Carl Moyer Program represents funds received from the California Air Resources Board. The District will use these funds for Heavy Duty Engine Emission Reduction Program incentives.

- The $10,477,295 fund balance for the Proposition 1B Program represents funds received from the California Air Resources Board. These funds will be used for the replacement and retrofit of heavy-duty trucks.

- The $308,452 fund balance for Community and Other Miscellaneous Grants represents fees collected under several District Rules including 4694, Wine Fermentation and Storage Tanks; 3030, Hearing Board Fees; and the EPA Settlement Program. These funds will be used for projects that will mitigate future projected emissions.

- The $21,313,718 fund balance for the Indirect Source Review (ISR) Rule Mitigation Program and Voluntary Emission Reduction Program represents funds received from new development projects and voluntary development mitigation contracts. These funds will be used as incentive grants for projects that will offset the future projected emissions generated by these development projects.

Assigned Fund Balance:

- The $958,026 fund balance for encumbrances outstanding at June 30, 2017 represents the amount of expenditures that would result if contracts in process at fiscal year-end were completed. Of the total assigned amount, $708,365 represents encumbrances for services and supplies and $249,661 represents encumbrances for capital assets. This assignment earmarks resources to pay for these contractual obligations by segregating a portion of fund balance.

- The $31,183,627 was assigned by the District Governing Board for various Community Incentive Programs.

- The $523,000 was established by the District Governing Board to provide for Long-Term Building Maintenance.

- The $850,000 was established by the District Governing Board to provide for a Contingency Reserve.

- The $1,250,000 was established by the District Governing Board to provide for a Pension Stabilization Reserve.

- The $550,000 was established by the District Governing Board to provide for Video Teleconferencing and Computer Equipment.

- The $113,500 was assigned by the District Governing Board for a Drought Relief Program.

- The $5,294,661 is the portion of existing fund balance that is included as a budgetary resource in the fiscal year 2017-18 budget.

Unassigned Fund Balance:

- From total Unassigned Fund Balance of $14,198,025 reported on June 30, 2017, $4,700,000 is a General Reserve that was established by the District Governing Board to provide for additional financial stability.

L. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

M. New Accounting Pronouncements

The following Governmental Accounting Standards Board (GASB) Statements have been implemented in the current financial statements:

1. Statement No. 77, "Tax Abatement Disclosures." The requirements of this statement will take effect for financial statements starting with the fiscal year that ends December 31, 2016.

2. Statement No. 78, "Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans." The requirements of this statement will take effect for financial statements starting with the fiscal year that ends December 31, 2016.

3. Statement No. 80, "Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14." The requirements of this statement will take effect for financial statements starting with the fiscal year that ends June 30, 2017.

4. Statement No. 82, "Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73." The requirements of this statement will take effect for financial statements starting with the fiscal year that ends June 30, 2017, except for the requirements of this statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions will take effect for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

2. CASH AND INVESTMENTS

Cash and investments as of June 30, 2017 consisted of the following:

District Petty Cash/Change Funds	$ 4,900
Postage Funds	17,584
Total Cash On Hand	22,484
Wells Fargo Bank	13,152,845
Other Deposits	145
Total Deposits with Financial Institutions	13,152,990
Security Deposit - Leased Property	2,000
Total Other Deposits	2,000
Fresno County Treasurer	152,233,902
Total Investments with County Investment Pools	152,233,902
Total Cash and Investments	$ 165,411,376

Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk and credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment In One Issuer
County Investment Pools	N/A	100%	None

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. In other words, the risk that interest rates will rise and reduce the fair value of an investment. Generally, the longer the maturity of an investment, the greater its sensitivity is to fair value and to changes in market interest rates.

As of June 30, 2017, none of the District's investments are required to disclose interest rate risk.

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 the rating required by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, or the District's investment policy, and the actual rating as of year-end for each type. The column marked "Exempt From Disclosure" identifies those investment types for which GASB Statement No. 40 does not require disclosure as to credit risk:

		Minimum	Exempt	Rating as of Year-End		
		Legal	From			Not
Investment Type	Amount	Rating	Disclosure	AAA	AA	Rated
County Investment Pools	$152,233,902	N/A	$0	$0	$0	$152,233,902

County Treasurer's Investment Pools

The District is a voluntary participant in the County of Fresno Treasurer's Investment Pool that is regulated by the California Government Code (CGC). The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value for the entire Investment Pool portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the Investment Pool, which are recorded on an amortized cost basis. In accordance with GASB Statement No. 72, investments in the County Treasurer's Investment Pool are not subject to the three-tiered fair value hierarchy: Level 1, Level 2 and Level 3. The three tiers are defined as follows:

Level 1 – reflect unadjusted quoted prices in active markets for identical assets
Level 2 – reflect inputs that are based on a similar observable asset either directly or indirectly
Level 3 – reflect unobservable inputs

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 CGC 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 CGC requires that a financial institution secure deposits made by state or local government 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 amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2017, all of the District's deposits with financial institutions were held in fully collateralized accounts, as permitted by the CGC.

3. CAPITAL ASSETS AND DEPRECIATION

Capital assets of the District for the year ended June 30, 2017 consisted of the following:

	Capital Assets - Governmental Activities			
	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets, non-depreciable:				
Land	$ 904,208	$ -	$ -	$ 904,208
Total capital assets, non-depreciable	904,208	-	-	904,208
Capital assets, depreciable/amortizable:				
Building and improvements	7,070,265	-	-	7,070,265
Machinery and equipment	12,142,264	1,156,950	327,254	12,971,960
Intangible assets	1,321,050	-	-	1,321,050
Total capital assets, depreciable/amortizable	20,533,579	1,156,950	327,254	21,363,275
Less accumulated depreciation/amortization for:				
Building and improvements	2,630,247	210,794	-	2,841,041
Machinery and equipment	8,087,550	1,009,833	271,747	8,825,636
Intangible assets	1,152,050	52,000	-	1,204,050
Total accumulated depreciation/amortization	11,869,847	1,272,627	271,747	12,870,727
Total capital assets, depreciable/amortizable, net	8,663,732	(115,677)	55,507	8,492,548
Net book value of capital assets	$ 9,567,940	$ (115,677)	$ 55,507	$ 9,396,756

For the year ended June 30, 2017, depreciation expense of $1,272,627 on capital assets was charged to the District's activities as follows:

Permitting	$ 218,022
Enforcement / Agricultural Burning	439,059
Plan and Rule Development	20,081
Mobile Sources	71,718
Outreach and Communications	29,141
Air Quality Analysis / Air Monitoring	494,606
Total Depreciation Expense	$ 1,272,627

4. COMPENSATED ABSENCES

When employment with the District is terminated, an employee will receive compensation for all unused annual leave hours.

The following is a summary of earned compensated absences of the District for the year ended June 30, 2017:

July 1, 2016 Balance	$3,352,695
Plus: Additions	2,482,096
Less: (Reductions)	(2,310,285)
June 30, 2017 Balance	$3,524,506
Amount Due Within One Year	$ 248,514
Amount Due In More Than One Year	$3,275,992

5. PENSIONS

<u>General Information about the Pension Plan</u>

Plan Description

The Kern County Employees' Retirement Association (KCERA) was established on January 1, 1945 by the County of Kern Board of Supervisors under the provisions of the County Employees' Retirement Law of 1937 (CERL). KCERA is a cost-sharing, multiple-employer defined benefit plan (the Plan) covering all permanent employees of the County of Kern and of the following agencies: Berrenda Mesa Water District, Buttonwillow Recreation and Park District, East Kern Cemetery District, Inyokern Community Services District, Kern County Water Agency, Kern Mosquito and Vector Control District, North of the River Sanitation District, San Joaquin Valley Unified Air

Pollution Control District, Shafter Recreation and Park District, West Side Cemetery District, West Side Mosquito and Vector Control District, West Side Recreation and Park District, and Kern County Superior Court. As a subsequent event, the Kern County Hospital Authority became a separate entity from the County of Kern, effective July 1, 2016. The Plan is administered by the Kern County Board of Retirement, which consists of nine members and two alternate members. KCERA issues a Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information for KCERA. The CAFR is available at www.kcera.org or by contacting KCERA's office at 11125 River Run Blvd., Bakersfield, CA 93311 or by calling (661) 381- 7700.

Summary of Plans and Eligible Participants

All regular, full-time employees of the County of Kern or contracting districts who work 50% or more of the regular standard hours required become members of KCERA effective on the first day of the payroll period following the date of hire.

General members (excluding Tier III) are eligible to retire at age 70 regardless of service or at age 50 with 10 or more years of retirement service credit. A member with 30 years of service is eligible to retire regardless of age. General Tier III members are eligible to retire at age 70 regardless of service or at age 52 with 5 or more years of retirement service credit.

Benefits Provided

The retirement benefit the member will receive is based on age at retirement, final average compensation (FAC), years of retirement service credit and benefit tier.

General member benefits for Tier I and Tier II are calculated pursuant to California Government Code Sections 31676.17 and 31676.01, respectively. The monthly allowance is equal to 1/50th of FAC times years of accrued retirement service credit times an age factor from Section 31676.17 (Tier I), or 1/90th of FAC times years of accrued retirement service credit times an age factor from Section 31676.01 (Tier II). General Tier III member benefits are calculated pursuant to the provisions found in California Government Code Section 7522.20(a). The monthly allowance is equal to the FAC multiplied by years of accrued retirement credit multiplied by an age factor from Section 7522.20(a).

For general members in Tiers I and II, the maximum monthly retirement allowance is 100% of FAC. For General Tier III members, there is no limit on the maximum monthly allowance relative to FAC.

The maximum amount of compensation earnable that can be taken into account for 2016 for members with membership dates on or after July 1, 1996 but before January 1, 2013 is $265,000. For General Tier III members who joined on or after January 1, 2013, the maximum pensionable compensation that can be taken into account for 2016 is $117,020 for those enrolled in Social Security. These limits are adjusted on an annual basis. Members are exempt from paying member contributions and employers are exempt from paying employer contributions on compensation in excess of the annual cap.

FAC consists of the highest 12 consecutive months of compensation earnable for General Tier I and General Tier IIA members. FAC consists of the highest 36 consecutive months of pensionable compensation for General Tier IIB and General Tier III members.

The member may elect an unmodified retirement allowance or one of four optional retirement allowances. The unmodified option provides the highest monthly benefit and a 60% continuance to an eligible surviving spouse or domestic partner. An eligible spouse or partner is one married to or registered with the member one year prior to the effective retirement date. Certain surviving spouses or partners may also be eligible if marriage or partnership was at least two years prior to the date of death and the surviving spouse or partner is age 55 or older as of the date of death. A member's retirement allowance is irrevocable once elected.

Death Benefits

An active member's beneficiary is entitled to receive death benefits, which consist of accumulated contributions, plus interest, and one month's salary for each full year of service, up to a maximum of six months of salary.

If a member is vested and the death is not the result of a job-caused injury or disease, the spouse or registered domestic partner will be entitled to receive a lifetime monthly allowance equal to 60% of the retirement allowance to which they would have been entitled if they had retired with a nonservice-connected disability on the date of the member's death. If there is no eligible spouse or partner, the same choice is given to the member's minor children who are under the age of 18 (continuing to age 22 if enrolled full-time in an accredited school).

If a member dies in the performance of duty, the spouse or registered domestic partner receives, for life, monthly allowance equal to at least 50% of the member's final average salary. This will only apply to minor children under the age of 18 (continuing to age 22 if enrolled full time in an accredited school).

If a member dies after retirement, a death benefit of $5,000 (increased from $3,000 to $5,000 on January 1, 2015) is payable to their designated beneficiary or the estate.

If the retirement was for service-connected or nonservice-connected disability and the member chose the unmodified allowance option, their surviving spouse, registered domestic partner or minor children will receive a monthly continuance equal to 60% of the benefit.

If the retirement was for service-connected disability, their spouse, registered domestic partner or minor children will receive a 100% continuance of the member's benefit.

Disability Benefits

A member with five years of service, regardless of age, who becomes permanently incapacitated from the performance of duty will be eligible for a nonservice-connected disability retirement. Any member who becomes permanently incapacitated from the performance of duty as a result of an injury or disease arising out of and in the course of employment is eligible for a service-connected disability, regardless of service length or age.

Cost-of-Living Adjustments

An annual cost-of-living adjustment (COLA) of up to 2.0% was adopted for all retirees and continuance beneficiaries as of April 1, 1973. An additional 0.5% COLA was granted by the Ventura Settlement as of April 1, 2002, resulting in a maximum COLA of 2.5%, depending on the rate of inflation.

Supplemental Benefits

The Board of Retirement and the Kern County Board of Supervisors adopted Government Code Section 31618 on April 23, 1984, which provides for the establishment of the Supplemental Retiree Benefit Reserve (SRBR). The SRBR is used only for the benefit of future and current retired members and their beneficiaries. The supplemental benefit is not a guaranteed benefit. The distribution of the SRBR is determined by the Board of Retirement. SRBR currently provides for 80% purchasing power protection and a $5,000 death benefit.

Contributions

Per Article 16 of the Constitution of the State of California, contribution requirements of the active employees and the participating employers are established and may be amended by the KCERA Board of Retirement. Depending upon the applicable plan, employees are required to contribute a certain percent of their annual pay. For each of the plans, the District's contractually required contribution (formerly known as the actuarially required contribution (ARC)) rate for the year ended June 30, 2017, was a specified percent of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Additional amounts required to finance any unfunded accrued liability are the responsibility of the plan sponsors. Contributions to the pension plan from the District were $8,147,209 for the year ended June 30, 2017. Active members are plan members who are currently accruing benefits and/or paying contributions into the applicable plan.

Eligible employees and their beneficiaries are entitled to pension, disability and survivors' benefits under the provision of the CERL with the establishment of KCERA on

January 1, 1945. As a condition of participation under the provisions of the CERL, members are required to pay a percentage of their salaries, depending up their age at date of entry in the Plan, membership type and benefit tier.

Member contribution rates for fiscal year 2016 ranged from 4.45% to 18.48% and were applied to the member's base pay plus compensable special pay; they were calculated based on the member's KCERA entry age and actuarially calculated benefits. Members are required to contribute depending on the member's tier, employer and bargaining unit.

Interest is credited to member contributions semi-annually on June 30 and December 31, in accordance with Article 5.5 of the CERL. Member contributions and credited interest are refundable upon termination of membership.

Each year, an actuarial valuation is performed for the purpose of determining the funded ratio of the retirement plan and the employer contributions that are necessary to pay benefits accruing to KCERA members not otherwise funded by member contributions or investment earnings. The employer contribution rates are actuarially determined by using the Entry Age Normal Actuarial Cost method. The Plan's employer rates provide for both normal cost and a contribution to amortize any unfunded or overfunded actuarial accrued liabilities. Contribution rates determined in each actuarial valuation (as of June 30) apply to the fiscal year beginning 12 months after the valuation date. Employer rates for fiscal year 2016 ranged from 30.28% to 62.97% of covered payroll, with a combined average of 45.11% for all employers.

Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

At June 30, 2017, the District reported a liability of $83,711,648 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the liability used to calculate the net pension liability was determined by an actuarial valuation date June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all Pension Plan participants, actuarially determined. At June 30, 2016, the District's proportion was 3.4683%, compared to 3.4037% at June 30, 2015, an increase of 0.0646%

For the year ended June 30, 2017, the District recognized pension expense of $10,456,905. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method and plan benefits.

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 3,063,133	$ -
Change in actual vs. proportionate contributions	3,228,052	-
Contributions subsequent to measurement date	8,147,209	-
Difference between prior year actuarial and actual employer contribution	685,970	-
Difference between projected and actual earnings on pension plan	8,696,316	-
Change in proportion	-	89,937
Difference between expected and actual experience	-	5,684,960
	$ 23,820,680	$ 5,774,897

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner.

The District contributions of $8,147,209 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended	Amount
2018	$ 2,352,422
2019	2,352,422
2020	3,387,789
2021	1,844,791
2022	(38,850)
Thereafter	-
	$ 9,898,574

Actuarial Assumptions

The total pension liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2015. The actuarial assumptions used were the same as the June 30 2016 funding valuation. In particular, the following actuarial assumptions were applied to all periods included in the measurement:

Inflation:	3.25%
Salary Increases:	General: 4.25% to 9.25%. Varies by service, including inflation.

Investment Rate of Return:	7.50%, net of pension plan investment expenses, including inflation.
Administrative Expenses:	0.90% of payroll allocated to both the employer and member based on the components of the total contribution rate (before expenses) for the employer and member.
Other Assumptions:	Same as those used in the June 30, 2016 funding valuation. These assumptions were developed in the analysis of the actuarial experience for the period from July 1, 2010 to June 30, 2013.

The Entry Age Actuarial Cost Method used in KCERA's annual actuarial valuation has also been applied in measuring the Service Cost and Total Pension Liability (TPL) with one exception. For purposes of measuring the Service Cost and TPL, KCERA has reflected the same plan provisions used in determining the member's Actuarial Present Value of Projected Benefits. This is different from the version of this method applied in KCERA's annual funding valuation, where the Normal Cost and Actuarial Accrued Liability are determined as if the current benefit accrual rate had always been in effect.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns net of pension plan investment expenses and inflation) are developed for each major asset class. This data is combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equity Small/Mid-Cap	19%	5.92%
U.S. Equity Developed International	4%	6.49%
Inflation Sensitive	18%	6.90%
Equity Emerging Markets Equity	4%	8.34%
Core Bonds	18%	0.73%
High Yield Bonds	4%	2.67%
Emerging Market Debt	4%	4.00%
TIPS	3%	0.35%
Real Estate	5%	4.96%
Commodities	6%	4.35%
Hedge Funds	10%	4.30%
Private Equity	5%	8.10%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.50% as of June 30, 2016. The projection of cash flows used to determine the discount rate assumed member contributions would be made at the current contribution rate and that employer contributions would be made at rates equal to the actuarially determined contribution rates.

For this purpose, only employee and employer contributions intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2016.

The discount rate assumptions have been developed without taking into consideration any impact of the 50/50 allocation of future excess earnings between the retirement and Supplemental Retiree Benefit Reserve (SRBR) asset pools.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability measured as of June 30, 2016, calculated using a discount rate of 7.50%, and what the net pension liability would be if it were calculated using a discount rate that is one point lower (6.50%) or one point higher (8.50%) than the current rate:

	1% Decrease 6.50%	Discount Rate 7.50%	1% Increase 8.50%
District's proportionate share of the net retirement plan liability	$ 110,476,338	$ 83,711,648	$ 61,553,841

Pension Plan Fiduciary Net Position

Detailed information about the pension fund's fiduciary net position is available in the separately issued KCERA CAFR.

6. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates in a joint powers authority, the Special District Risk Management Authority (SDRMA), whose purpose is to develop and fund programs of excess insurance for comprehensive liability, workers' compensation, property and employee blanket bonds for its member districts.

For the fiscal year 2016-17, the District contributed $319,096 to the SDRMA. The District's contributions represented 0.91% of all member contributions.

The District has coverage against claims up to a limit of $10,000,000 for comprehensive general and auto liability and public official's liability, up to a limit of $5,000,000 for workers' compensation liability and up to $400,000 for public employees blanket bond and for the replacement cost of property. The District is entirely self-insured for vehicle damage.

No claim settlement exceeded insurance coverage during the last three fiscal years. Also, during this period, no significant reduction in insurance coverage occurred.

7. DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits them to defer a portion of their salary until future years. For employees hired on or after July 31, 2012, the District provides a match of employee contributions not to exceed six percent of their base salary. These funds are not available to employees until termination, retirement, death or unforeseen emergency.

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

Effective January 1, 1999, federal legislation requires the Section 457 plan assets to be placed in trust for the exclusive use of the plan participants and their beneficiaries. The District's deferred compensation administrator, MassMutual Financial Group, qualifies as a plan trustee to meet the federal requirements. In accordance with GASB Statement No. 32, the District no longer reports plan assets and liabilities in its financial statements. As of June 30, 2017, investments with a fair value of $30,071,008 were held in trust.

8. COMMITMENTS AND ENCUMBRANCES

Operating Leases

The District is obligated under an operating lease for the rental of office space. The District's rental expense was $409,915 for the year ended June 30, 2017. The operating lease was mutually terminated by the District and the lessor when a new purchase agreement was entered into. Therefore, there are no longer any future minimum lease payments under this lease.

Encumbrances
The District utilizes encumbrance accounting in its governmental fund as explained in Note 1.D. Total encumbrances for the General Fund as of June 30, 2017 were $958,026. Encumbrances are categorized as Assigned Fund Balance.

9. PENDING LITIGATION

There are various lawsuits and claims filed against the District which, in the opinion of the District Counsel, will be resolved with no material adverse effect on the District's financial position or results of operations.

10. SUBSEQUENT EVENTS

In compliance with accounting standards generally accepted in the United States of America, management has evaluated events that have occurred after year-end to determine if these events are required to be disclosed in these basic financial statements. Management has determined that no events require disclosure in accordance with accounting standards. These subsequent events have been evaluated through December 15, 2017, which is the date the basic financial statements were issued.

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Required Supplementary Information

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San Joaquin Valley Unified Air Pollution Control District
General Fund - Budgetary Comparison Schedule
For the Year Ended June 30, 2017

	Budgeted Amounts Adopted	Budgeted Amounts Final Adjusted	Actual Amounts Budgetary Basis	Variance with Final Budget
Operating Budget				
Revenues:				
Vehicle Registration Fees	$ 12,315,328	$ 10,900,000	$ 11,472,085	$ 572,085
License and Permit Fees	26,360,247	26,360,497	27,016,394	655,897
Interest	1,180,100	1,180,100	1,610,865	430,765
Penalties and Settlements	2,500,000	2,500,000	5,758,364	3,258,364
State Grants	900,000	900,000	929,057	29,057
Federal Grants	2,065,000	2,065,000	2,077,626	12,626
Administrative Fees	2,880,618	8,649,107	4,489,620	(4,159,487)
Miscellaneous Revenue	52,750	52,500	60,346	7,846
Total Operating Revenues	48,254,043	52,607,204	53,414,357	807,153
Operating Amounts Available For Appropriations	48,254,043	52,607,204	53,414,357	807,153
Expenditures:				
Salaries and Benefits	38,177,648	38,177,648	34,661,446	3,516,202
Services and Supplies	6,185,046	6,260,046	4,716,093	1,543,953
Capital Outlays:				
Office Improvements	145,000	145,000	36,412	108,588
Computer Equipment	784,104	784,104	286,474	497,630
Office Furniture/Equipment	25,000	25,000	6,993	18,007
Office Machines	47,150	47,150	-	47,150
Telephone System	20,570	20,570	4,612	15,958
Detection Equipment	100,000	100,000	99,898	102
Automobiles	248,000	248,000	130,698	117,302
Audio/Visual Equipment	20,000	20,000	19,337	663
Video Conferencing System	25,950	25,950	7,952	17,998
Air Monitoring Station Equipment	342,500	342,500	333,231	9,269
Monitoring Near Roadways	-	-	55,132	(55,132)
AMS Automation Project	175,000	175,000	27,865	147,135
Total Capital Outlays	1,933,274	1,933,274	1,008,604	924,670
Total Operating Charges to Appropriations	46,295,968	46,370,968	40,386,143	5,984,825
Excess of Operating Revenues Over Expenditures	1,958,075	6,236,236	13,028,214	6,791,978
Non-Operating Budget				
Revenues:				
Air Toxics	25,000	170,914	167,270	(3,644)
DMV Surcharge Fees	43,101,872	43,101,872	45,263,395	2,161,523
Carl Moyer Program	8,300,000	8,300,000	17,163,224	8,863,224
Proposition 1B	41,545,600	41,545,600	10,058,015	(31,487,585)
School Bus Programs	2,750,000	2,750,000	2,020,770	(729,230)
DERA Program Funds	988,000	4,422,550	471,913	(3,950,637)
Federal and Heavy Duty Grants	5,069,854	7,668,179	361,368	(7,306,811)
CEC - Energy Efficiency Block Grant	300,000	300,000	69,078	(230,922)
VERA/ISR Rule Mitigation Funds	7,229,215	10,109,215	14,229,237	4,120,022
State Cap and Trade and AQIP Funding	9,500,000	55,084,736	9,495,452	(45,589,284)
Non-Operating Interest	516,800	516,800	543,784	26,984
Other Miscellaneous Incentives	375,000	375,000	11,678	(363,322)
Non-Operating Amounts Available For Appropriations	119,701,341	174,344,866	99,855,184	(74,489,682)
Expenditures:				
Air Toxics-Pass Through	25,000	170,914	167,270	3,644
Federal and Heavy Duty Grants	6,057,800	12,090,675	2,274,248	9,816,427
Carl Moyer Program	8,436,900	15,288,800	7,802,745	7,486,055
DMV Surcharge Fees	58,482,800	101,926,300	47,177,634	54,748,666
VERA/ISR Rule Mitigation Program	14,538,500	21,711,800	4,898,054	16,813,746
Proposition 1B Program	41,749,400	45,600,700	3,531,037	42,069,663
School Bus Programs	5,385,600	6,310,700	816,074	5,494,626
Greenhouse Gas Support for Cities and Counties	250,000	250,000	-	250,000
Drought Relief Program	-	300,000	186,500	113,500
Community Incentive Programs	5,351,600	7,624,700	3,160,961	4,463,739
State Cap and Trade and AQIP Funding	9,549,000	62,278,636	11,090,837	51,187,799
CEC - Energy Efficiency Block Grant	300,000	300,000	69,078	230,922
Miscellaneous Incentive Programs	764,400	1,027,700	394,298	633,402
Total Non-Operating Charges to Appropriations	150,891,000	274,880,925	81,568,736	193,312,189
Excess(Deficiency) of Non-Operating Revenues Over(Under) Expenditures	(31,189,659)	(100,536,059)	18,286,448	118,822,507
Appropriation for Contingencies	850,000	850,000	-	850,000
Net Change to District Fund Balance, June 30, 2017	$ (30,081,584)	$ (95,149,823)	$ 31,314,662	$ 126,464,485

NOTES TO THE SCHEDULE OF GENERAL FUND BUDGETED AND ACTUAL EXPENDITURES
BUDGETARY BASIS

Note 1 – GENERAL FUND BUDGETARY BASIS RECONCILIATION

The General Fund Budgetary Comparison Schedule on page 53 presents comparisons of the legally Adopted Budget with actual data on a budgetary basis. Since accounting principles applied for purposes of developing expenditure data on a budgetary basis differ from those used to present financial statements in conformity with generally accepted accounting principles (GAAP), a reconciliation of differences is presented below for the year ended June 30, 2017.

Excess of revenues over expenditures (GAAP Basis)	$	34,501,500
Adjustments from budget cash basis to modified accrual basis		(3,186,838)
Excess of revenues over expenditures (Budgetary Basis)	$	31,314,662

Note 2 - BUDGETING

In accordance with the provisions of the State Health and Safety Code Section 40131, the District's Formation Agreement, and the San Joaquin Valley Unified Air Pollution Control District's (District) Administrative Code, the District prepares and legally adopts a final balanced budget on or before June 30 of each fiscal year. The final Adopted Budget is available for review on the District's website at **www.valleyair.org**.

Budgetary control is exercised at the object level. All amendments or transfers of appropriations between these levels are authorized by the Executive Director/Air Pollution Control Officer and must be approved by the District Governing Board (Board). The Board also must approve supplemental appropriations financed by unanticipated revenues.

Expenditures, except for Capital Outlays, are controlled at the object level for all program budgets within the District. Capital assets are controlled at the sub-object level.

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION – SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Last Ten Fiscal Years*

	FY 2016	FY 2015	FY 2014	FY 2013
District's proportion of the net pension liability (asset)	3.4683%	3.4037%	3.2966%	3.3453%
District's proportionate share of the net pension liability (asset)	$ 83,711,648	$ 74,985,888	$ 68,213,462	$ 71,067,704
District's covered payroll	$ 22,163,475	$ 21,862,199	$ 21,882,301	$ 21,366,973
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	377.70%	342.99%	311.73%	332.61%
Plan fiduciary net position as a percentage of the total pension liability (asset)	57.15%	59.25%	60.66%	55.64%

*Amounts presented above were determined as of 6/30. Additional years will be presented as they become available.

KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION - SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
Last Ten Fiscal Years*

	FY 2016	FY 2015	FY 2014
Actuarially determined contribution	$ 7,499,401	$ 7,334,096	$ 7,265,384
Actual contributions	7,750,471	8,111,984	8,092,623
Contribution deficiency (excess)	$ (251,070)	$ (777,888)	$ (827,239)
District's covered payroll	$ 22,163,475	$ 21,862,199	$ 21,882,301
Actual contributions as a percentage of the District's covered payroll	34.97%	37.11%	36.98%

*Amounts presented above were determined as of 6/30. Additional years will be presented as they become available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. The information presented relates solely to the District and not Kern County Employees' Retirement Association as a whole.

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STATISTICAL SECTION

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STATISTICAL SECTION

The information in this section is presented as supplemental data for the benefit of the readers of the Comprehensive Annual Financial Report. The objectives of statistical section information are to provide financial statement users with additional historical perspective, context, and detail to assist in using the information in the financial statements, notes to financial statements, and required supplementary information to understand and assess the District's economic condition.

Contents

Financial Trends

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

Revenue Capacity

These schedules contain trend information to help the reader assess the District's most significant revenue source, DMV Surcharge Fees.

Operating Information

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

Demographic and Economic Information

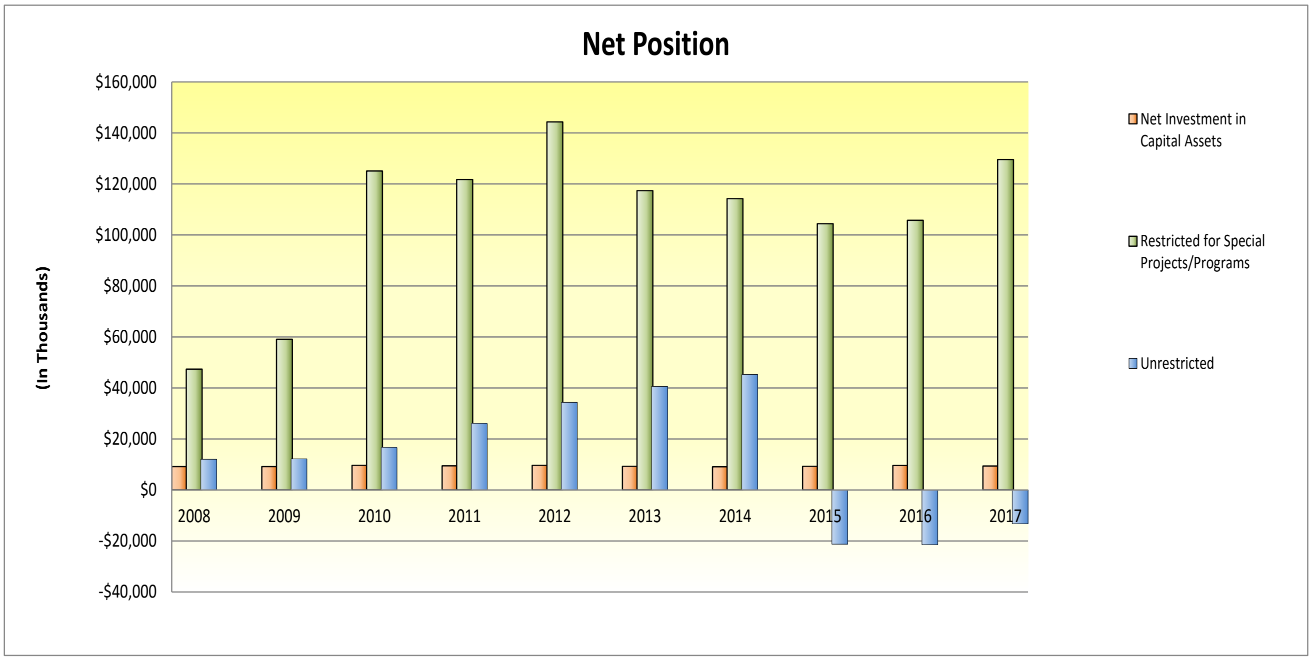
These schedules offer economic and demographic indicators to help the reader understand the socioeconomic environment within which the District's financial activities take place.

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

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

STATEMENT OF NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)
(In Thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Current and Other Assets	$ 63,504	$ 75,321	$ 145,587	$ 151,967	$ 186,754	$ 162,777	$ 164,321	$ 150,856	$ 154,223	$ 188,266
Capital Assets	10,812	10,525	10,684	10,129	9,985	9,298	9,117	9,259	9,568	9,397
Total Assets	74,316	85,846	156,271	162,096	196,739	172,075	173,438	160,115	163,791	197,663
Deferred Outflows of Resources - Deferred Pension	-	-	-	-	-	-	-	14,310	15,436	23,821
Current Liabilities	2,415	2,141	1,821	1,999	5,769	2,124	2,096	2,133	3,446	2,743
Noncurrent Liabilities	3,337	3,253	3,091	2,914	2,684	2,840	2,821	71,051	78,094	87,236
Total Liabilities	5,752	5,394	4,912	4,913	8,453	4,964	4,917	73,184	81,540	89,979
Deferred Inflows of Resources - Deferred Pension	-	-	-	-	-	-	-	8,893	3,806	5,775
Net Position:										
Net Investment in Capital Assets	9,160	9,173	9,646	9,421	9,622	9,298	9,117	9,259	9,568	9,397
Restricted for Special Projects/Programs	47,388	59,073	125,061	121,765	144,317	117,304	114,186	104,379	105,725	129,584
Unrestricted	12,016	12,206	16,652	25,997	34,347	40,509	45,218	(21,289)	(21,412)	(13,251)
Total Net Position	$ 68,564	$ 80,452	$ 151,359	$ 157,183	$ 188,286	$ 167,111	$ 168,521	$ 92,349	$ 93,881	$ 125,730

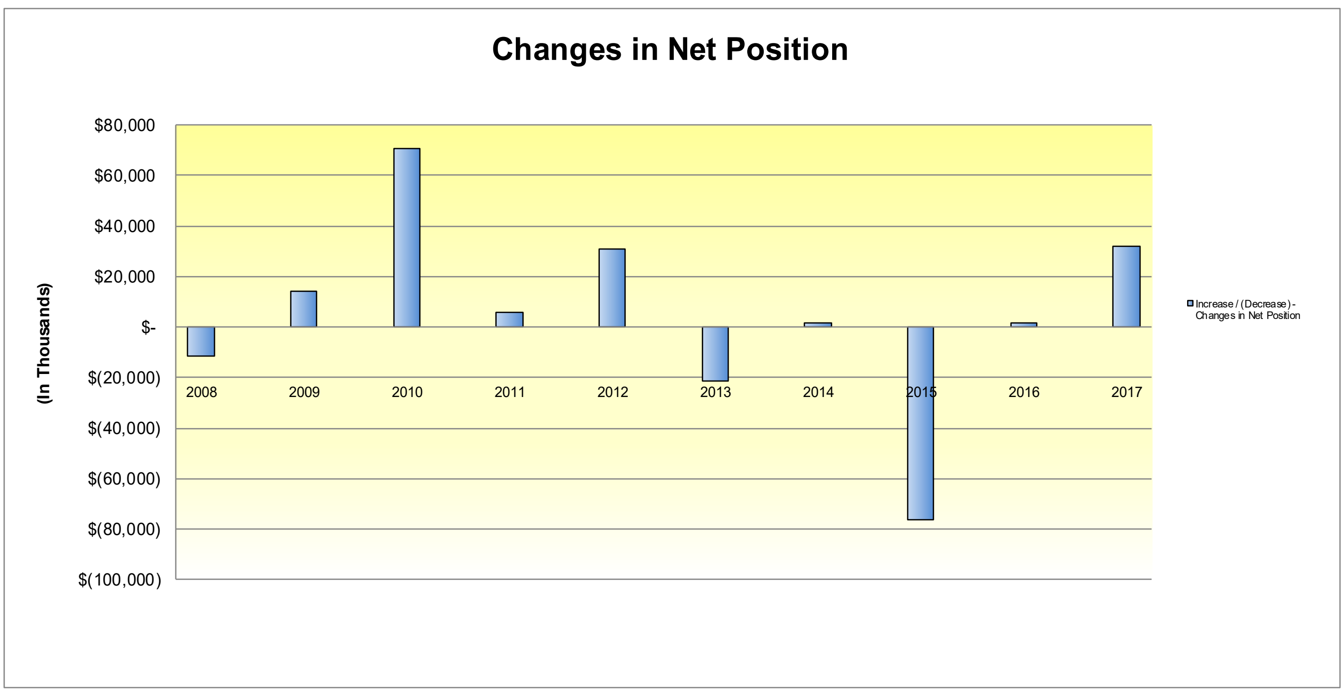


Source: San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)
(In Thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues:										
Program Revenue:										
Fees and Charges - Stationary Sources	$ 11,559	$ 15,852	$ 19,348	$ 26,861	$ 23,969	$ 24,768	$ 23,372	$ 23,589	$ 24,936	$ 26,721
Fees and Charges - Mobile Sources	11,915	11,872	11,569	11,005	12,963	11,480	13,945	12,587	13,084	17,961
Operating Grants	3,845	2,055	1,630	2,123	2,201	2,034	2,032	2,199	2,168	2,078
Restricted Special Revenue Sources	26,628	37,347	98,837	55,524	116,154	58,848	82,255	75,338	64,488	101,102
Total Program Revenue	53,947	67,126	131,384	95,513	155,287	97,130	121,604	113,713	104,676	147,862
General Revenues:										
State Subvention	897	899	900	901	917	923	917	916	916	929
Interest	486	653	164	392	552	920	1,050	1,237	1,334	1,611
Penalties/Settlements	4,007	3,605	4,662	6,151	5,715	3,896	4,204	3,022	3,672	6,004
Miscellaneous	125	(11)	30	223	175	150	71	142	196	61
Total General Revenues	5,515	5,146	5,756	7,667	7,359	5,889	6,242	5,317	6,118	8,605
Other Financing Sources - Capital Asset Leases	1,652	-	-	-	-	-	-	-	-	-
Total Revenues & Other Financing Sources	61,114	72,272	137,140	103,180	162,646	103,019	127,846	119,030	110,794	156,467
Expenses:										
Permitting	12,054	12,263	12,758	13,836	14,170	14,222	13,987	12,781	12,906	14,108
Enforcement / Air Monitoring / Ag Burning	12,201	12,275	12,698	12,064	12,111	12,112	12,560	13,938	14,532	15,084
Plan and Rule Development	2,062	2,484	2,035	2,054	1,696	1,540	1,781	1,272	1,148	726
Mobile Sources	2,284	2,840	3,315	3,399	3,778	4,380	4,526	4,639	4,885	5,417
Outreach & Communications	2,187	2,276	2,321	2,252	2,216	2,325	2,454	2,515	2,502	2,804
Air Quality Analysis	1,235	1,156	1,560	3,023	3,336	3,097	3,500	3,521	4,246	4,910
Non-Operating	40,453	24,872	31,546	60,728	94,236	86,518	87,628	93,561	69,043	81,569
Total Expenses	72,476	58,166	66,233	97,356	131,543	124,194	126,436	132,227	109,262	124,618
Increase / (Decrease) - Changes in Net Position										
Prior to Adjustment	(11,362)	14,106	70,907	5,824	31,103	(21,175)	1,410	(13,197)	1,532	31,849
Adjustment to Net Position	-	-	-	-	-	-	-	(62,975)	-	-
Changes in Net Position	$ (11,362)	$ 14,106	$ 70,907	$ 5,824	$ 31,103	$ (21,175)	$ 1,410	$ (76,172)	$ 1,532	$ 31,849



Source: San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

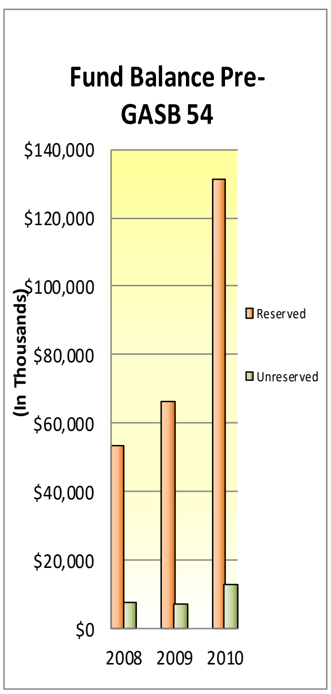
SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

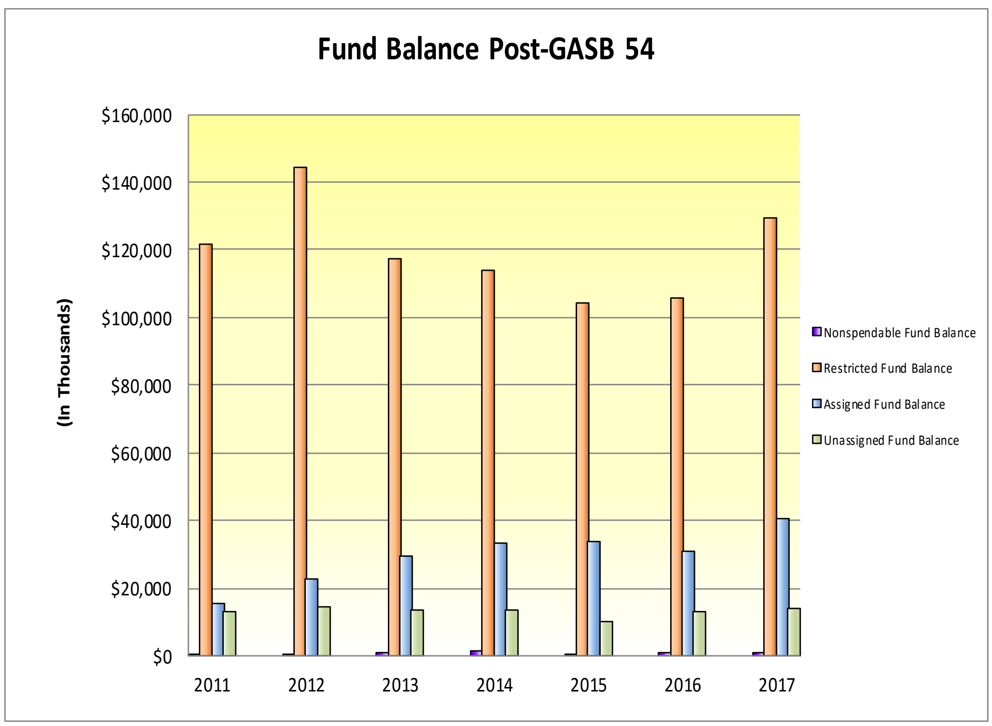
FUND BALANCE, GENERAL FUND
Last Ten Fiscal Years

(modified accrual basis of accounting)

(In Thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund:										
Reserved	$ 53,583	$ 66,370	$131,112	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Unreserved	7,805	7,124	13,162	-	-	-	-	-	-	-
Nonspendable Fund Balance	-	-	-	241	302	757	1,592	548	988	1,018
Restricted Fund Balance	-	-	-	121,757	144,317	117,304	114,186	104,379	105,726	129,584
Committed Fund Balance	-	-	-	-	-	-	-	-	-	-
Assigned Fund Balance	-	-	-	15,309	22,591	29,431	33,346	33,748	31,138	40,723
Unassigned Fund Balance	-	-	-	13,110	14,332	13,358	13,317	10,277	13,170	14,198
Total General Fund	$ 61,388	$ 73,494	$144,274	$ 150,417	$ 181,542	$ 160,850	$ 162,441	$ 148,952	$ 151,022	$ 185,523





Source: San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

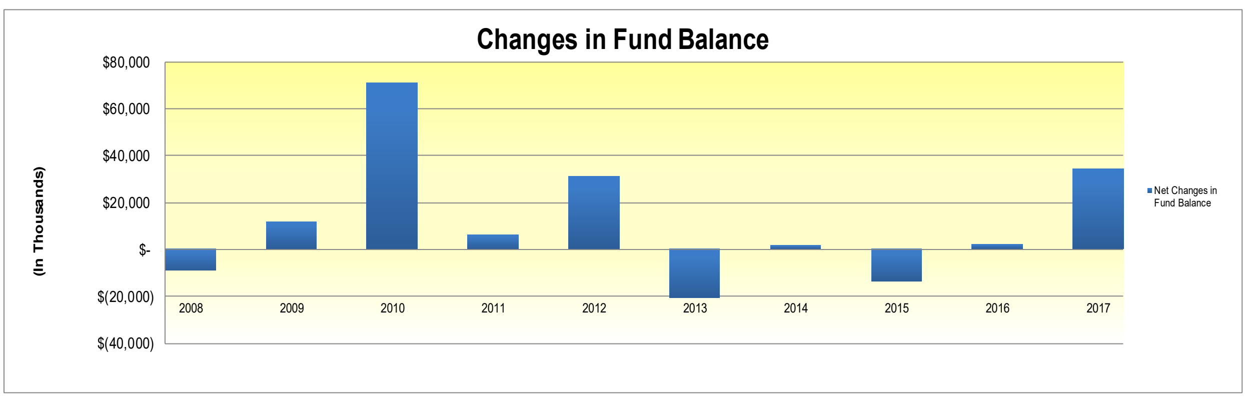
Note: The District implemented GASB Statement No. 54 under which fund balances are reported as nonspendable, restricted, committed, assigned, and unassigned compared to reserved and unreserved.

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

CHANGES IN FUND BALANCE, GENERAL FUND
Last Ten Fiscal Years

(modified accrual basis of accounting)
(In Thousands)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues:										
Program Revenues:										
Fees and Charges - Stationary Sources	$ 11,559	$ 15,852	$ 19,348	$ 26,829	$ 26,310	$ 24,768	$ 23,372	$ 23,589	$ 24,936	$ 26,721
Fees and Charges - Mobile Sources	11,915	11,872	11,569	11,004	10,622	11,480	13,945	12,587	13,084	17,961
Operating Grants	3,845	2,055	1,630	2,123	2,201	2,034	2,032	2,199	2,168	2,078
Restricted Special Revenue Sources	26,628	37,347	98,837	55,524	116,240	58,848	82,255	75,338	64,488	101,102
General Revenues:										
State Subvention - Not Restricted	897	899	900	901	917	923	917	916	916	929
Interest - Not Restricted	486	653	164	392	552	920	1,050	1,237	1,334	1,611
Penalties/Settlements	4,007	3,605	4,662	6,151	5,715	3,896	4,204	3,022	3,672	6,004
Miscellaneous Revenue	125	100	76	(2)	202	172	71	142	283	61
Total Revenues	59,462	72,383	137,186	102,922	162,759	103,041	127,846	119,030	110,881	156,467
Expenditures:										
Operating:										
Salaries and Benefits	24,195	26,172	27,209	29,723	30,335	30,707	32,040	32,379	33,583	34,669
Services and Supplies	4,247	5,100	5,095	4,998	4,731	5,030	5,201	4,611	4,515	4,497
Capital Outlay	2,854	1,916	2,183	958	1,959	1,105	1,386	1,968	1,671	1,230
Debt Services:										
Principal	-	300	315	330	346	362	-	-	-	-
Interest	-	73	58	43	27	11	-	-	-	-
Total Operating Expenditures	31,296	33,561	34,860	36,052	37,398	37,215	38,627	38,958	39,769	40,396
Non-Operating:										
Pass Through and Non-Operating	40,453	24,872	31,546	60,728	94,236	86,518	87,628	93,561	69,043	81,569
Total Expenditures	71,749	58,433	66,406	96,780	131,634	123,733	126,255	132,519	108,812	121,965
Other Financing Sources - Capital Asset Leases	1,652	-	-	-	-	-	-	-	-	-
Net Changes in Fund Balance - Prior to Adjustment	(10,635)	13,950	70,780	6,142	31,125	(20,692)	1,591	(13,489)	2,069	34,502
Adjustment to Fund Balance	1,629	(2,218)	-	-	-	-	-	-	-	-
Net Changes in Fund Balance	$ (9,006)	$ 11,732	$ 70,780	$ 6,142	$ 31,125	$(20,692)	$ 1,591	$(13,489)	$ 2,069	$ 34,502
Debt service as a percentage of noncapital expenditures	0.00%	1.18%	1.14%	1.06%	1.05%	1.03%	0.00%	0.00%	0.00%	0.00%



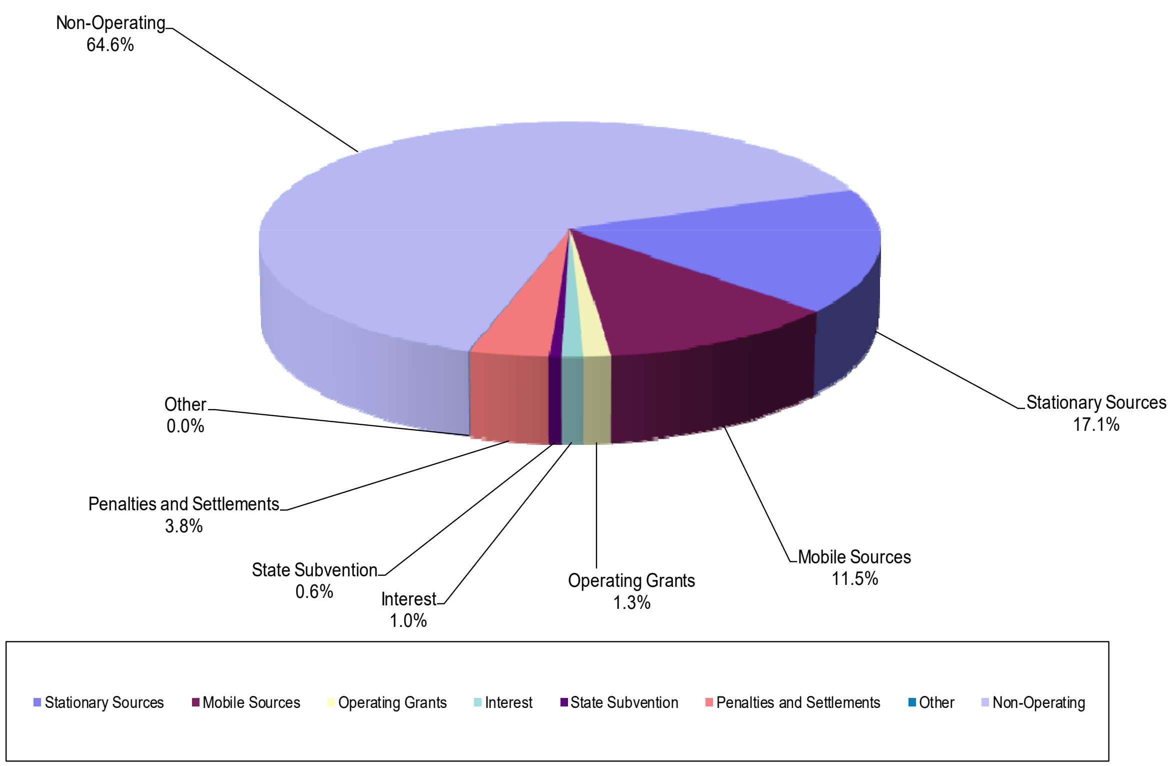
Source: San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

REVENUES BY PROGRAM ACTIVITY
Last Ten Fiscal Years

Program Activity	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Stationary Sources	$ 11,559,383	$ 15,851,846	$ 19,347,832	$ 26,861,373	$ 23,969,030	$ 24,767,656	$ 23,372,236	$ 23,589,328	$ 24,935,598	$ 26,720,737
Mobile Sources	11,915,269	11,872,072	11,568,759	11,004,317	12,962,535	11,479,999	13,945,295	12,587,016	13,083,836	17,960,475
Operating Grants	3,844,519	2,055,373	1,630,002	2,123,425	2,200,999	2,034,170	2,032,077	2,198,751	2,168,103	2,077,626
Interest	486,560	652,846	164,572	392,185	552,185	919,905	1,049,885	1,236,409	1,334,372	1,610,865
State Subvention	896,628	898,823	900,090	901,102	916,983	923,280	916,805	916,425	916,151	929,057
Penalties and Settlements	4,006,787	3,604,528	4,661,655	6,151,499	5,715,216	3,895,600	4,204,663	3,021,904	3,671,774	6,004,361
Other	124,937	(11,024)	30,522	222,696	175,375	149,587	70,998	141,979	283,079	61,106
Non-Operating	26,627,693	37,347,323	98,837,105	55,523,858	116,153,677	58,848,227	82,254,719	75,338,055	64,487,754	101,102,354
Total Revenues	$ 59,461,776	$ 72,271,787	$ 137,140,537	$ 103,180,455	$ 162,646,000	$ 103,018,424	$ 127,846,678	$ 119,029,867	$ 110,880,667	$ 156,466,581

FY 16-17 REVENUES BY PROGRAM ACTIVITY



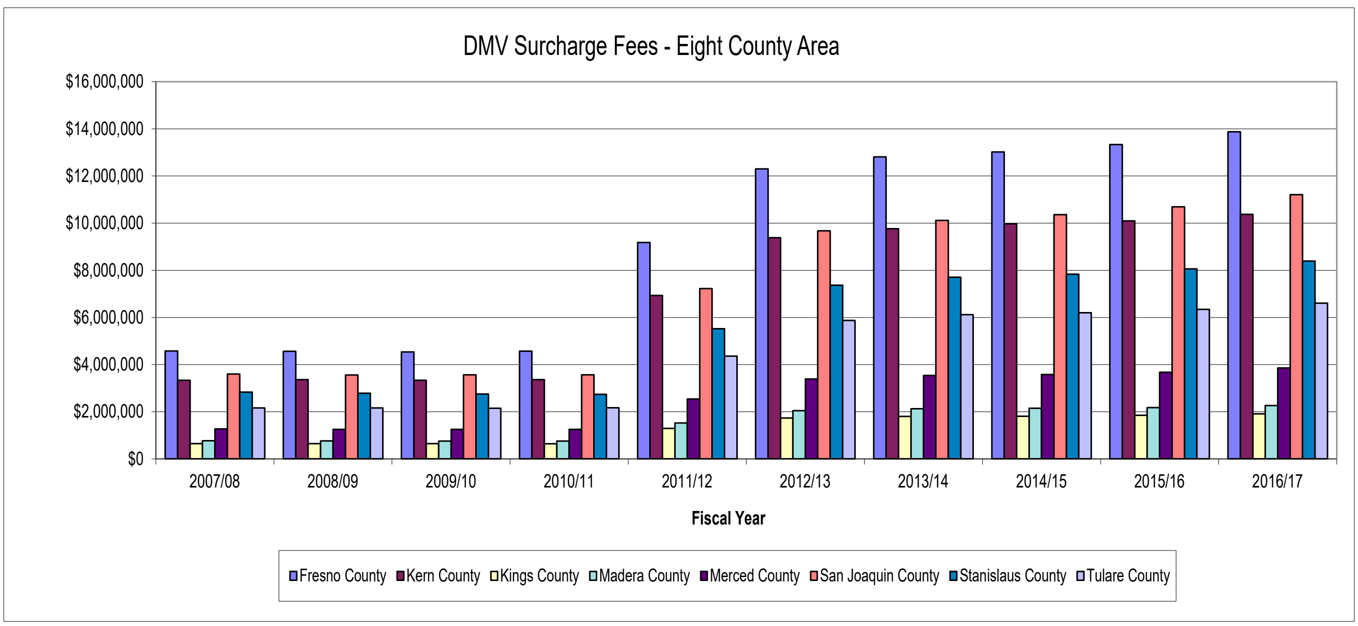
Notes: Other includes: Miscellaneous Revenue and Subscriptions

Source: San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

DMV SURCHARGE FEES - EIGHT COUNTY AREA
Last Ten Fiscal Years
(cash basis of accounting)

Fiscal Year	Fresno County	Kern County	Kings County	Madera County	Merced County	San Joaquin County	Stanislaus County	Tulare County	Total	% Increase
2007/08	$ 4,579,395	$ 3,333,027	$ 649,141	$ 769,579	$ 1,273,970	$ 3,599,834	$ 2,831,833	$ 2,160,649	$ 19,197,428	0.84%
2008/09	4,565,075	3,358,785	645,520	763,627	1,253,828	3,559,192	2,785,930	2,164,078	19,096,035	-0.53%
2009/10	4,538,075	3,335,859	646,014	758,831	1,253,444	3,568,388	2,749,422	2,152,389	19,002,421	-0.49%
2010/11	4,568,020	3,362,490	643,497	761,072	1,253,604	3,568,755	2,741,126	2,172,166	19,070,730	0.36%
2011/12	9,179,990	6,929,110	1,295,433	1,524,931	2,541,760	7,222,200	5,518,649	4,361,007	38,573,080	102.26%
2012/13	12,305,801	9,378,758	1,739,277	2,043,700	3,389,954	9,674,703	7,370,208	5,873,046	51,775,447	34.23%
2013/14	12,808,059	9,761,658	1,802,917	2,130,958	3,535,028	10,115,186	7,703,961	6,117,122	53,974,889	4.25%
2014/15	13,018,575	9,969,430	1,812,567	2,149,631	3,583,162	10,357,161	7,831,201	6,198,103	54,919,830	1.75%
2015/16	13,333,245	10,093,614	1,853,353	2,175,019	3,677,138	10,697,281	8,057,686	6,346,114	56,233,450	2.39%
2016/17	13,879,471	10,371,045	1,911,541	2,263,424	3,858,515	11,208,940	8,392,900	6,607,936	58,493,772	4.02%



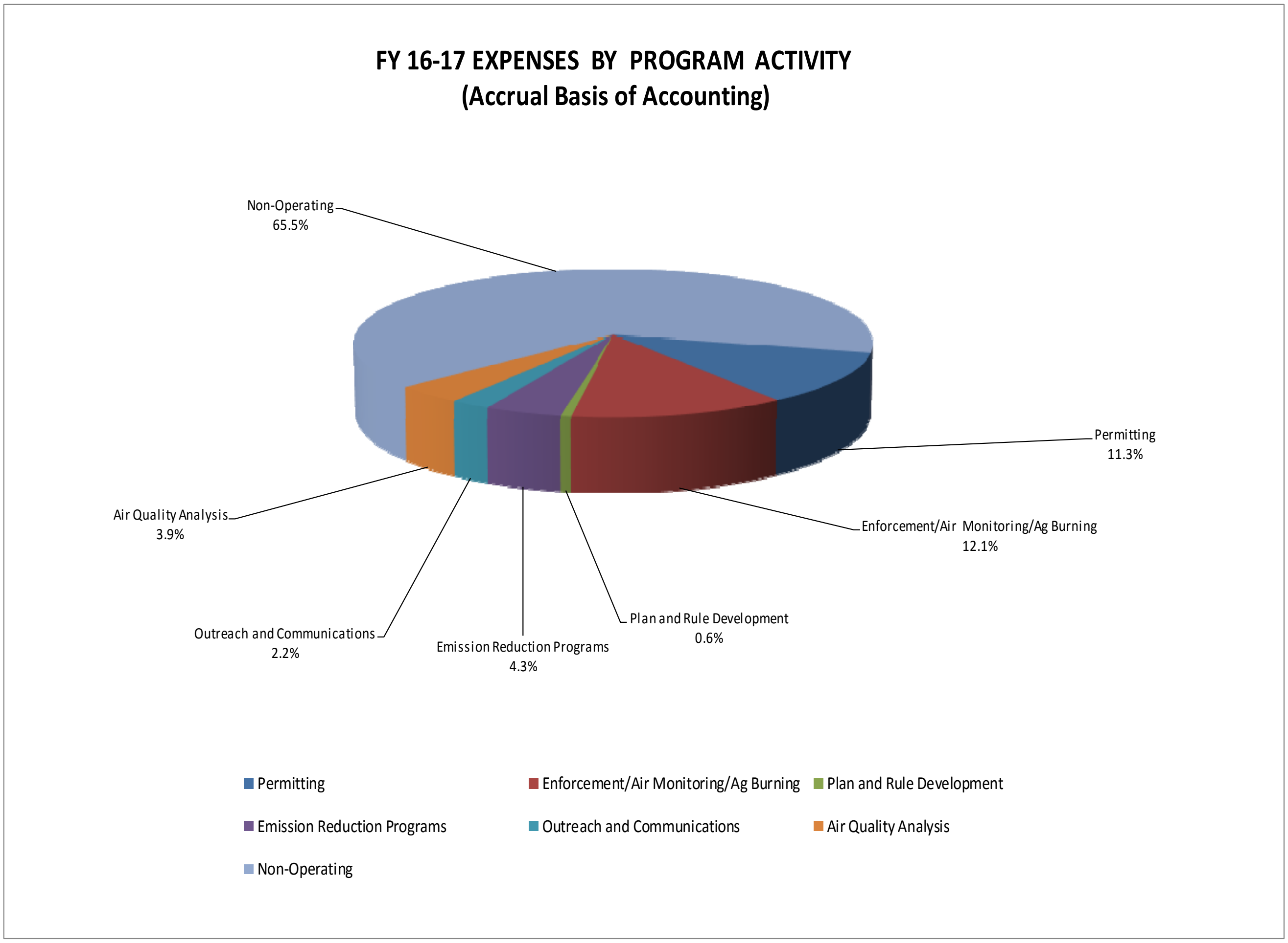
Notes: The San Joaquin Valley Unified Air Pollution Control District encompasses all of Fresno, Kings, Madera, Merced, San Joaquin, Stanislaus, and Tulare Counties, and the valley portion of Kern County.
Starting in 2011/12, total DMV Surcharge Fees include funds from AB2766, AB2522, SB709, and AB923.

Source: California Department of Motor Vehicles

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

EXPENSES BY PROGRAM ACTIVITY (Accrual Basis of Accounting)
Last Ten Fiscal Years

Program Activity	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Permitting	$12,053,583	$ 12,262,847	$ 12,758,531	$ 13,835,586	$ 14,170,277	$ 14,222,479	$ 13,987,232	$ 12,781,456	$ 12,906,182	$ 14,108,474
Enforcement/Air Monitoring/Ag Burning	12,201,007	12,274,833	12,697,970	12,063,812	12,110,993	12,112,312	12,559,594	13,938,265	14,532,516	15,084,374
Plan and Rule Development	2,062,228	2,484,135	2,034,991	2,054,340	1,696,327	1,539,504	1,780,869	1,271,597	1,147,918	725,613
Emission Reduction Programs	2,284,463	2,840,067	3,315,001	3,399,671	3,778,290	4,379,931	4,526,521	4,639,424	4,885,046	5,416,974
Outreach and Communications	2,187,232	2,275,970	2,320,601	2,251,876	2,215,619	2,324,962	2,453,837	2,514,672	2,502,259	2,803,370
Air Quality Analysis	1,234,496	1,156,358	1,560,082	3,022,735	3,335,839	3,096,749	3,499,658	3,520,539	4,245,554	4,910,143
Non-Operating	40,453,003	24,871,936	31,546,321	60,727,740	94,235,828	86,517,953	87,628,449	93,560,856	69,043,003	81,568,823
Total Expenses	$72,476,012	$ 58,166,146	$ 66,233,497	$ 97,355,760	$ 131,543,173	$ 124,193,890	$ 126,436,160	$ 132,226,809	$ 109,262,478	$ 124,617,771



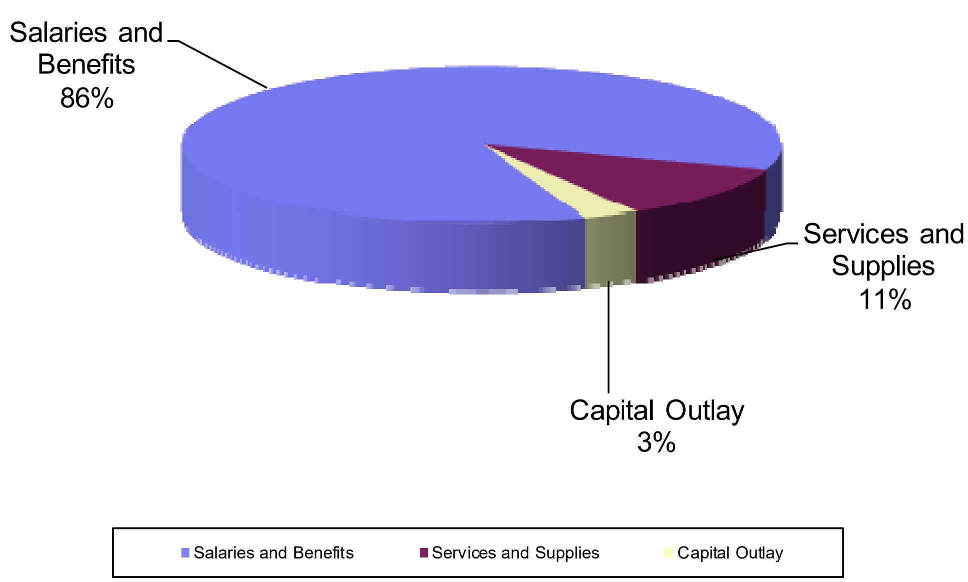
Source: San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

OPERATING EXPENDITURES BY BUDGET OBJECT LEVEL
Last Ten Fiscal Years

Fiscal Year	Salaries and Benefits	Services and Supplies	Capital Outlay	Total Operating Expenditures
2007/08	$ 24,195,285	$ 4,246,694	$ 2,854,440	$ 31,296,419
2008/09	26,171,573	5,099,751	1,543,520	32,814,844
2009/10	27,209,307	5,094,841	2,183,316	34,487,464
2010/11	29,722,716	4,997,940	958,072	35,678,728
2011/12	30,335,317	4,731,489	1,958,679	37,025,485
2012/13	30,707,207	5,030,082	1,104,906	36,842,195
2013/14	32,039,781	5,201,603	1,385,826	38,627,210
2014/15	32,378,741	4,611,528	1,967,688	38,957,957
2015/16	33,582,733	4,514,604	1,670,870	39,768,207
2016/17	34,668,985	4,496,799	1,230,474	40,396,258

FY 16-17 Operating Expenditures by Budget Object Level



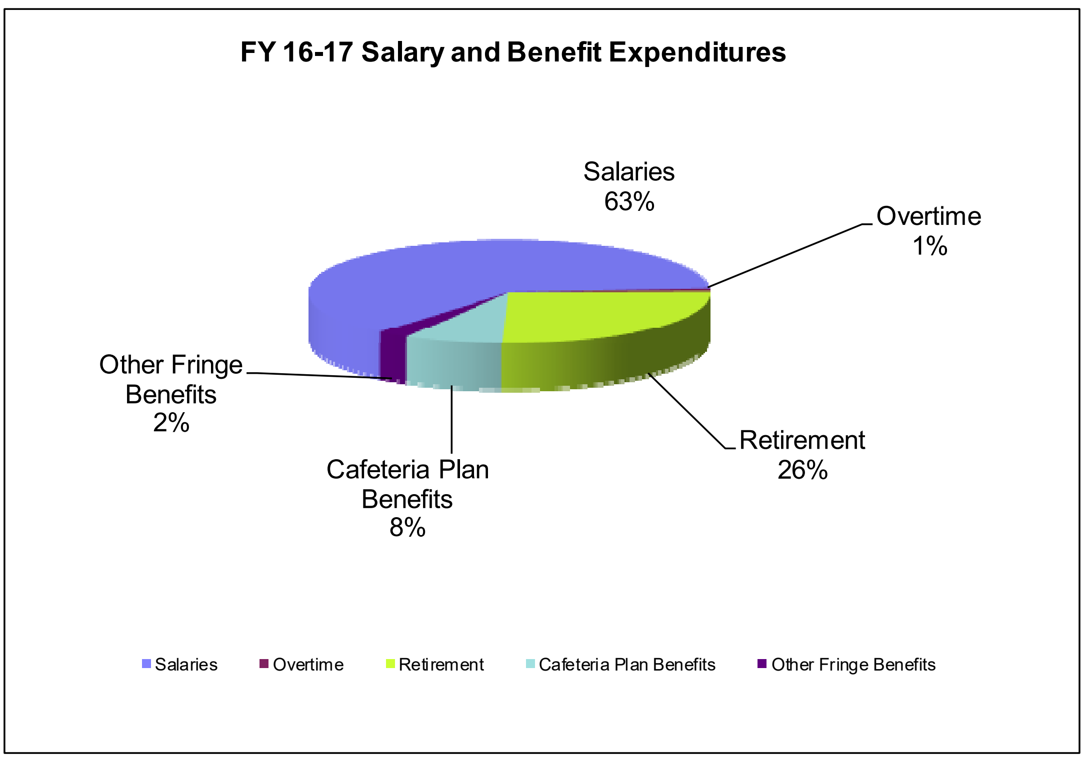
Source: San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

SALARY AND BENEFIT EXPENDITURES
Last Ten Fiscal Years

Fiscal Year	Salaries	Overtime	Retirement	Cafeteria Plan Benefits	Other Fringe Benefits	Total Salaries and Benefits
2007/08	$ 16,267,143	$ 276,813	$ 5,078,432	$ 1,909,038	$ 663,859	$ 24,195,285
2008/09	18,065,322	320,202	4,962,833	2,074,820	748,396	26,171,573
2009/10	18,492,855	321,901	5,653,041	2,020,012	721,498	27,209,307
2010/11	19,655,967	338,115	6,962,404	2,006,418	759,812	29,722,716
2011/12	19,729,937	402,265	7,331,907	2,034,625	836,583	30,335,317
2012/13	19,516,057	382,682	7,604,832	2,432,529	771,107	30,707,207
2013/14	19,845,461	361,635	8,117,087	2,889,718	825,880	32,039,781
2014/15	20,056,696	347,558	8,261,724	2,867,501	845,262	32,378,741
2015/16	20,807,732	280,133	8,815,981	2,815,604	863,283	33,582,733
2016/17	21,726,834	320,720	8,942,971	2,791,546	886,914	34,668,985

Notes: Salaries Includes: Regular Salaries, Temporary Help, and On Call Pay.
Other Fringe Benefits Includes: Unemployment Insurance, OASDI Insurance, Workers' Compensation Contributions, Long-Term Disability Insurance, Clean Air Employee Incentive, and Alternate Transportation Incentive.

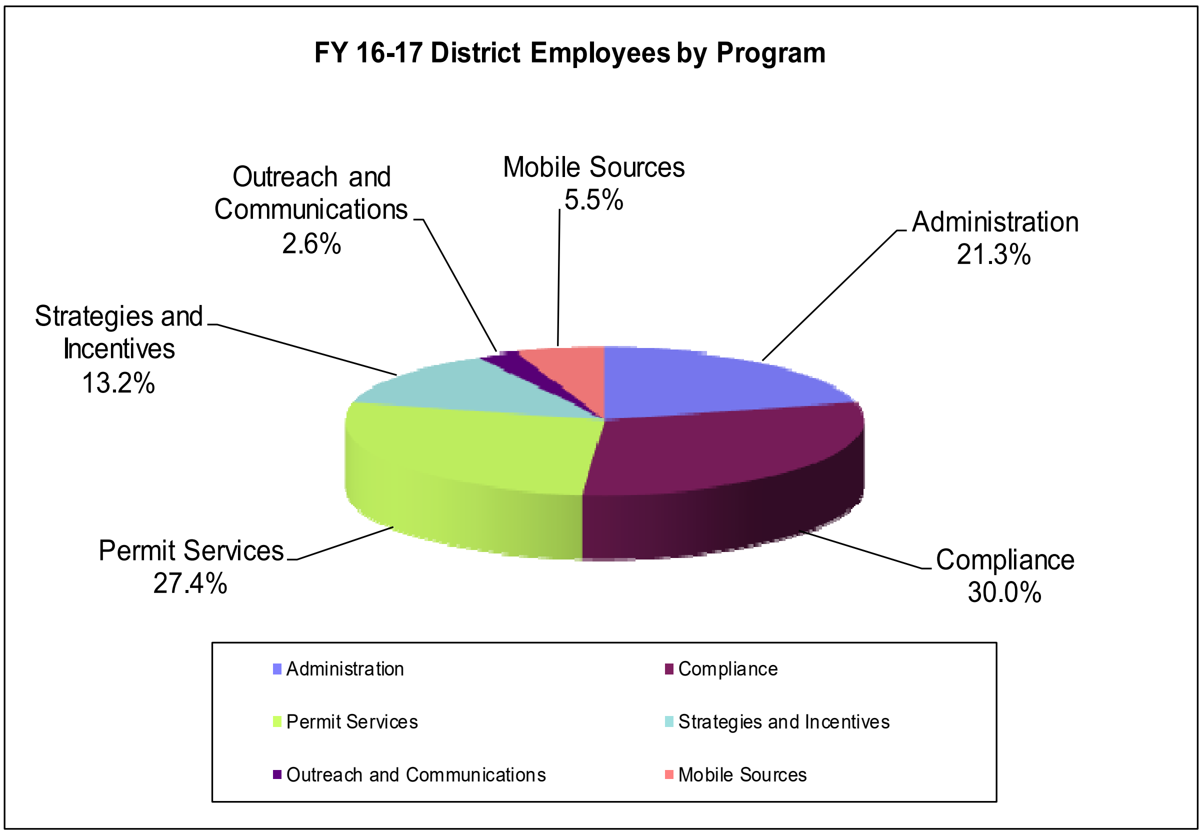


Source: San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

DISTRICT EMPLOYEES BY PROGRAM
Last Ten Fiscal Years

*Fiscal Year	Administration	Compliance	Permit Services	Strategies and Incentives	Outreach and Communications	Mobile Sources	Total Employees
2007/08	60	85	95	36	7	23	306
2008/09	62	88	95	36	7	23	311
2009/10	61	97	94	28	7	21	308
2010/11	61	97	94	28	7	21	308
2011/12	61	97	94	28	7	21	308
2012/13	62	97	96	32	7	14	308
2013/14	62	97	96	32	7	14	308
2014/15	62	97	96	32	7	14	308
2015/16	66	93	85	42	8	16	310
2016/17	66	93	85	41	8	17	310



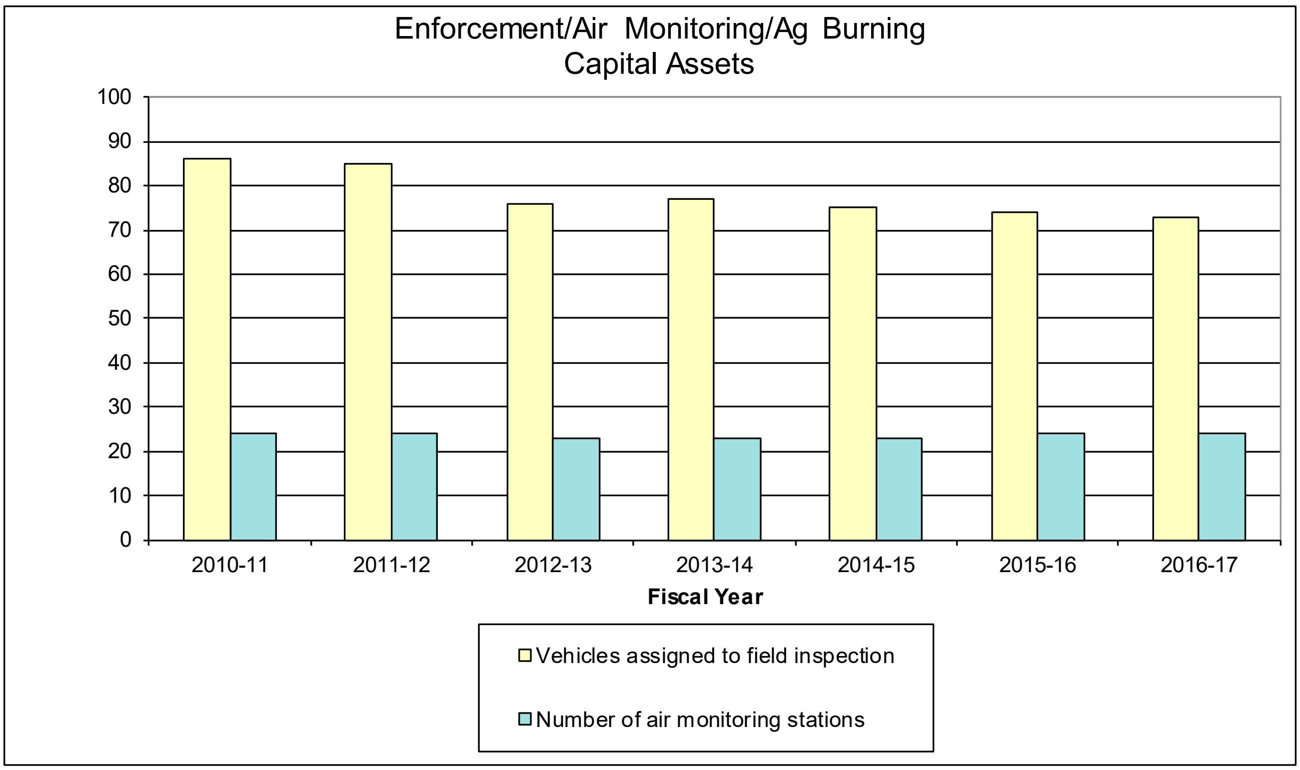
*District Adopted Budget

Source: San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

CAPITAL ASSET STATISTICS BY PROGRAM
Last Seven Fiscal Years*

Program	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Enforcement/Ag Burning							
Vehicles assigned to field inspection	86	85	76	77	75	74	73
Air Monitoring							
Number of air monitoring stations	24	24	23	23	23	24	24
Outreach and Communications							
Vehicles assigned to communications	1	1	1	1	1	1	1



* Amounts presented above were determined as of 6/30. Additional years will be presented as they become available.

Source: San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

OPERATING INDICATORS BY PROGRAM
Last Ten Fiscal Years

Program Category	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Permitting										
Authority to construct permits issued	4,032	5,830	5,201	4,995	7,055	4,034	3,575	3,105	2,939	2,975
New permits to operate issued	1,405	523	339	577	227	133	127	48	59	30
New title V permits issued	630	23	414	1,648	238	2,586	214	201	27	320
Title V permit modifications	363	452	642	2,019	8,784	1,532	1,616	2,296	753	862
Conservation management practices plans issued	572	662	617	573	680	464	260	459	227	492
Emission reduction credit certificates issued or transferred	686	475	339	415	232	346	492	467	248	209
Toxic air contaminant risk-management reviews performed	892	919	806	815	903	987	853	876	686	678
Annual emissions inventory surveys processed	4,500	3,858	4,375	5,465	1,820	7,443	6,758	6,147	6,603	4,603
California environmental quality act review requests	2,471	1,848	1,759	1,416	1,367	1,475	1,769	1,796	1,807	2,560
Indirect source review applications processed	191	166	163	199	214	213	200	175	207	241
Enforcement/air monitoring/ag burning										
Permit units inspected	30,844	36,899	23,532	22,630	31,090	32,529	37,422	31,234	36,879	32,568
Public complaints investigated	2,678	2,801	2,157	2,287	3,239	2,759	3,379	3,376	2,719	2,891
Open burn sites inspected	2,508	2,827	2,508	1,935	1,993	1,697	1,526	1,512	1,809	1,944
Incentive funding units (trucks, engines) inspected	3,649	4,018	2,764	3,584	3,792	5,598	5,503	4,029	2,660	3,293
Asbestos projects reviewed and inspected	727	1,103	1,017	1,974	1,112	967	902	666	579	702
Notices of violation	3,299	3,549	2,948	2,919	3,309	2,560	2,810	2,457	2,297	2,069
Plans and rules developed to Achieve Clean Air										
New rules adopted	25	7	7	10	8	2	4	21	2	-
Outreach and communications										
Media calls	619	417	322	293	305	211	250	201	195	188
Public calls	2,542	2,309	1,415	1,331	1,278	910	1,078	1,447	1,626	1,270
News releases	45	42	43	38	51	43	48	28	43	36
Events & presentations	100	127	145	132	159	51	77	52	81	84
Grants and Incentives										
Contracts awarded	319	461	881	4,919	3,594	4,906	6,008	8,619	7,512	7,717
Amount contracted	$23,086,922	$35,782,902	$55,842,284	$61,908,384	$98,116,375	$107,648,690	$82,171,567	$76,089,828	$72,905,963	$126,589,650

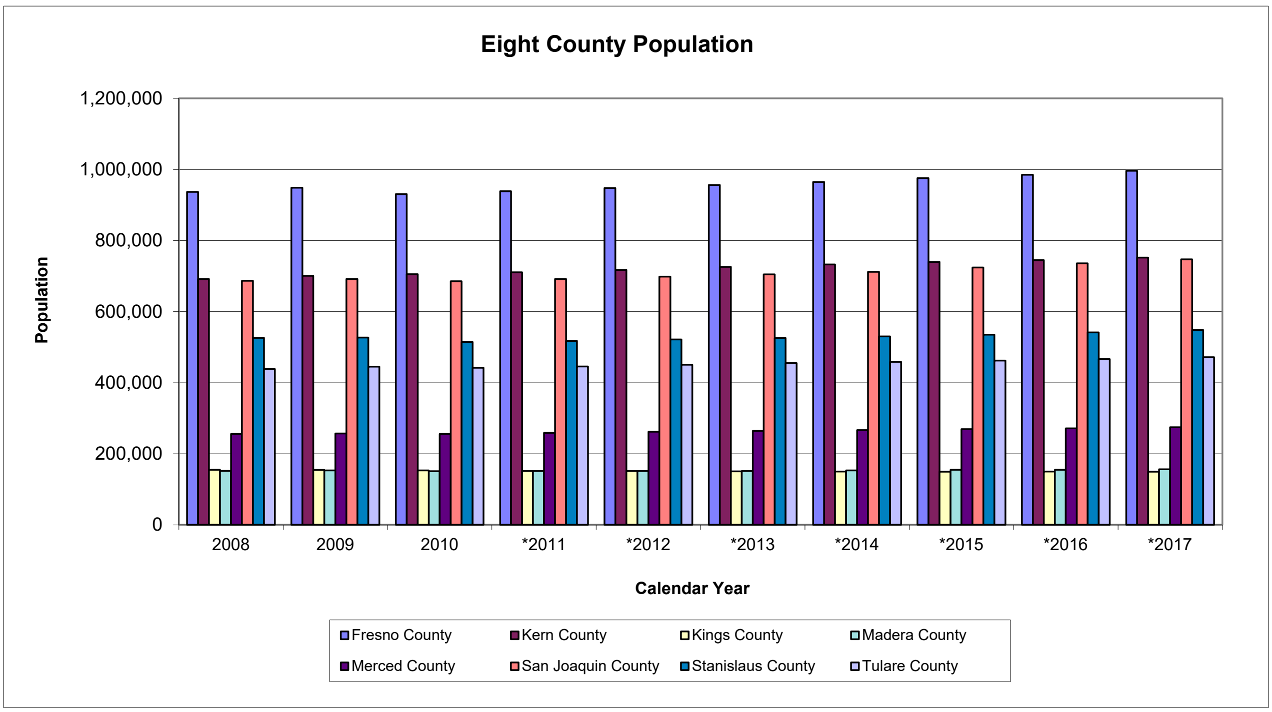
* Amounts presented above were determined as of 6/30.

Source: San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

EIGHT COUNTY POPULATION
Last Ten Calendar Years

Year	Fresno County	Kern County	Kings County	Madera County	Merced County	San Joaquin County	Stanislaus County	Tulare County	Total	% Increase
2008	936,800	691,782	155,000	151,900	256,100	687,000	526,000	438,300	3,842,882	1.30%
2009	948,500	700,504	154,700	152,900	257,000	691,700	527,100	445,000	3,877,404	0.90%
2010	930,450	705,290	152,982	150,865	255,793	685,306	514,453	442,179	3,837,318	-1.03%
*2011	938,524	710,622	151,322	151,256	258,852	691,818	517,748	445,662	3,865,804	0.74%
*2012	947,615	717,462	151,330	151,423	262,147	698,412	521,620	450,672	3,900,681	0.90%
*2013	956,098	725,811	150,440	151,377	264,437	704,727	525,845	455,091	3,933,826	0.85%
*2014	964,757	732,583	149,732	153,258	266,556	712,046	529,994	458,840	3,967,766	0.86%
*2015	975,324	739,758	149,704	154,857	269,132	723,985	535,125	462,061	4,009,946	1.06%
*2016	985,079	744,915	149,822	154,933	271,547	735,677	541,466	466,563	4,050,002	1.00%
*2017	995,975	751,894	149,537	156,492	274,665	746,868	548,057	471,842	4,095,330	1.12%



* Estimated population

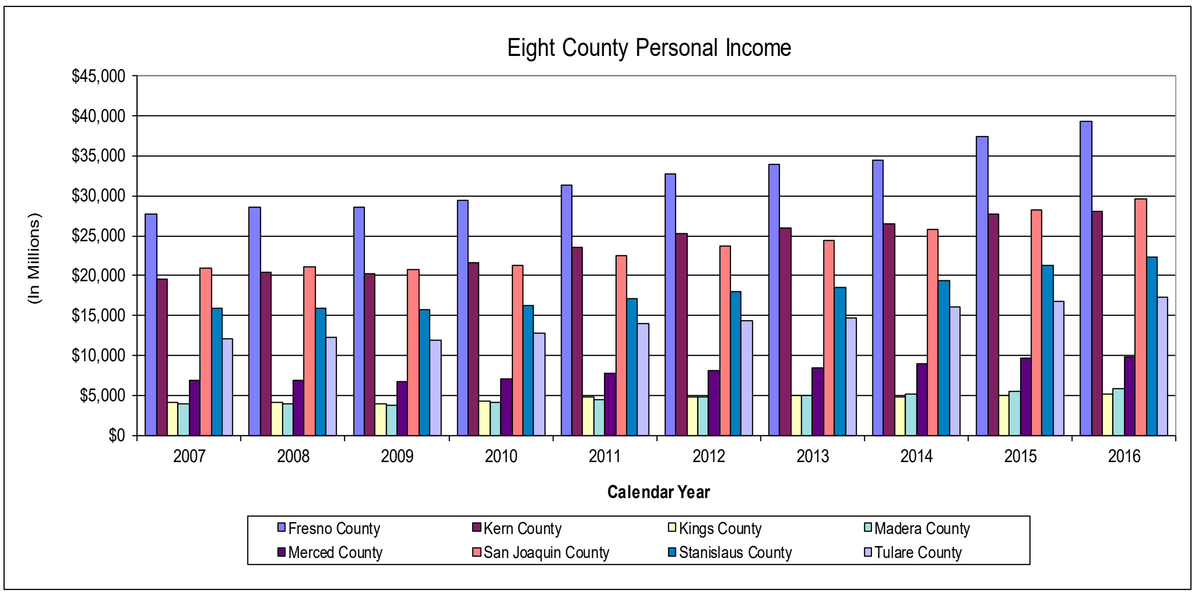
Notes: The San Joaquin Valley Unified Air Pollution Control District encompasses all of Fresno, Kings, Madera, Merced, San Joaquin, Stanislaus, and Tulare Counties, and the valley portion of Kern County.

Source: California State Department of Finance - Demographic Research Unit (SJVUAPCD Portion of Kern County estimated at 84%)
Reports ran for January 1st of each year

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

EIGHT COUNTY PERSONAL INCOME
Last Ten Calendar Years
(In Millions)

Year	Fresno County	Kern County	Kings County	Madera County	Merced County	San Joaquin County	Stanislaus County	Tulare County	Total	% Increase
2007	$ 27,634	$ 19,632	$ 4,052	$ 3,918	$ 6,955	$ 20,874	$ 15,864	$ 12,103	$ 111,032	7.33%
2008	28,605	20,489	4,062	3,968	6,864	21,092	15,926	12,219	113,225	1.98%
2009	28,598	20,279	3,881	3,818	6,804	20,810	15,752	11,977	111,919	-1.15%
2010	29,396	21,703	4,260	4,170	7,147	21,262	16,279	12,843	117,060	4.59%
2011	31,354	23,635	4,788	4,555	7,849	22,453	17,164	13,989	125,787	7.46%
2012	32,729	25,251	4,833	4,770	8,039	23,683	17,957	14,343	131,605	4.63%
2013	34,041	26,020	4,927	4,920	8,406	24,481	18,528	14,782	136,105	3.42%
2014	34,568	26,569	4,864	5,107	9,020	25,859	19,341	16,147	141,475	3.95%
2015	37,360	27,681	5,001	5,450	9,714	28,151	21,237	16,809	151,403	7.02%
2016	39,295	28,030	5,136	5,806	9,888	29,684	22,366	17,366	157,571	4.07%



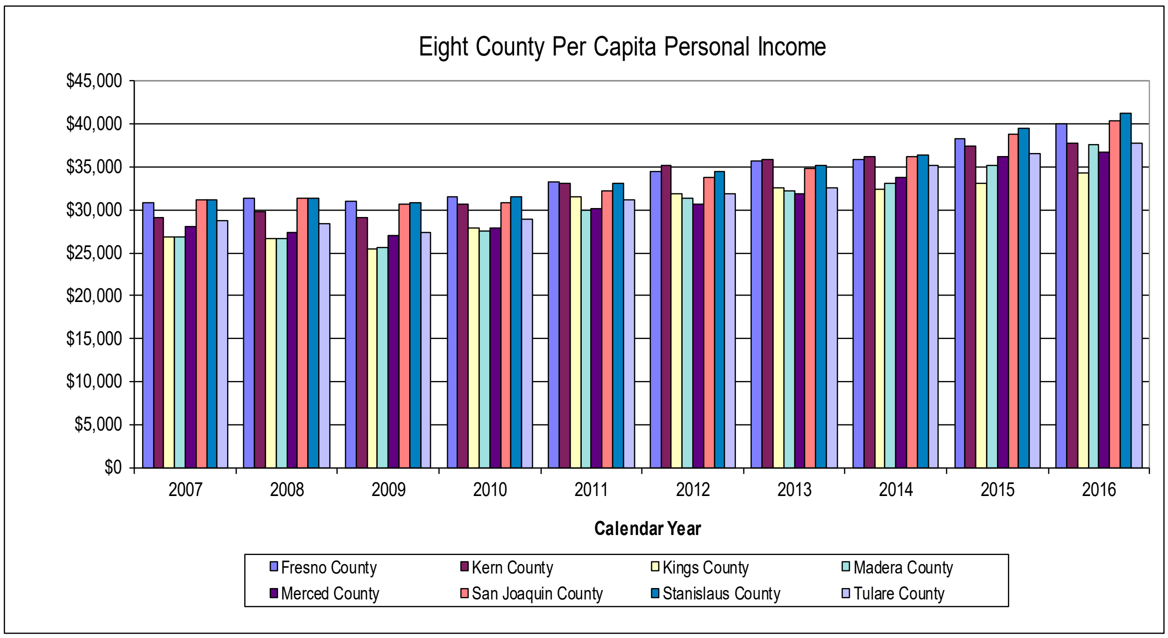
Notes: The San Joaquin Valley Unified Air Pollution Control District encompasses all of Fresno, Kings, Madera, Merced, San Joaquin, Stanislaus, and Tulare Counties, and the valley portion of Kern County.

Source: Bureau of Economic Analysis (SJVUAPCD Portion of Kern County estimated at 84%)

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

EIGHT COUNTY PER CAPITA PERSONAL INCOME
Last Ten Calendar Years

Year	Fresno County	Kern County	Kings County	Madera County	Merced County	San Joaquin County	Stanislaus County	Tulare County	Eight County Average
2007	$ 30,844	$ 29,096	$ 26,936	$ 26,826	$ 27,985	$ 31,245	$ 31,238	$ 28,672	$ 29,105
2008	31,447	29,807	26,719	26,748	27,396	31,402	31,286	28,464	29,159
2009	31,035	29,082	25,484	25,581	26,969	30,705	30,793	27,408	28,382
2010	31,516	30,693	27,949	27,581	27,835	30,926	31,592	28,968	29,633
2011	33,321	33,123	31,503	29,940	30,232	32,300	33,144	31,246	31,851
2012	34,539	35,139	31,926	31,334	30,726	33,777	34,437	31,801	32,960
2013	35,635	35,847	32,635	32,287	31,935	34,755	35,259	32,550	33,863
2014	35,785	36,165	32,371	33,042	33,865	36,136	36,356	35,240	34,870
2015	38,323	37,355	33,126	35,165	36,185	38,769	39,445	36,551	36,865
2016	40,101	37,714	34,287	37,529	36,804	40,458	41,299	37,717	38,239



Notes: The San Joaquin Valley Unified Air Pollution Control District encompasses all of Fresno, Kings, Madera, Merced, San Joaquin, Stanislaus, and Tulare Counties, and the valley portion of Kern County.

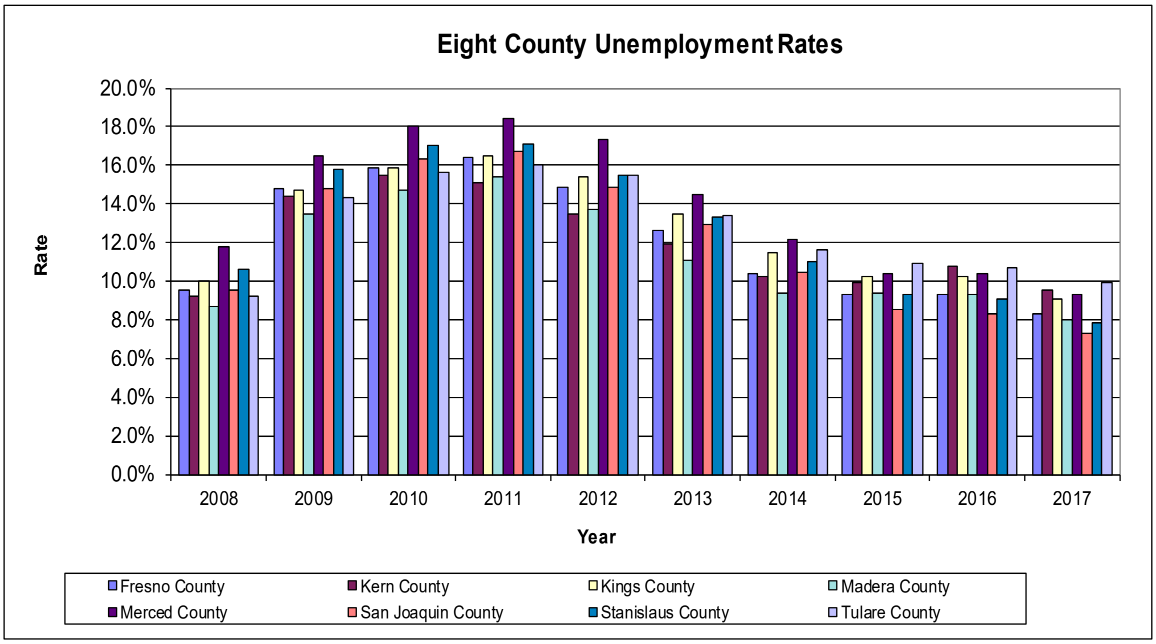
Source: Bureau of Economic Analysis

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

EIGHT COUNTY UNEMPLOYMENT RATES

Last Ten Fiscal Years

Year	Fresno County	Kern County	Kings County	Madera County	Merced County	San Joaquin County	Stanislaus County	Tulare County	Eight County Average
2008	9.5%	9.2%	10.0%	8.7%	11.8%	9.5%	10.6%	9.2%	9.8%
2009	14.8%	14.4%	14.7%	13.5%	16.5%	14.8%	15.8%	14.3%	14.9%
2010	15.9%	15.5%	15.9%	14.7%	18.0%	16.3%	17.0%	15.6%	16.1%
2011	16.4%	15.1%	16.5%	15.4%	18.4%	16.7%	17.1%	16.0%	16.5%
2012	14.9%	13.5%	15.4%	13.7%	17.3%	14.9%	15.5%	15.5%	15.1%
2013	12.6%	11.9%	13.5%	11.1%	14.5%	12.9%	13.3%	13.4%	12.9%
2014	10.4%	10.2%	11.5%	9.4%	12.2%	10.5%	11.0%	11.6%	10.9%
2015	9.3%	9.9%	10.2%	9.4%	10.4%	8.5%	9.3%	10.9%	9.7%
2016	9.3%	10.8%	10.2%	9.3%	10.4%	8.3%	9.1%	10.7%	9.8%
2017	8.3%	9.5%	9.1%	8.0%	9.3%	7.3%	7.8%	9.9%	8.7%



Notes: The San Joaquin Valley Unified Air Pollution Control District encompasses all of Fresno, Kings, Madera, Merced, San Joaquin, Stanislaus, and Tulare Counties, and the valley portion of Kern County.

Source: California Employment Development Department (Reports ran for June of each year)

San Joaquin Valley Unified Air Pollution Control District

Miscellaneous Statistics

District Established:	March 21, 1991
Area Covered:	25,000 Square Miles
Counties Included in District:	San Joaquin, Stanislaus, Merced, Madera, Fresno, Kings, and Tulare Counties, and the Valley portion of Kern County
Population:	4,095,330 (2017 Estimate)
Transportation:	Two Transcontinental Railroads – Burlington Northern, Santa Fe and the Union Pacific
	Six Commercial Airports – Stockton Metro, Modesto, Merced Municipal, Fresno Yosemite, Visalia Municipal, and Meadows Field (Bakersfield)
	Two Major Interstate Freeways – California State Highway 99 and U.S. Interstate Highway 5
	One Major Port – Port of Stockton
Visitor Destinations:	Yosemite National Park, Kings Canyon National Park, Sequoia National Park
Number of Registered Vehicles:	3,007,000 (6/30/16) Estimate
Stationary Sources of Air Pollution	Oil Refineries, Oil Production Equipment, Power Regulated Plants, Manufacturing and Processing Facilities, Boilers and other Combustion Equipment, Emergency Generators, Paint Spray Booths, Service Stations, Agricultural Operations, and Dry Cleaners
Number of Sources:	Approximately 13,700 operating locations with more than 33,000 Permits to Operate and 6,200 Agricultural Conservation Management Practice Plans
Number of Air Monitoring Stations:	29, District, Air Resources Board, Tribal, and National Park Service Combined (Including 2 Lower Air Profilers)
District Full-time Authorized Positions:	310
Adopted Fiscal Year 2017-18 Budget:	$233,650,518

Northern Region
Serving San Joaquin, Stanislaus and Merced counties
4800 Enterprise Way
Modesto, CA 95356-8718
(209) 557-6400 FAX (209) 557-6475

Central Region
Serving Madera, Fresno and Kings counties
1990 E. Gettysburg Avenue
Fresno, CA 93726-0244
(559) 230-6000 FAX (559) 230-6061

Southern Region
Serving Tulare and Valley air basin portions of Kern counties
34946 Flyover Court
Bakersfield, CA 93308-9725
(661) 392-5500 FAX (661) 392-5585