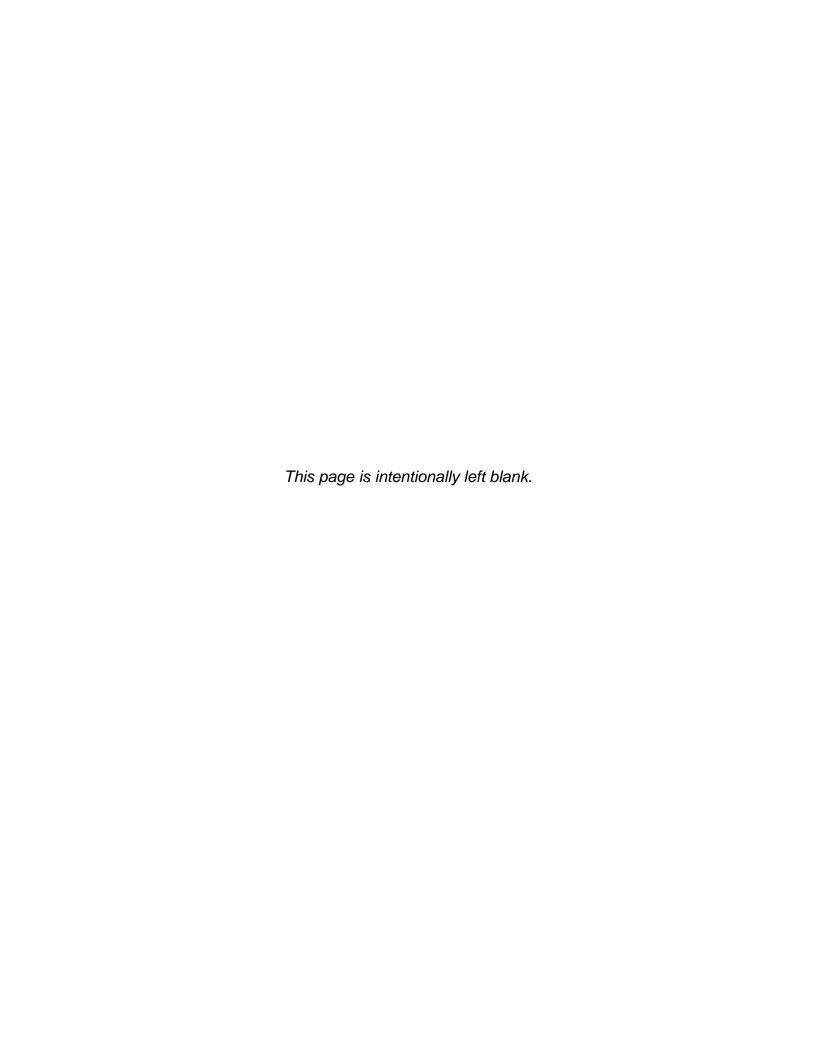


# COMPREHENSIVE ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED JUNE 30, 2010





## San Joaquin Valley Unified Air Pollution Control District

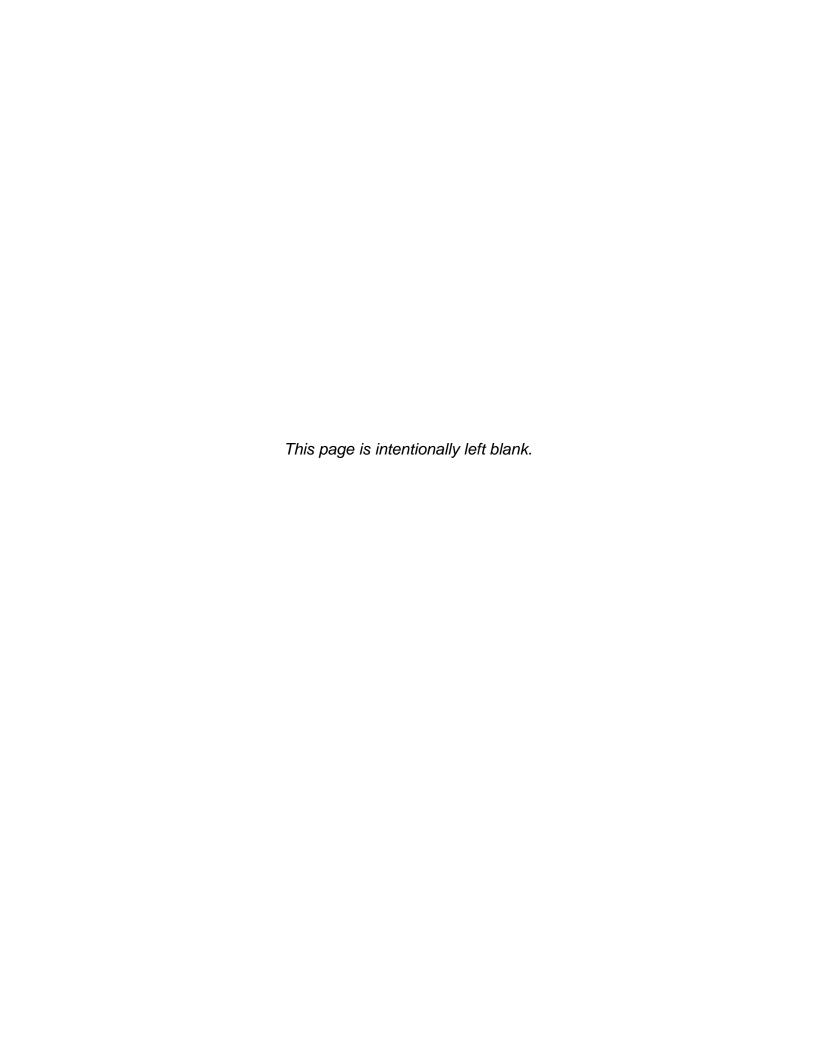
Comprehensive Annual Financial Report Year Ended June 30, 2010

### **Table of Contents**

	Page
INTRODUCTORY SECTION	
Governing Board Letter of Transmittal Organization Chart	i ii - xiii xiv
FINANCIAL SECTION	
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 17
Basic Financial Statements: Government-wide Financial Statements: Statement of Net Assets Statement of Activities Fund Financial Statements:	18 19
Governmental Funds: Balance Sheet	20
Reconciliation of the Governmental Funds Balance Sheet to the Government-wide Statement of Net Assets	21
Statement of Revenues, Expenditures and Changes in Fund Balance Reconciliation of the Governmental Funds Statement of	22
Revenues, Expenditures, and Changes in Fund Balance to the Government-wide Statement of Activities	23
Notes to Basic Financial Statements	24 - 39
Required Supplementary Information:  General Fund – Budgetary Comparison Schedule  Notes to Schedule of General Fund Budgeted and Actual	42
Expenditures – Budgetary Basis Schedule of funding progress	43 44

### **Table of Contents**

	Page
STATISTICAL SECTION	
Net Assets Statement of Net Assets – Last Eight Fiscal Years Changes in Net Assets – Last Eight Fiscal Years	47 48
Fund Balances Fund Balances, General Fund – Last Eight Fiscal Years Changes in Fund Balance, General Fund – Last Eight Fiscal Years	49 50
District Revenues Revenues by Program Activity – Last Five Fiscal Years DMV Surcharge Fees – Eight County Area – Last Ten Fiscal Years	51 52
District Expenditures Expenditures by Program Activity (Accrual Basis) – Last Five Fiscal Years Operating Expenditures by Budget Object Level - Last Ten Fiscal Years Salary and Benefit Expenditures – Last Ten Fiscal Years	53 54 55
District Employees District Employees by Program – Last Ten Fiscal Years	56
Population Eight County Population – Last Ten Calendar Years	57
Other Demographic and Miscellaneous Statistics	58



### San Joaquin Valley Unified Air Pollution Control District

### Governing Board June 30, 2010

### Tony Barba, Chair Supervisor, Kings County

J. Steven Worthley, Vice Chair William O'Brien

Supervisor, Tulare County Supervisor, Stanislaus County

Judith G. Case Leroy Ornellas

Supervisor, Fresno County Supervisor, San Joaquin County

Ronn Dominici John G. Telles, M.D.

Supervisor, Madera County Appointed by Governor

Henry Jay Forman, Ph.D. Raymond A. Watson

Appointed by Governor Supervisor, Kern County

Michael G. Nelson Chris Vierra

Supervisor, Merced County Councilmember, City of Ceres

Mike Lane Ann Johnston

Councilmember, City of Visalia Mayor, City of Stockton

David G. Ayers Randy Miller

Councilmember, City of Hanford Councilmember, City of Taft

Seyed Sadredin

Executive Director - Air Pollution Control Officer



### San Joaquin Valley Unified Air Pollution Control District

March 30, 2011

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, 2010. 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, reported in a manner designed to present fairly the financial position and changes in financial position and all disclosures necessary to enable the reader to gain an understanding of the District's financial activities.

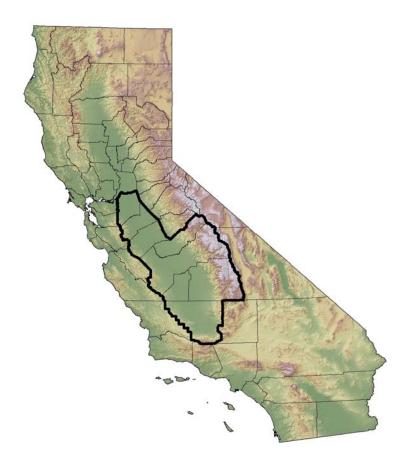
This report is divided into three major sections: the Introductory Section, Financial Section and Statistical Section. The Introductory Section includes the District's organizational structure and a list of principal officials as well as this Letter of Transmittal, which provides general comments on activities of interest to the reader. The Financial Section is comprised of the Independent Auditor's Report, Management's Discussion and Analysis, the Basic Financial Statements, which include the Notes to the Basic Financial Statements, and the Budgetary Comparison Schedule for the General Fund. The Statistical Section provides important historical and trend information about the District.

# ABOUT THE SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

### **Background**

The San Joaquin Valley Unified Air Pollution Control District (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 is one of California's fastest growing population areas, with a total population of about 4.2 million residents in the year 2010. Major urban centers exist in Stockton, Modesto, Fresno, Visalia, and Bakersfield.

### San Joaquin Valley Unified Air Pollution Control District Jurisdictional Boundaries



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 15-member Board that consists of one representative from each of the Board 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.

### **Achieving Cleaner Air in the San Joaquin Valley**

Air Quality continues to improve in the San Joaquin Valley, and data from the summer of 2010 shows it was one of the cleanest summer ozone seasons on record. Wintertime air quality has also improved; the number of days and the magnitude by which the Valley has exceeded health-based PM2.5 standards has

been reduced dramatically in recent years. Multi-billion dollar investments in emissions controls by Valley businesses, air friendly policies put forward by local officials and community leaders, and the recent positive, cooperative response to the District's public outreach by Valley residents have all contributed to these improvements. Despite these major improvements, however, the Valley still faces significant challenges in meeting the newest air quality standards, and cleaner air will still require continued focus on all sources of emissions and participation by all government sectors, business entities, and individuals throughout the Valley.

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 Environmental Protection Agency (EPA), sets health-based standards for air pollutants. 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 review, approval, and addition of state strategies.

- The District, ARB, and EPA adopt and implement plan commitments.
- The District provides routine updates and progress reports.

### **How the District Does Its Job**

The Valley Air 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.
- Organizes and promotes efforts to achieve early attainment through the Fast Track Strategy.
- 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 2009-10

### **Air Quality Plans**

The District has written several State Implementation Plans (SIPs) over the years that serve as "road maps" for the new measures needed to achieve cleaner air for the Valley. The strategies and measures outlined in these plans represent legally binding commitments that the District must follow in meeting the federal health-based standards for each pollutant. The plans include not only a strategy of regulatory control measures, but other innovative strategies for achieving attainment through non-regulatory measures. Although the District was not tasked to adopt a major attainment plan during 2009-10, the following strategic milestones are noteworthy:

- On June 4, 2010, EPA issued a final rule approving the Valley's voluntary reclassification from "serious" to "extreme" nonattainment under the 1997 8-hour ozone national ambient air quality standard.
- On June 17, 2010, the District adopted a minor amendment to the 2008 PM2.5 Plan to extend the rule amendment schedule for Rule 4905 (Natural Gas-Fired, Fan-Type Residential Central Furnaces). This will allow the District to assist with the development of advanced, low-NOx residential furnace technology in partnership with the South Coast Air Quality Management District.
- On June 29, 2010, the District submitted the 2010 Ozone Mid-Course Review to the Air Resources Board. This review fulfills a 2007 SIP commitment and documents the Valley's progress toward attainment of the 8-hour ozone standard and the 1-hour ozone standard. The review also highlights the continuing air quality attainment challenges faced by the Valley.

In addition, District staff have been completing foundational work for upcoming SIP projects, including a new plan for EPA's revised 8-hour ozone standard, a new plan for EPA's 2006 PM2.5 standard, and a PM2.5 Mid-Course Review evaluating the District's progress toward meeting the 1997 PM2.5 standard.

### **Rules and Regulations**

The Valley Air District continues its leadership role in developing and implementing groundbreaking strategies to reduce emissions. Tough and innovative rules such as the District's rules for Indirect Source Review (ISR), residential fireplaces, wine production and storage, and Conservation Management Practices (CMP) have set benchmarks for California and the nation. The District engages in an exhaustive rule development process to identify the most effective control technologies that are technologically and economically feasible. This open process provides multiple opportunities for meaningful input and participation by the public and businesses. Last year saw the following notable highlights:

- Commercial Charbroiling (Rule 4692): Amended on September 17, 2009, this rule controls PM2.5 emissions from medium-throughput, chain-driven charbroilers, such as those found at Carl's Jr. and Red Robin restaurants.
- Brandy Aging and Wine Aging Operations (Rule 4695): Adopted on September 17, 2009, this rule requires controls to reduce VOC emissions generated from larger wine and brandy aging operations.
- Motor Vehicle Assembly Coatings (Rule 4602), Surface Coating of Metal Parts and Products (Rule 4603), Adhesives and Sealants (Rule 4653),

and Polyester Resin Operations (Rule 4684): Amended on September 17, 2009, these measures incorporated new federal Control Technique Guideline requirements for lower-VOC coatings and adhesive materials, as well as emission-reducing work practices.

- Architectural Coatings (Rule 4601): Amended on December 17, 2009, this
  rule amendment reduced the VOC content limits of several coating
  categories to make them consistent with ARB's Suggested Control
  Measure.
- Employer Based Trip Reduction (Rule 9410): Adopted on December 17, 2009, the goal of the eTRIP Rule is to reduce single-occupancy vehicle work commutes.
- Small Boilers, Process Heaters, Steam Generators, and Water Heaters (Rule 4308): Amended on December 17, 2009, this rule requires new and replaced units to meet lower NOx limits.
- Open Burning (Rule 4103): Amended on April 15, 2010, this measure incorporates the language of SB 705 (Florez, 2003) regarding open burning of certain agricultural materials.
- Confined Animal Facilities (Rule 4570): District staff presented an amendment of this rule to the Governing Board on June 17, 2010. In response to requests from members of the public and the EPA, the Governing Board voted to continue the adoption hearing until October 2010 to allow additional time for public and interagency review of the proposed revisions.

### <u>Permitting</u>

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 this reporting period, permitting activities included:

- 5,201 Authority to Construct permits issued.
- 339 new Permits to Operate issued.
- 414 new Title V permits issued to five facilities.
- 642 Title V permit modifications.
- 617 Conservation Management Practices plans issued.
- 339 Emission Reduction Credit certificates issued or transferred.
- 806 toxic air contaminant risk-management reviews performed.
- 4,375 annual emissions inventory statements and surveys processed.
- 1,759 California Environmental Quality Act review requests processed.
- 752 CEQA comment letters and 145 CEQA documents prepared.

163 Indirect Source Review applications processed.

### **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 2009-10:

- 23,532 permit units inspected.
- 2,157 public complaints investigated.
- 2,508 open burn sites inspected.
- 2,764 incentive funding units (trucks, engines) inspected.
- 1,017 asbestos projects reviewed and inspected.

### **Voluntary Incentive Grants**

To attain the current health-based air quality standards for ozone, the Valley requires at least 75% in NOx reductions from the 2005 level. The District, however, has limited legal authority to achieve these emission reductions, as mobile sources comprise 80% 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, the District has awarded more than \$278 million in incentives, resulting in more than 81,000 tons of lifetime emission reductions. During the 2009-10 fiscal year, the District executed more than 1,092 agreements for more than \$55 million. These projects are expected to reduce more than 8,307 tons of lifetime 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.
- 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 and retrofits.
- Gross-polluting vehicle crushing and replacements.

- New, clean vehicle purchases.
- Transit pass subsidies.
- Locomotive replacements.
- E-mobility equipment.
- Vanpools.
- Lawn and garden equipment.
- Zero-emission agricultural utility terrain vehicles.
- Alternate fuel mechanic training.

### **Comprehensive Public Education and Outreach**

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

Outreach and Communications is comprised of seasoned professionals representing all aspects of media and public relations, including bilingual staff. Although relatively small in terms of personnel, the department is acknowledged as being as effective, if not more so, than similar departments in other agencies many times its size. The District continues to spearhead many important seasonal 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.
- Outreach to students: Outreach and Communications has been steadily expanding its ongoing programs to capture the imaginations and encourage participation by the Valley's student population through the Healthy Air Living Kids' Calendar Contest, the For Reel Video Contest, the "Blue Sky, Brown Sky ... It's Up to You!" Healthy Air Living elementary school curriculum and the "Clean Air Challenge" middle school curriculum.

### FACTORS AFFECTING FINANCIAL CONDITION

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

During this period, operating revenues exceeded estimates because the District began receiving new revenue, Advanced Emission Reduction Fees (AERO), just prior to the close of the year and due to several significant one time settlements received throughout the year. The AERO fees received in fiscal year 2009/10 have been designated and budgeted to be used for incentive programs in fiscal year 2010/11. On the expenditure side, savings were gained in operating costs due to closely managing salary costs through vacancies and carefully monitoring contracts and other expenditures.

While the District's permit fee and DMV revenues are relatively stable, the current state of the economy has significantly slowed the growth in these fees. Operating expenditures, however, continue to increase primarily due to employee costs, especially retirement benefit costs. This imbalance has been addressed by the District's on-going focus on efficiencies. In March 2010, the Emission Reductions Incentive Program (ERIP) and Planning Departments were merged into the Strategies and Incentives Department. In addition to immediate salary savings, this merger increased overall operating efficiency and provided other strategic benefits. Automation in the District's grant programs has also enhanced efficiency. In addition, the District has implemented the use of hand-held tablet computers by Compliance Inspectors working in the field in order to eliminate time-consuming inspection report paperwork.

The District continues to maintain a reasonable unrestricted fund balance, to have low long-term debt and has financial and budgetary policies in place that will help ensure ongoing fiscal soundness as the District works to achieve its mission to improve the Valley's air.

### 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. Price Paige & Company Accountancy Corporation conducted the independent audit of the District's financial statements for fiscal year ended June 30, 2010. The auditor's unqualified 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 fiscal year ended June 30, 2010, provided no instances of material weaknesses in connection with the internal control structure or violations of applicable laws and regulations.

As recipients 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 are included in a separately issued report.

### **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 government are protected against loss, theft or misuse; ensure the reliability of adequate accounting data for the preparation of financial statements in conformity with generally accepted accounting principles and; provide reasonable, but not absolute, assurances that these objectives are met. The concept of reasonable assurance recognizes that the costs of 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, <a href="https://www.valleyair.org">www.valleyair.org</a>.

Budgetary control is exercised at the object level. All amendments or transfers of appropriations between these levels are authorized by the Executive Director/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 fixed assets, are controlled at the object level for all program budgets within the District. Fixed assets 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.

Encumbrances outstanding at year-end do not constitute expenditures or liabilities. Unencumbered appropriations lapse at year-end and encumbrances outstanding

at that time are reported as reservations of 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 generally accepted accounting principles. Reconciliation of the differences is presented in the Required Supplementary Information section of this report.

### OTHER INFORMATION

### **Cash Management**

The County of Fresno provides treasury management services to the District. District funds are invested as part of Fresno County's common investment pool. California Statutes and the County's Investment Policy authorize investments in U.S. Treasury and agency obligations, bankers' acceptances, commercial paper, certificates of deposit, repurchase agreements, medium-term notes, the State's Local Agency Investment Fund, mutual funds, and mortgage-backed securities. Investments are restricted such that the average weighted maturity of the Pool does not exceed 550 days or 1½ years unless economic trends or market timing indicate such investments are beneficial. A Treasury Oversight Committee is responsible for regulatory oversight of the investment pool. The District's portfolio at June 30, 2010 is \$139.2 million.

The primary objective of the District's investment policy is to ensure money in the Treasury not required for the immediate needs of the District is prudently invested to preserve principal and provide necessary liquidity, while earning a mark

### Risk Management

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, and property and employee blanket bonds for its member districts.

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, and up to \$400,000 for public employees blanket bond and for the replacement cost of property.

### Acknowledgments

The dedicated services of the managers, accountants and other staff of the Finance 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.

Respectively submitted,

Seyed Sadredin

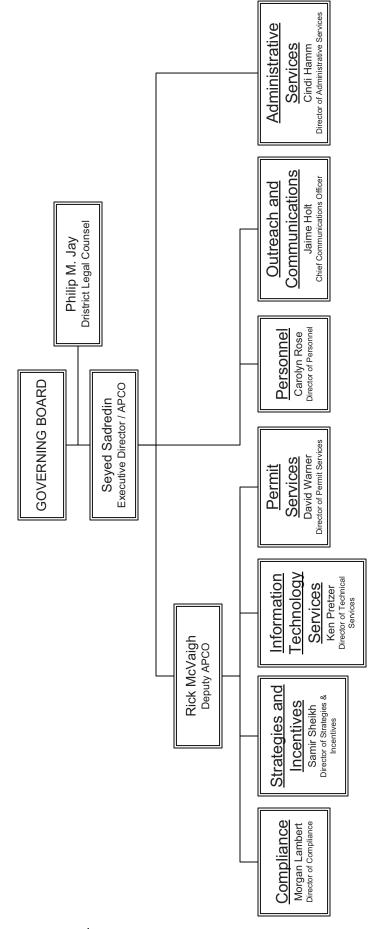
Executive Director / APCO

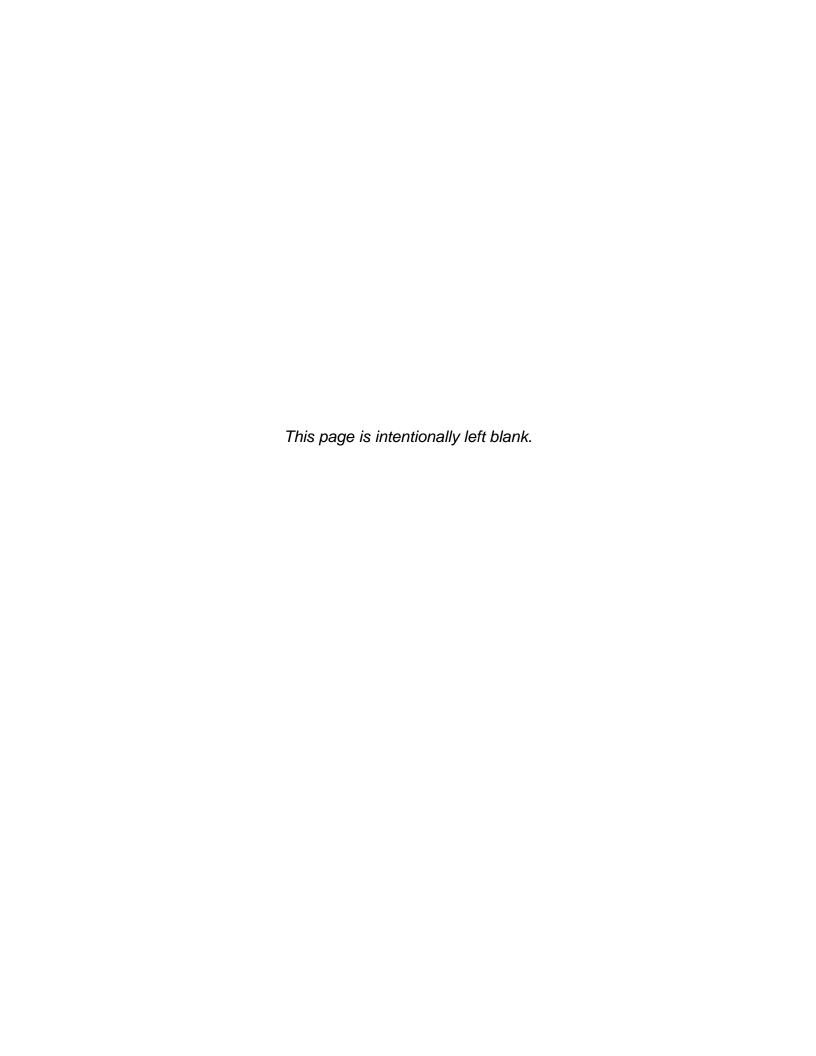
Cindi Hamm, C.P.A.

Director of Administrative Services

# San Joaquin Valley Unified Air Pollution Control District

June 30, 2010







### **INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of the governmental activities and major fund of the San Joaquin Valley Unified Air Pollution Control District, California (the District), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of June 30, 2010, and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2011, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 17 and on page 42 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.

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

Clovis, California

Price Page & Company

March 30, 2011

### San Joaquin Valley Unified Air Pollution Control District

# Management's Discussion and Analysis June 30, 2010

Our discussion and analysis of the District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2010. Please read it in conjunction with the transmittal letter and the basic financial statements.

### A. Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$151.4 million (net assets). Of this amount \$16.6 million (unrestricted net assets) may be used to finance the District's day-to-day operations without constraints established by legal requirements.
- The District's total net assets increased \$70.9 million as compared to the prior fiscal year. An increase of \$68.5 million to the cash account was the major factor in this increase to the District's Total Net Assets due to receipt of Proposition 1B funds and collection of Advanced Emission Reduction Fees close to fiscal year end.
- The District's General Fund reported a total fund balance of \$144.3 million at yearend, a \$70.8 million increase as compared to the prior year-end balance. Of this total \$13.2 million represents unreserved fund balance.
- Total District Governmental Fund Revenues exceeded total District Expenditures by \$70.8 million. District's Operating Revenues exceeded Operating Expenditures by \$2.8 million. District's Non-Operating Revenue exceeded Non-Operating Expenditures by \$67.9 million.

### 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 report also includes required supplementary information to the Basic Financial Statements.

In general, the purpose of financial reporting is to provide the 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 Assets and the Statement of Activities.

The Statement of Net Assets reports all assets held and liabilities owed by the District on a full accrual basis. The difference between the two is reported as *net assets*. This difference is comparable to the total stockholders' equity presented by a commercial enterprise. Over time, increases or decreases in net assets 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. 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 activities. 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 18 to 19 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. In contrast, the government-wide financial statements are prepared on the full accrual basis.

In general, these fund financial statements under the modified accrual basis have a short-term emphasis and for the most part, measure and account for cash and other assets that can easily be converted to cash. Specifically, cash and receivables collectible within a very short period of time as reported on the Balance Sheet. The capital assets such as land and buildings are not reported.

Fund liabilities include amounts that are to be paid within a very short period of time after the end of the fiscal year. The long-term liabilities are not included. The difference between a fund's total assets and total liabilities represents the fund balance. The unreserved portion of the fund balance indicates the amount available to finance future activities.

The operating statement for the General Fund reports only those revenues and expenditures that were collected in cash or paid with cash during the current period or very shortly after the end of the year.

The District's Balance Sheet is presented on page 20 and Statement of Revenues, Expenditures, and Changes in Fund Balance is presented on page 22 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 statements and the government-wide statements. The reconciliation of the total fund balance between these two statements can be found on page 21 of this report.

The reconciliation of the total changes in fund balance for all governmental funds to the change in net assets can be found on page 23 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 to the Basic Financial Statements can be found on pages 24 to 39 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 Notes to Schedule of General Fund Budget and Actual Expenditures can be found on page 42 of this report.

### C. Government-wide Financial Analysis

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

The following schedule is a condensed Statement of Net Assets as of the year ended June 30, 2010, as compared to the prior fiscal year.

# Statement of Net Assets (In Thousands)

	FY		FY	lı	ncrease	Percent
	2	<u>2009-10</u>	<u>2008-09</u>	<u>(D</u>	ecrease)	<u>Change</u>
Current and Other Assets	\$	145,587	\$ 75,321	\$	70,266	93.3%
Capital Assets		10,684	10,525		159	1.5%
Total Assets		156,271	85,846		70,425	82.0%
Current Liabilities		1,821	2,141		(320)	-14.9%
Noncurrent Liabilities		3,091	3,253		(162)	-5.0%
Total Liabilities		4,912	5,394		(482)	-8.9%
Net Assets:						
Invested in Capital Assets, net of related debt		9,646	9,173		473	5.2%
Restricted for Special Projects/Programs		125,061	59,073		65,988	111.7%
Unrestricted		16,652	12,206		4,446	36.4%
Total Net Assets	\$	151,359	\$ 80,452	\$	70,907	88.1%

The District's total Net Assets increased \$70,907,040 from the prior fiscal year. The majority of this increase is due to receipt of some non-operating revenue received but not spent by fiscal year end.

The District's total liabilities decreased \$481,999 as compared to the prior fiscal year. Current Liabilities decreased \$320,871, the major factors being a \$224,743 decrease to Accounts Payable

Of the District's total net assets, 82.63% are restricted to expenditures for specific purposes, and 11% are unrestricted and may be used to meet the District's ongoing obligations without constraints established by legal requirements. Additionally 6.37% are capital assets (e.g. land, buildings, equipment, and vehicles) purchased and used in carrying out the mission of protecting public health while being sensitive to the economic needs of local businesses. Consequently, these assets are not available for future spending.

The following is a condensed schedule of Changes in Net Assets for the fiscal year ended June 30, 2010, as compared to the prior year.

# Changes in Net Assets (In Thousands)

	Fiscal Year Fiscal Year 2009-10 2008-09		Increase (Decrease)	Percent Change
Revenues:				
Program Revenues:				
Fees and Charges - Stationary Sources	\$ 19,348	\$ 15,852	\$ 3,496	22.1%
Fees and Charges - Mobile Sources	11,569	11,872	(303)	-2.6%
Operating Grants	1,630	2,055	(425)	-20.7%
Restricted Special Revenue Sources	98,837	37,347	61,490	164.6%
General Revenues:				
State Subvention - Not Restricted	900	899	1	0.1%
Interest - Not Restricted	164	653	(489)	-74.9%
Penalties/Settlements	4,662	3,605	1,057	29.3%
Miscellaneous Revenue	30	(11)	41	-372.7%
Total Revenues	137,140	72,272	64,868	89.8%
Expenses:				
Permitting	12,758	12,263	495	4.0%
Enforcement / Air Monitoring	11,761	11,105	656	5.9%
Agricultural Burning	937	1,170	(233)	-19.9%
Plan & Rule Development	2,035	2,484	(449)	-18.1%
Mobile Sources	3,315	2,840	475	16.7%
Outreach and Communications	2,321	2,276	45	2.0%
Air Quality Analysis	1,560	1,156	404	34.9%
Restricted for Grants and Other Uses	31,546	24,872	6,674	26.8%
Total Expenses	66,233	58,166	8,067	13.9%
Increase (Decrease)) in Net Assets	70,907	14,106	56,801	402.7%
Net Assets - Beginning	80,452	66,346	14,106	21.3%
Net Assets - ending	\$ 151,359	\$ 80,452	\$ 70,907	88.1%

### **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 assets changed during the year. All changes in net assets 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 Redistricted for Grants and Other Special Uses. The following is a schedule of Revenues by Major Source for the fiscal year ended June 30, 2010, as compared to the prior year.

### Revenues by Major Source Governmental Activities (In Thousands)

	Fiscal Year 2009-10	Fiscal Year 2008-09	Increase (Decrease)	
Stationary Sources	\$ 19,348	\$ 15,852	\$ 3,496	
Mobile Sources	11,569	11,872	(303)	
Operating Grants	1,630	2,055	(425)	
General Revenues *	5,756	5,146	610	
Restricted Special Revenue Sources	98,837	37,347	61,490	
	\$ 137,140	\$ 72,272	\$ 64,868	

<sup>\*</sup> 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 as compared to the prior fiscal year:

### Stationary Source Revenue

 Stationary Source Revenue increased \$3,495,986 as compared to the prior fiscal year. The 8% fee increase effective July 1, 2009 and collection of Advance Emission Reduction Fees(AERO) which started during fiscal year 2009-10 were the major factors in the District's overall increase to Stationary Source Revenue.

### Mobile Source Revenue

 Mobile Source Revenue decreased \$303,313 as compared to the prior fiscal year due to a slight decrease in the DMV Fee revenues related to downturn in the economy.

### Operating Grant Revenue

• Operating Grant Revenue decreased \$425,371 as compared to the prior fiscal year. The major factor in this reduction was changing the revenue recognition methodology to exclude EPA Grant Revenues that were earned and received after June 30, 2010 (see table below).

	Fiscal Year	Fiscal Year	Increase
Grant Revenue	2009-10	2009-10 2008-09	
EPA 105 Grant	\$ 1,521,116	\$ 1,904,873	\$ (383,757)
EPA 103 Grant	108,886	150,500	(41,614)
Total Grant Revenue	\$ 1,630,002	\$ 2,055,373	\$ (425,371)

### General Revenues

General Revenue increased \$611,665 as compared to the prior fiscal year due to additional Penalties and Settlements received.

### Restricted Special Revenue Sources

 Restricted Special Revenue increased \$61,489,782 as compared to the prior fiscal year. The table below details the major changes to the various incentive programs that make up this increase.

	Fiscal Year	Fiscal Year	Increase		
Incentive Program	2009-10	2008-09	(Decrease)		
DMV Surcharge Fees	\$ 8,441,848	\$ 8,162,630	\$ 279,218		
Carl Moyer Program	8,101,934	13,930,088	(5,828,154)		
Proposition 1B	38,600,000	5,579,967	33,020,033		
Lower Emission School Bus Program	36,245,826	6,811,920	29,433,906		
Federal Diesel Earmark Grant	4,629,762	-	4,629,762		
Voluntary Emission Reduction	437,055	199,652	237,403		
ISR Rule Mitigation Funds	535,435	1,645,697	(1,110,262)		
Total	\$ 96,991,860	\$ 36,329,954	\$ 60,661,906		

The following is a schedule of District Expenses by Activity for the fiscal year ending June 30, 2010, as compared to the prior year.

# Expenses by Activities Governmental Activities

	Fiscal Year	Increase	
	2009-10	2008-09	(Decrease)
Permitting	\$ 12,758,531	\$ 12,262,847	\$ 495,684
Enforcement / Air Monitoring	11,760,658	11,105,333	655,325
Agricultural Burning	937,312	1,169,500	(232,188)
Plan and Rule Development	2,034,991	2,484,135	(449,144)
Mobile Source	3,315,001	2,840,067	474,934
Outreach & Communications	2,320,601	2,275,970	44,631
Air Quality Analysis	1,560,082	1,156,358	403,724
Total Operating Expenses	34,687,176	33,294,210	1,392,966
Restricted for Grants and Special Uses	31,546,321	24,871,936	6,674,385
Total District Expenses	\$ 66,233,497	\$ 58,166,146	\$ 8,067,351

### 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 \$144,274,353, an increase of \$70,780,577 in comparison with the prior year. Approximately 90.8% of this fund balance, or \$131,112,356, is reserved and restricted for specific purposes. The long-term contractual commitments related to these restricted programs involve multiple-year expenditures.

At the end of the fiscal year, the District's Unreserved Fund Balance was \$13,161,997, an increase of \$6,037,968 as compared with the prior year. The majority of this increase is related to \$4.9 million Advance Emission Reduction Fee collected late in the year and designated by the Governing Board for Community Incentive Programs.

### Operating Revenues

• Total Operating Revenues increased \$3,489,312 which is mainly due to collection of AERO fees during fiscal year 2009-10.

### Operating Expenditures

Total Operating Expenditures increased \$1,672,620 as compared to the prior fiscal year.

- Total Salaries and Benefits increased \$1,037,734 as compared to the prior fiscal year. An increase in the retirement cost and a 3.5% Cost of Living Adjustment for District employees, effective October 2009 were the major factors in this increase.
- Total Services and Supplies decreased \$4,910 as compared to the prior fiscal year.
- Total capital outlay increased \$639,795 as compared to the prior fiscal year. The table below details the major changes to the various fixed asset accounts that make up this increase.

	Fiscal Year			iscal Year	Increase		
Account Title	2009-10			2008-09	(E	Decrease)	
Computer Equipment	\$	704,850	\$	493,661	\$	211,189	
Telephone System		48,999		33,693		15,306	
Automobiles		300,866		320,510		(19,644)	
Office Improvements		129,321		339,352		(210,031)	
Video Conferencing System		405,184		33,573		371,611	
Air Monitoring Station Equipment		567,095		304,090		263,005	
Electronic Document Management Project		27,000		18,641		8,359	
Total	\$	2,183,315	\$	1,543,520	\$	639,795	

### Non-Operating Revenues

Non-Operating Revenues increased \$61,314,723 which was mainly due to an increase of \$33,020,033 in Prob1B, and \$29,433,906 in Lower Emission School Bus (LESB) funding received during the fiscal year.

### Non-Operating Expenditures

 Non-Operating Incentive Program expenditures increased \$6,674,386 as compared to the prior fiscal year. The table below details the major changes to the various Incentive Programs that make up most of this increase.

Incentive Program Name	F	iscal Year 2009-10	F	Fiscal Year 2008-09	Increase (Decrease)		
3							
DMV Heavy-Duty Program	\$	5,661,880	\$	7,921,129	\$	(2,259,249)	
EPA Grant- Operating Clean Air		-		184,400		(184,400)	
Carl Moyer Program		8,235,279		12,008,404		(3,773,125)	
Traffic Congestion Relief Program		18,347		649,903		(631,556)	
School Bus Retro/Replace Program				112,214		(112,214)	
State ERC Program		28,727		53,409		(24,682)	
Peaker Plant Program		1,241		532,749		(531,508)	
Backup Generator Program		-		105,939		(105,939)	
Voluntary Emission Reduction Agreements		239,346		205,560		33,786	
ISR Rule Mitigation Program		1,786,321		114,984		1,671,337	
Federal Diesel Earmark Grant		4,448,375		423,625		4,024,750	
Proposition 1B Program		5,958,500		1,750,000		4,208,500	
Lower Emission School Bus Program		3,730,150		417,870		3,312,280	
Diesel Emission Reduction Act		643,623		-		643,623	
Community Incentive Programs		296,850		141,750		155,100	
Air Toxics		47,682		-		47,682	
Misc. Incentive Grants- Hearing Board		200,000				200,000	
San Joaquin Valley Blueprint Program		250,000		250,000		-	
Total	\$	31,546,321	\$	24,871,936	\$	6,674,385	

### E. Capital Assets

The District's investment in capital assets is for its governmental activities. The book value was \$10,684,142 (net of accumulated depreciation of \$7,425,734) as of June 30, 2010. This investment in capital assets includes land, buildings and improvements, equipment for air monitoring stations, computer and office equipment, video conferencing equipment, and District vehicles.

Additional information on the capital assets can be found in the "Notes to Basic Financial Statements" on page 35 of this report.

### F. Current Year's Long-Term Debt

At the end of the current fiscal year, the District had total long-term debt outstanding of \$3,599,824 including the current portion of \$508,385. Of this amount, \$740,894 represents the capital lease obligations on the telephone system and video teleconferencing system upgrade, for which the District is required to make debt service payments. Other long-term debt includes compensated absences of \$2,562,030. Additional information on the District's long-term debt can be found in

Note 4 and Note 9 under the Notes to Basic Financial Statements section of this report.

### G. 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. 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 Operating Budget at June 30, 2010 was \$35,898,000 and had no adjustments during fiscal year 2009-10.

The Adjusted Non-Operating Budget at June 30, 2010 was \$118,412,506, an increase of \$19,796,606 as compared to the Adopted Non-Operating Budget. Listed below are budget additions that were made to the adopted budget during the year that represents the major factors in the increase to the Adopted Non-Operating Budget:

- Budget addition of \$1,276,637 for additional Carl Moyer program revenue.
- Budget addition of \$6,923,100 for the new Department of Environmental Review and Assessment (DERA) ARRA program grant.
- Budget addition of \$2,985,200 for the new Vehicle Repair, Retirement and Replacement for Motorists (VRRRM) Program.
- Budget addition of \$3,807,694 for the California Energy Commission (CEC) Block Grant.
- Budget addition of \$1,706,649 for the DERA-Heavy Duty Truck Replacement Program grant.

### **Operating Budget**

### Revenues

Actual Operating Revenues at June 30, 2010 were \$37,650,127 as compared to the final Adjusted Budget of \$34,808,662, a positive variance of \$2,841,465. The majority of the variance is related to the Advance Emission Reduction Fee of \$4,897,900 which was not budgeted but was received and recognized during fiscal year 2009-10.

### Expenditures

Actual Operating Expenditures at June 30, 2010 were \$33,655,589 as compared to the final Adjusted Budget of \$35,898,000, a positive variance of \$2,242,411.

### Salaries and Benefits

Actual Salary and Benefit expenditures at year-end were \$27,380,665 as compared to the final Adjusted Budget of \$28,260,100, a positive variance of \$879,435. Salary and benefit savings on vacant positions during the year were the major factor contributing to the positive variance.

### Services and Supplies

Actual Services and Supplies expenditures at year-end were \$4,544,326 as compared to the final Adjusted Budget of \$5,606,000, a positive variance of \$1,061,674. Listed in the table below are the expenditures that make up the major variances in the Services and Supplies accounts.

	Actual		٧	/ariance					
	Final Adjusted		Final Adjusted Expenditures		ı	Positive		Amount	
		Budget		@ 6/30/10		(Negative)		Encumbered	
Mobile Communications	\$	123,600	\$	91,301	\$	32,299	\$	-	
Equipment Maintenance		195,300		110,389		84,911		-	
Professional & Specialized Services		2,006,600		1,530,234		476,366		542,598	
Publications & Legal Notices		162,600		129,062		33,538			
Total	\$	2,488,100	\$	1,860,986	\$	627,114	\$	542,598	

### Fixed Assets

Actual Fixed Assets expenditures at year-end were \$1,730,598 as compared to the final Adjusted Budget of \$2,031,900, a positive variance of \$301,302. Listed in the table below are the expenditures that make up the major variances in the Fixed Assets accounts.

			Actual		٧	ariance			
	Fina	al Adjusted	Expenditures		Positive		Amount		
	<u>!</u>	Budget		@ 6/30/10		(Negative)		Encumbered	
Office Improvements	\$	51,300	\$	8,616	\$	42,684	\$	_	
Computer Equipment		615,016		558,303		56,713		145,405	
Office Machines		47,900		19,302		28,598		9,627	
Video Teleconferencing System		339,100		275,851		63,249		3,079	
Air Monitoring Station Equipment		459,785		395,845		63,940		178,700	
Total	\$	1,513,101	\$	1,257,917	\$	255,184	\$	232,013	

#### **Management's Discussion and Analysis**

#### **Non-Operating Budget**

#### Revenues

Actual Non-Operating Revenues at June 30, 2010 were \$99,537,182 as compared to the final Adjusted Budget of \$115,431,406, a negative variance of \$15,894,224. Listed in the table below are the revenues that make up the major variances in Non-Operating Revenues.

					Variance
	Fi	nal Adjusted	Act	ual Revenues	Positive
	Budget		@ 6/30/10		(Negative)
Proposition 1B Program	\$	45,000,000	\$	38,600,000	\$ (6,400,000)
Federal Diesel Earmark Grant		7,500,000		4,629,762	(2,870,238)
Lower Emission School Bus Programs		15,385,000		36,245,826	20,860,826
Carl Moyer		11,803,130		8,101,934	(3,701,196)
Energy Efficiency Block Grant		3,807,694		-	(3,807,694)
VRRRM for PASS Repair Program		4,691,849		-	(4,691,849)
DERA Programs		7,223,100		446,909	(6,776,191)
ISR Rule Mitigation Funds		6,429,000		535,435	(5,893,565)
Total	\$	101,839,773	\$	88,559,866	\$ (13,279,907)

The \$20,860,826 positive variance of the Lower Emission School Bus Program is due to receipt of FY 2008-09 revenue during FY 2009-10. The \$5,893,565 negative variance in ISR Rule and Development Mitigation Funds was due to the less than anticipated projects starting during the fiscal year and \$3,701,196 negative variance in the Carl Moyer program was due to the downturn in the economy and reduction in the statewide smog and tire fees collected. Some of the Proposition 1B Program revenue was received later than anticipated and this delay caused the negative variance between budget and actual revenue of the program. Other Federal Programs such as the Energy Efficiency Block Grant, DERA Programs, VRRRM Program, and the Federal Diesel Earmark Grant are reimbursable grants and revenues are received as expenditures occur and are claimed.

#### **Expenditures**

Actual Non-Operating Expenditures at June 30, 2010 were \$1,116,633 as compared to the final Adjusted Budget of \$118,412,506, a positive variance of \$117,295,873. Listed in the following table are the expenditures that make up the variances in Non-Operating Expenditures.

#### **Management's Discussion and Analysis**

				Actual	Variance
	F	inal Adjusted	Expenditures		Positive
	<u>Budget</u>		@ 6/30/10		(Negative)
Air Toxics-Pass Through	\$	30,000	\$	17,398	\$ 12,602
Federal Grants - Non-Operating		16,569,749		485,910	16,083,839
Heavy-Duty Engine Emission Program		24,185,383		409,775	23,775,608
Development Mitigation Program Contracts		511,580		-	511,580
ISR Rule Mitigation Program		6,780,200		-	6,780,200
Proposition 1B Program		45,675,000		-	45,675,000
Lower Emission School Bus Funds		15,910,100		-	15,910,100
Community Incentive Programs		8,750,494		203,550	 8,546,944
Total	\$	118,412,506	\$	1,116,633	\$ 117,295,873

For Non-Federal incentive grant contracts the District has a policy of not entering into these agreements until grant funds are received by the District. A significant amount of the grant funds that were received and appropriated in FY 2009-10, (Carl Moyer Program, Proposition 1B Program, Lower Emission School Bus Program, and ISR Rule Mitigation Funds) will not be expended on incentive contracts until FY 2010-11 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.

### H. Next Year's Budget

The Adopted Budget for FY 2010-11 is \$151,371,999 as compared to the Adjusted Budget for FY 2009-10 of \$155,160,506, a decrease of \$3,788,507. Operating appropriations increased by 7% or \$2,520,178, while Non-Operating appropriations decreased by 5% or \$6,308,685

**Operating Budget:** The Operating Budget shows an increase of \$2,520,178 as compared to the prior year adjusted budget. The table below details the changes to the three major appropriation categories.

	F	FY 2010-11	ı	FY 2009-10		
		Adopted		Adjusted		Increase
		Budget	Budget		(Decrea	
Salaries & Benefits	\$	30,505,078	\$	28,260,100	\$	2,244,978
Services & Supplies		5,898,300		5,606,000		292,300
Fixed Assets		2,014,800		2,031,900		(17,100)
Total Operating Appropriations	\$	38,418,178	\$	35,898,000	\$	2,520,178

#### Management's Discussion and Analysis

**Non-Operating Budget:** The FY 2010-11 Non-Operating Adopted Budget is \$112,953,821 as compared to the FY 2009-10 Adjusted Budget of \$119,262,506 a decrease of \$6,308,685. The table below details the major variances:

	FY 2010-11	FY 2009-10	
	Adopted	Adjusted	Increase
	Budget	Budget	(Decrease)
DMV Surcharge Fees	\$ 8,889,656	\$ 11,099,500	\$ (2,209,844)
Carl Moyer Program	10,543,400	12,844,483	(2,301,083)
DERA	-	9,069,749	(9,069,749)
ISR Rule And VERA	9,390,800	7,227,700	2,163,100
Proposition 1B Program	45,576,200	45,675,000	(98,800)
Lower Emission School Bus Program	22,288,965	15,910,100	6,378,865
Federal Grants	6,750,000	7,500,000	(750,000)
Green Gas Mitigation Program	3,010,400	-	3,010,400
GHG Support Projects for Cities and Counties	250,000	-	250,000
Community Incentives	5,374,400	8,750,494	(3,376,094)
Total Incentive Programs	\$ 112,073,821	\$ 118,077,026	\$ (6,003,205)

### I. 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 good fiscal health for the District. So while the District does face a full agenda of challenges, the Governing Board has sufficient resources available to meet those challenges.

#### J. 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.

# San Joaquin Valley Unified Air Pollution Control District Statement of Net Assets June 30, 2010

Assets_	Governmental <u>Activities</u>
<u> </u>	
Current Assets: Cash and Investments Accrued Revenues Prepaid Expenses Total Current Assets	\$ 139,503,332 6,066,013 17,492 145,586,837
Noncurrent Assets: Land	904,208
Capital Assets, Net of Accumulated Depreciation Total Noncurrent Assets	9,779,934 10,684,142
Total Assets	156,270,979
<u>Liabilities</u>	
Current Liabilities: Accounts Payable Accrued Wages Payable Compensated Absences Payable Capital Leases Payable Total Current Liabilities	464,011 848,472 178,501 329,884 1,820,868
Non-Current Liabilities: Compensated Absences Payable Capital Leases Payable Total Non-Current Liabilities	2,383,529 707,910 3,091,439
Total Liabilities	4,912,307
Net Assets Invested in Capital Assets, net of related debt Restricted for Special Projects/Programs Unrestricted Total Net Assets	9,646,348 125,061,108 16,651,216 \$ 151,358,672

# San Joaquin Valley Unified Air Pollution Control District Statement of Activities For the Year Ended June 30, 2010

		F	Program Revenues	3		Net (Expense) Revenue and Changes in Net Assets
Programs	Expenses	Fees & Charge Stationary Sources	es for Services  Mobile  Sources	Operating Grants	Restricted Special Revenue Sources *	Governmental Activities
Governmental Activities: Permitting Enforcement / Air Monitoring Agricultural Burning Plan & Rule Development Mobile Sources Outreach & Communications Air Quality Analysis Restricted for Grants and Other Special Uses Total Governmental Activities	\$ 12,758,531 11,760,658 937,312 2,034,991 3,315,001 2,320,601 1,560,082 31,546,321 \$ 66,233,497	\$ 11,678,101 7,104,340 388,618 - 176,773 - - - \$ 19,347,832	\$ 2,136,623 2,003,174 448 1,353,285 2,485,840 1,999,139 890,171 700,079 \$ 11,568,759	\$ 343,954 348,184 239 257,593 316,596 257,792 105,644 - \$ 1,630,002	\$	\$ 1,400,147 (2,304,960) (548,007) (424,113) (335,792) (63,670) (564,267) 67,990,863 65,150,201
	Interest - not restri Penalties/Settleme	posal of Capital Asse venue evenues et Assets ng, July 1, 2009	rams			900,090 164,572 4,661,655 (46,771) 77,293 5,756,839 70,907,040 80,451,632

<sup>\*</sup> Restricted Special Revenue Sources consist of pass-through and /or one-time limited duration funding sources that are restricted for specific programs such as Carl Moyer Program Fund, and Lower Emission School Bus Fund.

# San Joaquin Valley Unified Air Pollution Control District Balance Sheet - General Fund June 30, 2010

Assets:	
Cash and Investments	\$ 139,503,332
Accrued Revenues	6,066,013
Prepaid Expenses	17,491
Total Assets	\$ 145,586,836
Liabilities:	
Accounts Payable	\$ 464,011
Accrued Wages Payable	848,472
Total Liabilities	 1,312,483
Fund Dalaman	
Fund Balance:	404 440 050
Reserved Fund Balance	131,112,356
Unreserved Fund Balance	 13,161,997
Total Fund Balance	 144,274,353
Total Liabilities and Fund Balance	\$ 145,586,836

## San Joaquin Valley Unified Air Pollution Control District

# Reconciliation of the Governmental Fund Balance Sheet to the Government-wide Statement of Net Assets

June 30, 2010

Fund Balance - General Fund

\$ 144,274,353

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

Land and Capital Assets Net of Accumulated Depreciation have not been included as financial resources in the General Fund activity. These capital assets are reported in the Statement of Net Assets as capital assets of the District as a whole.

10,684,142

Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Assets.

(3,599,823)

Net Assets of Governmental Activities

\$ 151,358,672

# San Joaquin Valley Air Pollution Control District Statement of Revenue, Expenditures, and Changes in Fund Balance General Fund

For the Year Ended June 30, 2010

License and Permit Fees         \$ 28,726,016           Administrative Fees         1,509,181           Penalties and Settlements         4,646,334           Interest         164,572           State Grants         900,090           Federal Grants         1,630,002           Miscellaneous Revenue         73,931           Total Operating Revenue         37,650,126           Non-Operating:         92,668,397           Incentive Grants         92,668,397           Interest         1,792,114           Federal Grants         5,076,671           Total Non-Operating Revenue         99,537,182           Total Revenues         137,187,308           Expenditures:         Operating:           Salaries and Benefits         27,209,307           Services and Supplies         5,094,841           Capital Outlay         2,183,316           Debt Services:         9rincipal         314,814           Interest         58,132           Total Operating Expenditures         34,860,410           Non-Operating:         34,860,410           Non-Operating:         31,546,321           Total Expenditures         66,406,731           Net Change In Fund Balance         70,780,577	Revenues: Operating:		
Administrative Fees 1,509,181 Penalties and Settlements 4,646,334 Interest 56,4672 State Grants 900,090 Federal Grants 1,630,002 Miscellaneous Revenue 73,931 Total Operating Revenue 37,650,126  Non-Operating: Incentive Grants 92,668,397 Interest 1,792,114 Federal Grants 5,076,671 Total Non-Operating Revenue 99,537,182  Total Revenues 137,187,308  Expenditures: Operating: Salaries and Benefits 27,209,307 Services and Supplies 5,094,841 Capital Outlay 2,183,316 Debt Services: Principal 314,814 Interest 58,132 Total Operating Expenditures 34,860,410  Non-Operating: Restricted for Grants and Other Special Uses 31,546,321 Total Expenditures 66,406,731  Net Change In Fund Balance 70,780,577  Beginning Fund Balance, July 1, 2009 73,493,776	· · · · · · · · · · · · · · · · · · ·	\$	28.726.016
Penalties and Settlements         4,646,334           Interest         164,572           State Grants         900,090           Federal Grants         1,630,002           Miscellaneous Revenue         73,931           Total Operating Revenue         37,650,126           Non-Operating:         92,668,397           Incentive Grants         92,668,397           Interest         1,792,114           Federal Grants         5,076,671           Total Non-Operating Revenue         99,537,182           Total Revenues         137,187,308           Expenditures:         Operating:           Salaries and Benefits         27,209,307           Services and Supplies         5,094,841           Capital Outlay         2,183,316           Debt Services:         94,841           Principal         314,814           Interest         58,132           Total Operating Expenditures         34,860,410           Non-Operating:         8           Restricted for Grants and Other Special Uses         31,546,321           Total Expenditures         66,406,731           Net Change In Fund Balance         70,780,577           Beginning Fund Balance, July 1, 2009         73,493,776		•	•
Interest         164,572           State Grants         900,090           Federal Grants         1,630,002           Miscellaneous Revenue         73,931           Total Operating Revenue         37,650,126           Non-Operating:         92,668,397           Incentive Grants         92,668,397           Interest         1,792,114           Federal Grants         5,076,671           Total Non-Operating Revenue         99,537,182           Total Revenues         137,187,308           Expenditures:         Operating:           Salaries and Benefits         27,209,307           Services and Supplies         5,094,841           Capital Outlay         2,183,316           Debt Services:         9rincipal         314,814           Interest         58,132           Total Operating Expenditures         34,860,410           Non-Operating:         Restricted for Grants and Other Special Uses         31,546,321           Total Expenditures         66,406,731           Net Change In Fund Balance         70,780,577           Beginning Fund Balance, July 1, 2009         73,493,776			
State Grants         900,090           Federal Grants         1,630,002           Miscellaneous Revenue         73,931           Total Operating Revenue         37,650,126           Non-Operating:         Incentive Grants         92,668,397           Interest         1,792,114           Federal Grants         5,076,671           Total Non-Operating Revenue         99,537,182           Total Revenues         137,187,308           Expenditures:         Operating:           Salaries and Benefits         27,209,307           Services and Supplies         5,094,841           Capital Outlay         2,183,316           Debt Services:         9rincipal           Principal         314,814           Interest         58,132           Total Operating Expenditures         34,860,410           Non-Operating:         31,546,321           Total Expenditures         31,546,321           Total Expenditures         66,406,731           Net Change In Fund Balance         70,780,577           Beginning Fund Balance, July 1, 2009         73,493,776			
Federal Grants         1,630,002           Miscellaneous Revenue         73,931           Total Operating Revenue         37,650,126           Non-Operating:	State Grants		•
Miscellaneous Revenue       73,931         Total Operating Revenue       37,650,126         Non-Operating:       92,668,397         Incentive Grants       92,668,397         Interest       1,792,114         Federal Grants       5,076,671         Total Non-Operating Revenue       99,537,182         Total Revenues       137,187,308         Expenditures:       Operating:         Salaries and Benefits       27,209,307         Services and Supplies       5,094,841         Capital Outlay       2,183,316         Debt Services:       9rincipal         Principal       314,814         Interest       58,132         Total Operating Expenditures       34,860,410         Non-Operating:       Restricted for Grants and Other Special Uses       31,546,321         Total Expenditures       66,406,731         Net Change In Fund Balance       70,780,577         Beginning Fund Balance, July 1, 2009       73,493,776			·
Non-Operating:       92,668,397         Interest       1,792,114         Federal Grants       5,076,671         Total Non-Operating Revenue       99,537,182         Total Revenues       137,187,308         Expenditures:       Operating:         Operating:       27,209,307         Salaries and Benefits       27,209,307         Services and Supplies       5,094,841         Capital Outlay       2,183,316         Debt Services:       314,814         Interest       58,132         Total Operating Expenditures       34,860,410         Non-Operating:       31,546,321         Total Expenditures       66,406,731         Net Change In Fund Balance       70,780,577         Beginning Fund Balance, July 1, 2009       73,493,776	Miscellaneous Revenue		• •
Incentive Grants         92,668,397           Interest         1,792,114           Federal Grants         5,076,671           Total Non-Operating Revenue         99,537,182           Total Revenues         137,187,308           Expenditures:         Operating:           Salaries and Benefits         27,209,307           Services and Supplies         5,094,841           Capital Outlay         2,183,316           Debt Services:         314,814           Interest         58,132           Total Operating Expenditures         34,860,410           Non-Operating:         31,546,321           Total Expenditures         66,406,731           Net Change In Fund Balance         70,780,577           Beginning Fund Balance, July 1, 2009         73,493,776	Total Operating Revenue		37,650,126
Interest         1,792,114           Federal Grants         5,076,671           Total Non-Operating Revenue         99,537,182           Total Revenues         137,187,308           Expenditures:         Operating:           Operating:         27,209,307           Salaries and Benefits         27,209,307           Services and Supplies         5,094,841           Capital Outlay         2,183,316           Debt Services:         314,814           Interest         58,132           Total Operating Expenditures         34,860,410           Non-Operating:         31,546,321           Total Expenditures         66,406,731           Net Change In Fund Balance         70,780,577           Beginning Fund Balance, July 1, 2009         73,493,776	Non-Operating:		
Federal Grants         5,076,671           Total Non-Operating Revenue         99,537,182           Total Revenues         137,187,308           Expenditures:         Operating:           Operating:         27,209,307           Salaries and Benefits         27,209,307           Services and Supplies         5,094,841           Capital Outlay         2,183,316           Debt Services:         314,814           Interest         58,132           Total Operating Expenditures         34,860,410           Non-Operating:         31,546,321           Total Expenditures         66,406,731           Net Change In Fund Balance         70,780,577           Beginning Fund Balance, July 1, 2009         73,493,776	Incentive Grants		92,668,397
Total Non-Operating Revenue       99,537,182         Total Revenues       137,187,308         Expenditures:       Operating:         Operating:       27,209,307         Services and Supplies       5,094,841         Capital Outlay       2,183,316         Debt Services:       314,814         Interest       58,132         Total Operating Expenditures       34,860,410         Non-Operating:       31,546,321         Total Expenditures       66,406,731         Net Change In Fund Balance       70,780,577         Beginning Fund Balance, July 1, 2009       73,493,776	Interest		1,792,114
Total Revenues       137,187,308         Expenditures:       Operating:         Operating:       27,209,307         Salaries and Benefits       27,209,307         Services and Supplies       5,094,841         Capital Outlay       2,183,316         Debt Services:       Principal         Principal       314,814         Interest       58,132         Total Operating Expenditures       34,860,410         Non-Operating:       31,546,321         Total Expenditures       66,406,731         Net Change In Fund Balance       70,780,577         Beginning Fund Balance, July 1, 2009       73,493,776	Federal Grants		5,076,671
Expenditures: Operating: Salaries and Benefits Services and Supplies Capital Outlay Debt Services: Principal Interest Total Operating Expenditures  Non-Operating: Restricted for Grants and Other Special Uses Total Expenditures  Net Change In Fund Balance  Expenditures  27,209,307 5,094,841 2,183,316 2,183,316 2,183,316 314,814 314,814 314,814 34,860,410  Non-Operating: Restricted for Grants and Other Special Uses 34,860,410  Non-Operating: Restricted for Grants and Other Special Uses 70,780,577  Beginning Fund Balance, July 1, 2009  73,493,776	Total Non-Operating Revenue		99,537,182
Operating:       27,209,307         Services and Supplies       5,094,841         Capital Outlay       2,183,316         Debt Services:       314,814         Interest       58,132         Total Operating Expenditures       34,860,410         Non-Operating:       31,546,321         Total Expenditures       66,406,731         Net Change In Fund Balance       70,780,577         Beginning Fund Balance, July 1, 2009       73,493,776	Total Revenues		137,187,308
Operating:       27,209,307         Services and Supplies       5,094,841         Capital Outlay       2,183,316         Debt Services:       314,814         Principal       314,814         Interest       58,132         Total Operating Expenditures       34,860,410         Non-Operating:       31,546,321         Total Expenditures       66,406,731         Net Change In Fund Balance       70,780,577         Beginning Fund Balance, July 1, 2009       73,493,776			
Salaries and Benefits       27,209,307         Services and Supplies       5,094,841         Capital Outlay       2,183,316         Debt Services:       314,814         Principal       314,814         Interest       58,132         Total Operating Expenditures       34,860,410         Non-Operating:       27,209,307         Restricted for Grants and Other Special Uses       31,546,321         Total Expenditures       66,406,731         Net Change In Fund Balance       70,780,577         Beginning Fund Balance, July 1, 2009       73,493,776	·		
Services and Supplies       5,094,841         Capital Outlay       2,183,316         Debt Services:       314,814         Principal       314,814         Interest       58,132         Total Operating Expenditures       34,860,410         Non-Operating:       31,546,321         Total Expenditures       66,406,731         Net Change In Fund Balance       70,780,577         Beginning Fund Balance, July 1, 2009       73,493,776	'		
Capital Outlay 2,183,316  Debt Services:  Principal 314,814  Interest 58,132  Total Operating Expenditures 34,860,410  Non-Operating:  Restricted for Grants and Other Special Uses 31,546,321  Total Expenditures 66,406,731  Net Change In Fund Balance 70,780,577  Beginning Fund Balance, July 1, 2009 73,493,776			• •
Debt Services: Principal 314,814 Interest 58,132 Total Operating Expenditures 34,860,410  Non-Operating: Restricted for Grants and Other Special Uses 31,546,321 Total Expenditures 66,406,731  Net Change In Fund Balance 70,780,577  Beginning Fund Balance, July 1, 2009 73,493,776	• •		• •
Principal 314,814 Interest 58,132 Total Operating Expenditures 34,860,410  Non-Operating: Restricted for Grants and Other Special Uses 31,546,321 Total Expenditures 66,406,731  Net Change In Fund Balance 70,780,577  Beginning Fund Balance, July 1, 2009 73,493,776	·		2,183,316
Interest 58,132 Total Operating Expenditures 34,860,410  Non-Operating: Restricted for Grants and Other Special Uses 31,546,321 Total Expenditures 66,406,731  Net Change In Fund Balance 70,780,577  Beginning Fund Balance, July 1, 2009 73,493,776			044044
Total Operating Expenditures  Non-Operating: Restricted for Grants and Other Special Uses Total Expenditures  Net Change In Fund Balance  Beginning Fund Balance, July 1, 2009  34,860,410  31,546,321  66,406,731  70,780,577	•		·
Non-Operating: Restricted for Grants and Other Special Uses Total Expenditures  Net Change In Fund Balance  Total Beginning Fund Balance, July 1, 2009  Total Expenditures  70,780,577  73,493,776			•
Restricted for Grants and Other Special Uses Total Expenditures  Net Change In Fund Balance  Total Expenditures  70,780,577  Beginning Fund Balance, July 1, 2009  73,493,776	Total Operating Expenditures		34,860,410
Restricted for Grants and Other Special Uses Total Expenditures  Net Change In Fund Balance  Total Expenditures  70,780,577  Beginning Fund Balance, July 1, 2009  73,493,776	Non-Operating:		
Total Expenditures 66,406,731  Net Change In Fund Balance 70,780,577  Beginning Fund Balance, July 1, 2009 73,493,776	·		31,546,321
Beginning Fund Balance, July 1, 2009 73,493,776	·		
	Net Change In Fund Balance		70,780,577
Fund Balance, June 30, 2010 \$ 144,274,353	Beginning Fund Balance, July 1, 2009		73,493,776
	Fund Balance, June 30, 2010	\$	144,274,353

# San Joaquin Valley Unified Air Pollution Control District

# Reconciliation of the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance to the Government-wide Statement of Activities

### For the Year Ended June 30, 2010

Net Change in Fund Balance - General Fund	\$ 70,780,577
Amounts reported for governmental activities in the Statement of Activities are different because:	
The General Fund reports capital outlays as expenditures.  However, in the Government-wide Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of the capital outlays recorded in the current period.	1,477,564
Depreciation expense on capital assets is reported in the Government-wide Statement of Activities but does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in the General Fund.	(1,271,888)
The net effect of disposal of assets.	(46,771)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources for the governmental funds. Neither transaction, however, has any effect on net assets. This is the net decrease (increase) in the long term liabilities.	314,814
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(347,256)
Change in Net Assets of Governmental Activities	\$ 70,907,040

# NOTES TO BASIC FINANCIAL STATEMENTS June 30, 2010

#### 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 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 resource 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.

Government 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 accrual accounting. However, debt service

expenditures, as well as expenditures related to compensated absences and 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 Assets 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 and liabilities including capital assets and long-term liabilities are included in the accompanying Statement of Net Assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

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

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 GASB Statement Number 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 reservations 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. 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 appraised 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 51 and capitalized intangible software that was developed internally during fiscal year 2009-10. The threshold for Intangible asset capitalization is \$100,000.

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 Assets. 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 & Software	5 Years
Automobiles	5 Years

### F. Compensated Absences

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

The current and noncurrent portion of compensated absences amounted to \$178,501 and \$2,383,529 respectively, and has been reflected in the Statement of Net Assets.

#### G. 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, public officials liability, public employees blanket bond, and the replacement cost of property. (See note 6).

#### H. Restrictions on Net Assets

Total Restricted Net Assets at year-end were \$125,061,108. Restricted Net Assets are assets that are 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:

Heavy-Duty Program - Incentives	\$ 22,535,072
DMV Surcharge Fees - Incentives	16,189,054
DMV Fees - Rollover	488,179
DMV Administrative Fees	191,274
State ERC Bank Program	18,951
Backup Generator Program	6,354
Peaker Plant Program	45,599
Dairy CEQA Program	9,062
ISR Rule Mitigation Program	7,506,279
Lower Emission School Bus Program	39,515,271
Winery Rule Program	47,397
Community Incentive Programs	3,836
Proposition 1B Program	36,912,413
DERA - Lower Emission School Bus Program	139,411
Voluntary Emission Reduction Agreements	1,452,956
Total Restricted Net Assets	\$ 125,061,108

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

### I. Fund Balances Reserves and Designations

From the total of \$144,274,353 Fund Balance at year-end, \$131,112,356 was reserved and \$4,897,900 was designated for various programs. Portions of the General Fund balance are reserved for specific future use and are, therefore, not available for appropriation. The amounts and purpose of these reserves and designations are as follows:

Reserve for Long-Term Building Maintenance473,000Reserve for Encumbrances1,738,248Reserve for Heavy-Duty Program - Incentives22,535,072Reserve for DMV Surcharge Fees - Incentives16,189,054Reserve for DMV Surcharge Fees - Rollover488,179Reserve for DMV Administrative Fees191,274Reserve for State ERC Bank Program18,951Reserve for Backup Generator Program6,354Reserve for Peaker Plant Mitigation Program45,599Reserve for ISR Rule Mitigation Program9,062Reserve for Lower Emission School Bus Program39,515,271Reserve for Winery Rule Program47,397	General Reserve	\$ 3,840,000
Reserve for Heavy-Duty Program - Incentives22,535,072Reserve for DMV Surcharge Fees - Incentives16,189,054Reserve for DMV Surcharge Fees - Rollover488,179Reserve for DMV Administrative Fees191,274Reserve for State ERC Bank Program18,951Reserve for Backup Generator Program6,354Reserve for Peaker Plant Mitigation Program45,599Reserve for Dairy CEQA Program9,062Reserve for ISR Rule Mitigation Program7,506,279Reserve for Lower Emission School Bus Program39,515,271	Reserve for Long-Term Building Maintenance	473,000
Reserve for DMV Surcharge Fees - Incentives Reserve for DMV Surcharge Fees - Rollover Reserve for DMV Administrative Fees 191,274 Reserve for State ERC Bank Program Reserve for Backup Generator Program Reserve for Peaker Plant Mitigation Program Reserve for Dairy CEQA Program Reserve for ISR Rule Mitigation Program Reserve for Lower Emission School Bus Program 39,515,271	Reserve for Encumbrances	1,738,248
Reserve for DMV Surcharge Fees - Rollover488,179Reserve for DMV Administrative Fees191,274Reserve for State ERC Bank Program18,951Reserve for Backup Generator Program6,354Reserve for Peaker Plant Mitigation Program45,599Reserve for Dairy CEQA Program9,062Reserve for ISR Rule Mitigation Program7,506,279Reserve for Lower Emission School Bus Program39,515,271	Reserve for Heavy-Duty Program - Incentives	22,535,072
Reserve for DMV Administrative Fees191,274Reserve for State ERC Bank Program18,951Reserve for Backup Generator Program6,354Reserve for Peaker Plant Mitigation Program45,599Reserve for Dairy CEQA Program9,062Reserve for ISR Rule Mitigation Program7,506,279Reserve for Lower Emission School Bus Program39,515,271	Reserve for DMV Surcharge Fees - Incentives	16,189,054
Reserve for State ERC Bank Program18,951Reserve for Backup Generator Program6,354Reserve for Peaker Plant Mitigation Program45,599Reserve for Dairy CEQA Program9,062Reserve for ISR Rule Mitigation Program7,506,279Reserve for Lower Emission School Bus Program39,515,271	Reserve for DMV Surcharge Fees - Rollover	488,179
Reserve for Backup Generator Program6,354Reserve for Peaker Plant Mitigation Program45,599Reserve for Dairy CEQA Program9,062Reserve for ISR Rule Mitigation Program7,506,279Reserve for Lower Emission School Bus Program39,515,271	Reserve for DMV Administrative Fees	191,274
Reserve for Peaker Plant Mitigation Program45,599Reserve for Dairy CEQA Program9,062Reserve for ISR Rule Mitigation Program7,506,279Reserve for Lower Emission School Bus Program39,515,271	Reserve for State ERC Bank Program	18,951
Reserve for Dairy CEQA Program9,062Reserve for ISR Rule Mitigation Program7,506,279Reserve for Lower Emission School Bus Program39,515,271	Reserve for Backup Generator Program	6,354
Reserve for ISR Rule Mitigation Program 7,506,279 Reserve for Lower Emission School Bus Program 39,515,271	Reserve for Peaker Plant Mitigation Program	45,599
Reserve for Lower Emission School Bus Program 39,515,271	Reserve for Dairy CEQA Program	9,062
	Reserve for ISR Rule Mitigation Program	7,506,279
Reserve for Winery Rule Program 47,397	Reserve for Lower Emission School Bus Program	39,515,271
	Reserve for Winery Rule Program	47,397
Reserve for Community Incentive Programs 3,836	Reserve for Community Incentive Programs	3,836
Reserve for Proposition 1B Program 36,912,413	Reserve for Proposition 1B Program	36,912,413
Reserve for DERA - Lower Emission School Bus Program 139,411	Reserve for DERA - Lower Emission School Bus Program	139,411
Reserve for Voluntary Emission Reduction Programs 1,452,956	Reserve for Voluntary Emission Reduction Programs	1,452,956
Total Reserved Fund Balance 131,112,356	Total Reserved Fund Balance	131,112,356
Designated for Community Incentive Programs 4,897,900	· · · · · · · · · · · · · · · · · · ·	
Unreserved, Undesignated Fund Balance 8,264,097		
Total Unreserved Fund Balance 13,161,997	Total Unreserved Fund Balance	13,161,997
Total Fund Balance \$ 144,274,353	Total Fund Balance	\$ 144,274,353

- The \$3,840,000 general reserve was established by the District Governing Board to provide for additional financial stability.
- The \$473,000 was established by the District Governing Board to provide a reserve for Long-Term Building Maintenance.
- The \$1,738,248 fund balance reserve for encumbrances outstanding at June 30, 2010 represents the amount of expenditures that would result if contracts in process at fiscal year end were completed. This reserve earmarks resources for specific future uses and legally segregates a portion of the fund balance.

- The \$22,535,072 fund balance reserve for the Heavy-Duty Program Incentives represents monies and related interest identified by the District Governing Board for distribution to qualifying Heavy-Duty Programs. The qualifying programs include the Carl Moyer Program, California Energy Commission Funds (CEC), the Traffic Congestion Relief Program (TCRP), Zero Emission Ag Utility, Miscellaneous Incentive Grants Hearing Boards, and the School Bus Retrofit/Replacement Program.
- The \$16,189,054 fund balance reserve for DMV Surcharge Fees Incentives 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 \$488,179 fund balance reserve for the DMV Surcharge Fees Rollover represents unanticipated revenue, unexpended appropriations specifically identified for District-managed incentive programs, and interest earned on DMV Surcharge Fee monies.
- The \$191,274 fund balance reserve for the DMV Administrative Fees represents the administrative fee portion of DMV Surcharge Fees received at the fiscal yearend. This reserve will be released to the general fund as incentive contracts are executed and administrative funds are expended.
- The \$18,951 fund balance reserve for the State ERC Bank Program represents monies from the California Air Resources Board's NOx and PM Emission Reduction Credit Bank Program. The District will use these funds for Heavy-Duty Engine Emission Reduction Program incentives.
- The \$6,354 fund balance reserve for the Backup Generator Program represents monies received from the California Air Resources Board to mitigate emissions from back-up diesel generators or other sources with the same or similar emissions.
- The \$45,599 fund balance reserve for the Peaker Plant Mitigation Program represents monies from new and expanding Power Plants to fund mitigation programs focused on Heavy-Duty Engine Projects. The District will use these funds for Heavy-Duty Engine Emission Reduction Program incentives.
- The \$9,062 fund balance reserve for the Dairy CEQA Program represents monies received from dairy permit applicants within the San Joaquin Valley. These monies will be used to fund and execute agreements with dairy project applicants and environmental consultants to prepare CEQA documents for dairy projects where the District is the lead agency.
- The \$7,506,279 fund balance reserve for the ISR Rule Mitigation Program represents funds received from new development projects. These funds will be

used as incentive grants for projects that will offset the future projected emissions generated by these development projects.

- The \$39,515,271 fund balance reserve for the Lower Emission School Bus Program 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 \$47,397 fund balance reserve for the Winery Rule Program represents fees collected under District Rule 4694, Wine Fermentation and Storage Tanks. These funds will be used for projects that will mitigate future projected emissions.
- The \$3,836 fund balance reserve for the Community Incentive Programs represent District appropriations for the Lawn Mower and Wood Stove changeout programs. These funds will be used for projects that will mitigate future projected emissions.
- The \$36,912,413 fund balance reserve 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 \$139,411 fund balance reserve for the DERA- Lower Emission School Bus Program represents funds from the Environmental Protection Agency passed through to the California Air Resources Board. These funds will be used for the retrofit of school buses.
- The \$1,452,956 fund balance reserve for the Voluntary Emission Reduction Program represents funds received from voluntary development mitigation contracts. These funds will be used as incentive grants for projects that will offset the projected future emissions of these development projects.
- The \$4,897,900 was designated by the District Governing Board for various Community Incentive Programs.

#### J. Use of Estimates

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

#### K. New Pronouncements

The District is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following Governmental Accounting Standards Board (GAS B) Statements:

In June 2007, GASB issued Statement No. 51, Accounting and Financial Reporting for Intangible Assets. This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This Statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. The District implemented this statement.

In June 2008, GASB Issued Statement No, 53, Accounting and Financial Reporting for Derivative requires governments to measure and report most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The requirement of reporting the derivative instruments at fair value on the face of financial statements gives the users of financial statements a clearer look into the risk their governments are sometimes exposed to when they enter into these transactions and how those risks are managed. The Statement also addresses hedge accounting requirements and improves disclosures, providing a summary of the government's derivative instrument activity, its objectives for entering into derivative instruments, and their significant terms and risks. This Statement is effective for financial statement with reporting periods beginning after June15, 2009, with earlier application encouraged. This statement did not have an impact on the District's financial statements.

In March 2009, GASB issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The objective to this Statement is to enhance the usefulness of fund balance information by providing a clearer fund balance classifications that can be more consistently applied by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement is effective for financial statements with reporting periods beginning after June 15, 2010. The District has not determined its effect on the financial statements.

In March 2009, GASB issued Statement No. 58, Accounting and Financial Reporting for Chapter 9 Bankruptcies. This statement establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

#### 2. CASH AND INVESTMENTS

Cash and Investments as of June 30, 2010 consisted of the following:

Petty Cash	\$ 1,050
District Cash Funds	2,800
Change Funds	150
Postage Funds	17,718
Total Cash On Hand	21,718
Wells Fargo Bank	312,366
Other Deposits	 34
Total Deposits with Financial Institutions	312,400
Security Deposit - Leased Property	 2,000
Total Other Deposits	2,000
Fresno County Treasurer	139,049,456
Kern County Treasurer	 117,758
Total Investments with County Investment Pools	 139,167,214
Total Cash and Investments	\$ 139,503,332

# 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 <u>Maturity</u>	Maximum Percentage Of Portfolio	Maximum Investment In One Issuer
County Investment Pool	N/A	100%	None

#### **Disclosures Relating to Interest Rate Risk**

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

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

	_	Remaining Maturity (in Months)				
Investment Type	<u>Amount</u>	12 Months Or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months	
County Investment	<u>\$139,167,214</u>	<u>\$139,167,214</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	

#### **Disclosures Relating to Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of the rating required by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, 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 No. 40 does not require disclosure as to credit risk:

		Minimum	Exempt	Rati	ear-End	
		Legal	From			Not
Investment Type	<u>Amount</u>	<u>Rating</u>	<u>Disclosure</u>	<u>AAA</u>	<u>Aa</u>	Rated
County Investment Pool	<u>\$139,167,214</u>	N/A	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$139,167,214</u>

#### **County of Fresno Treasurer's Investment Pool**

The District is a voluntary participant in the County of Fresno Treasurer's Investment Pool that is regulated by the California Government Code. 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 provided by the Investment Pool 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.

#### **Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code (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 California Government Code 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, 2010, 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, 2010 consisted of the following:

	Capital Assets - Governmental Activities									
	Balance June 30, 2009	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2010</u>						
Land	\$ 904,208	\$ -	\$ -	\$ 904,208						
Building & Improvements	6,526,542	371,790		6,898,332						
Machinery & Equipment	9,360,839	963,245	852,799	9,471,285						
Intangible Assets	693,521	142,530	<u>-</u> _	836,051						
Totals	17,485,110	1,477,565	852,799	18,109,876						
Less: Accumulated Depreciation	6,959,874	1,271,888	806,028	7,425,734						
Net book value of Capital Assets	\$10,525,236	\$ 205,677	\$ 46,771	\$10,684,142						

For the year ended June 30, 2010, the depreciation expense of \$1,271,888 on capital assets was charged to the District's activities as follows:

Permitting	\$	300,139
Enforcement / Air Monitoring		755,098
Agricultural Burning		41,144
Plan and Rule Development		48,298
Mobile Sources		72,447
Outreach and Communications		29,484
Air Quality Analysis		25,278
Total Depreciation Expense	\$ ^	1,271,888

#### 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, 2010:

July 1, 2009 Balance	\$2,385,516
Plus: Net Increase 07/01/09 - 06/30/10	176,513
June 30, 2010 Balance	2,562,029
Amount Due within one Year	\$ 178,501
Amount Due More Than One Year	\$2,383,528

#### 5. RETIREMENT PLANS

#### **Plan Description**

The District contributes to the Kern County Employees' Retirement Association (KCERA), a cost-sharing, multiple employers, defined benefit pension plan administered by the Board of Retirement. KCERA provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The County Employees' Retirement Law of 1937 assigns the authority to establish and amend benefit provisions to the Kern County Board of Supervisors. KCERA issues a stand-alone financial report and required supplementary information, which may be obtained from KCERA at 1125 River Run Blvd. Bakersfield, California 93311.

#### **Funding Policy**

Plan members must contribute a percentage of their annual covered salary, which varies depending upon their age at date of entry in the association. The Average percentage was 4.0% during the fiscal year. The District is required to contribute at an

actuarially determined rate. The contribution for Fiscal Year 2009-10 is 28.23% of annual covered payroll or total amount of \$5,653,041. The contribution requirements of plan members and the District are established and may be amended by the Board of Retirement. The District's contributions to KCERA for each of the last three fiscal years are as follows:

Year Ended June 30				
2010	\$ 5,653,041	100%		
2009	4,962,833	100%		
2008	5,078,432	100%		

#### 6. RISK MANAGEMENT

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, property and employee blanket bonds for its member districts.

For the fiscal year 2009-10, the District contributed \$149,354 to the SDRMA. The District's contributions represented 0.6% 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, and up to \$400,000 for public employees blanket bond and for the replacement cost of property.

The District's workers compensation insurance carrier during fiscal year 2009-10 was State Compensation Insurance Fund.

#### 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. 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, Hartford Life Insurance Co. qualifies as a plan trustee to meet the federal requirements. In accordance with GASB Statement 32, the District no longer reports plan assets and liabilities in its financial statements.

#### 8. COMMITMENTS

#### Operating Leases

The District is obligated under operating leases for the rental of office space. The District's rental expense was \$385,608 for the year ended June 30, 2010. Future minimum lease payments under these leases are as follows:

Year Ending June 30,	
2011	\$ 385,608
2012	413,688
2013	393,768
2014	408,888
2015 - 2019	1,989,036
Total	\$ 3,590,988

#### 9. CAPITAL LEASE OBLIGATIONS

The District currently has two capital lease agreements. One agreement for a new Telephone System, and a second agreement for a Video Teleconferencing System Upgrade, that provides title to pass to the District upon expiration of the lease period. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

#### Asset:

Telephone Equipment	\$ 323,549
Video Teleconferencing Equipment	 714,245
Subtotal	1,037,794
Less: Accumulated Depreciation	505,219
Total	\$ 532,575

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2010, are as follows:

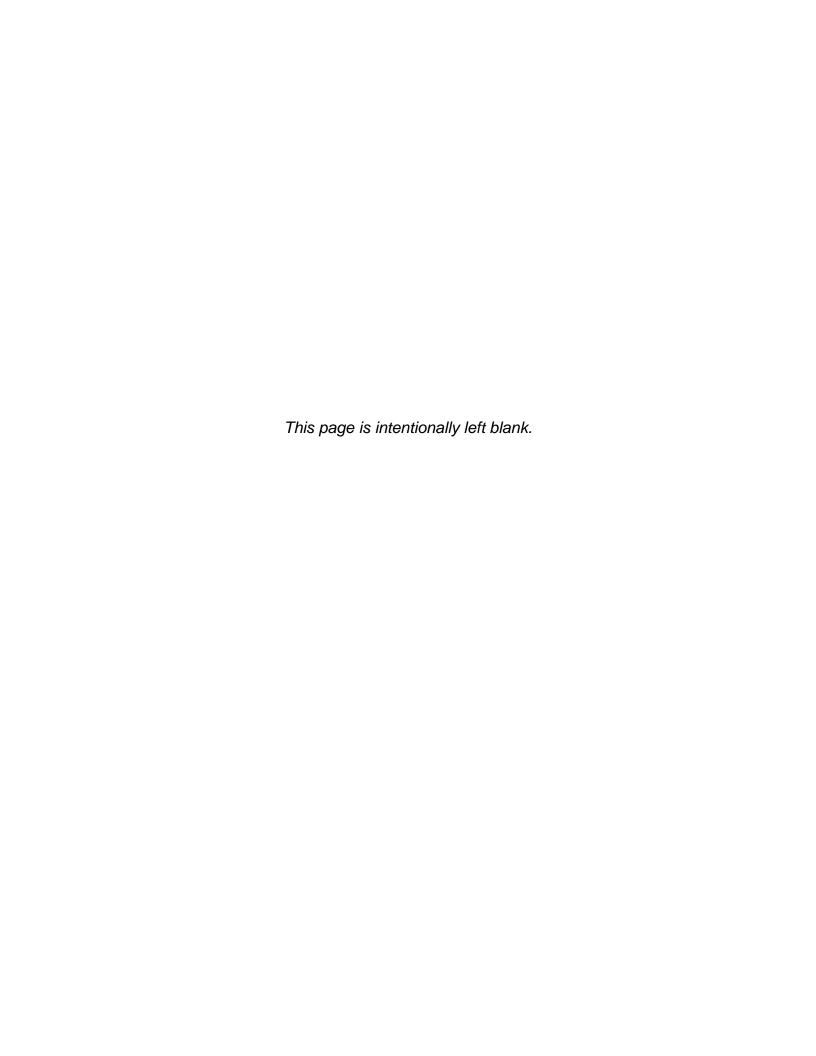
	Total Future		
	Mini	mum Lease	
Year Ended June 30:	P	ayments	
2011	\$	372,946	
2012		372,946	
2013		372,946	
Total minimum lease payments		1,118,838	
Less: amount representing interest		(81,044)	
Present Value of minimum lease payments		1,037,794	
Amount due within one year	(329,884)		
Amount due in more than one year	\$	707,910	

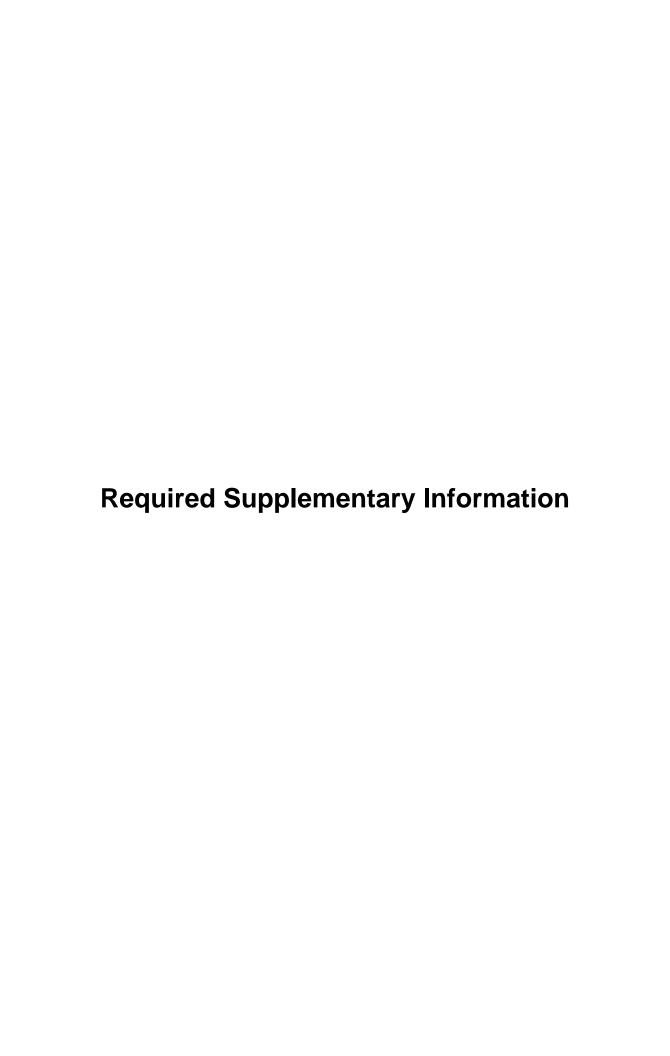
#### **Interest Included as Direct Expense**

Interest expense of \$58,132 on the long-term debt has been allocated as direct expense to individual benefiting functions on the government-wide statement of activities.

#### 10. 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.





### San Joaquin Valley Unified Air Pollution Control District General Fund - Budgetary Comparison Schedule For the Year Ended June 30, 2010

		Dudantad	A see a conta	A atual Amounta			Variance
	_	Budgeted Adopted	Final Adjusted	Actual Amounts Budgetary Basis			Positive (Negative)
Operating Budget		ridopiod	1 mai / tajaotoa		agolary Baolo		(Hoganio)
Revenues:							
Vehicle Registration Fees	\$	10,100,000	\$ 10,100,000	\$	10,100,000	\$	-
License & Permit Fees		17,549,300	18,500,662		20,134,883		1,634,221
Interest Penalties & Settlements		465,000 2,730,000	465,000 2,730,000		164,572 4,646,649		(300,428) 1,916,649
State Grants		882,000	882,000		900,090		18,090
Federal Grants		2,100,500	2,100,500		1,630,002		(470,498)
Miscellaneous Revenue		30,500	30,500		73,931		43,431
Total Operating Revenues		33,857,300	34,808,662		37,650,127		2,841,465
Operating Amounts Available For Appropriations		33,857,300	34,808,662		37,650,127		2,841,465
Expenditures:							
Salaries and Benefits		28,260,100	28,260,100		27,380,665		879,435
Services & Supplies		5,606,000	5,606,000		4,544,326		1,061,674
		-,,	-,,		,- ,		,,-
Fixed Assets:							
Office Improvements		51,300	51,300		8,617		42,683
Computer Equipment		667,200	615,016		558,303		56,713
Office Furniture/Equipment		38,900	38,900		9,979		28,921
Office Machines		47,900	47,900		19,302 135,192		28,598
Telephone System Detection Equipment		139,400 33,500	139,400 33,500		26,643		4,208 6,857
Automobiles		307,000	307,000		300,866		6,134
Video Conferencing System		339,100	339,100		275,851		63,249
Air Monitoring Station Equipment		407,600	459,784		395,845		63,939
Total Fixed Assets		2,031,900	2,031,900		1,730,598		301,302
Total Operating Charges to Appropriations		35,898,000	35,898,000		33,655,589		2,242,411
Excess of Operating Revenues Over Expenditures		(2,040,700)	(1,089,338)		3,994,538		5,083,876
Non-Operating Budget							
Revenues:							
Air Toxics Fees - Pass Through		30,000	30,000		24,060		(5,940)
Heavy-Duty Engine Emission Funds		10,694,400	15,888,330		8,807,813		(7,080,517)
DMV Surcharge Fees - Pass Through		8,250,000	8,250,000		7,741,736		(508,264)
Interest - Non-Operating		2,346,400	2,356,853		1,792,114		(564,739)
Federal Grants - Non-Operating		7,500,000	20,237,443		5,076,672		(15,160,771)
Dairy CEQA Program Funds		-	-		205		205
Development Mitigation Program Contracts		-	307,180		437,055		129,875
Lower Emission School Bus Funds		15,385,000	15,525,000		36,385,826		20,860,826
ISR Rule Mitigation Funds - Pending Proposition 1B Funds		6,429,000 45,000,000	6,429,000		535,436 38,600,000		(5,893,564)
Winery Rule Mitigation Funds		45,000,000	45,000,000		39,505		(6,400,000) 39,505
Community Incentive Programs		_	1,407,600		96,760		(1,310,840)
Non-Operating Amounts Available For Appropriations		95,634,800	115,431,406		99,537,182		(15,894,224)
Expenditures:							
Air Toxics-Pass Through		30,000	30,000		17,398		12,602
Dairy CEQA Program		-	-		-		
Federal Grants - Non-Operating		7,500,000	16,569,749		485,910		16,083,839
Heavy-Duty Engine Emission Program		21,966,200	24,185,383		409,775		23,775,608
Development Mitigation Program Contracts		204,400	511,580		-		511,580
ISR Rule Mitigation Program		6,780,200	6,780,200		-		6,780,200
Proposition 1B Program		45,675,000	45,675,000		-		45,675,000
Lower Emission School Bus Funds		15,910,100	15,910,100		-		15,910,100
Community Incentive Programs  Total Non-Operating Charges to Appropriations		550,000 98,615,900	8,750,494 118,412,506		203,550 1,116,633	_	8,546,944 117,295,873
Excess of Non-Operating Revenues Over Expenditures		(2,981,100)	(2,981,100)		98,420,549		101,401,649
Appropriation for Contingencies		850,000	850,000		-		850,000
Net Change to District Fund Balance, June 30, 2010	\$	(5,871,800)	\$ (4,920,438)	\$	102,415,087	\$	105,635,525
3		, , , , 21		<u> </u>	, -,	_	, .,-

## NOTES TO 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 42 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, 2010.

Excess of revenues over expenditures (GAAP Basis)	\$ 70,780,577
Adjustments for encumbrance activity	449,419
Adjustments from budget cash basis to modified accrual basis	 31,185,091
Excess of revenues over expenditures (Budgetary Basis)	\$ 102,415,087

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

#### Note 2 - BUDGETING

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 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/APCO and must be approved by the District Governing Board. The Board also must approve supplemental appropriations financed by unanticipated revenues.

Expenditures, except for Fixed Assets, are controlled at the object level for all program budgets within the District. Fixed Assets are controlled at the sub-object level.

#### San Joaquin Valley Unified Air Pollution Control District

#### Schedule of Funding Progress For the Year Ended June 30, 2010

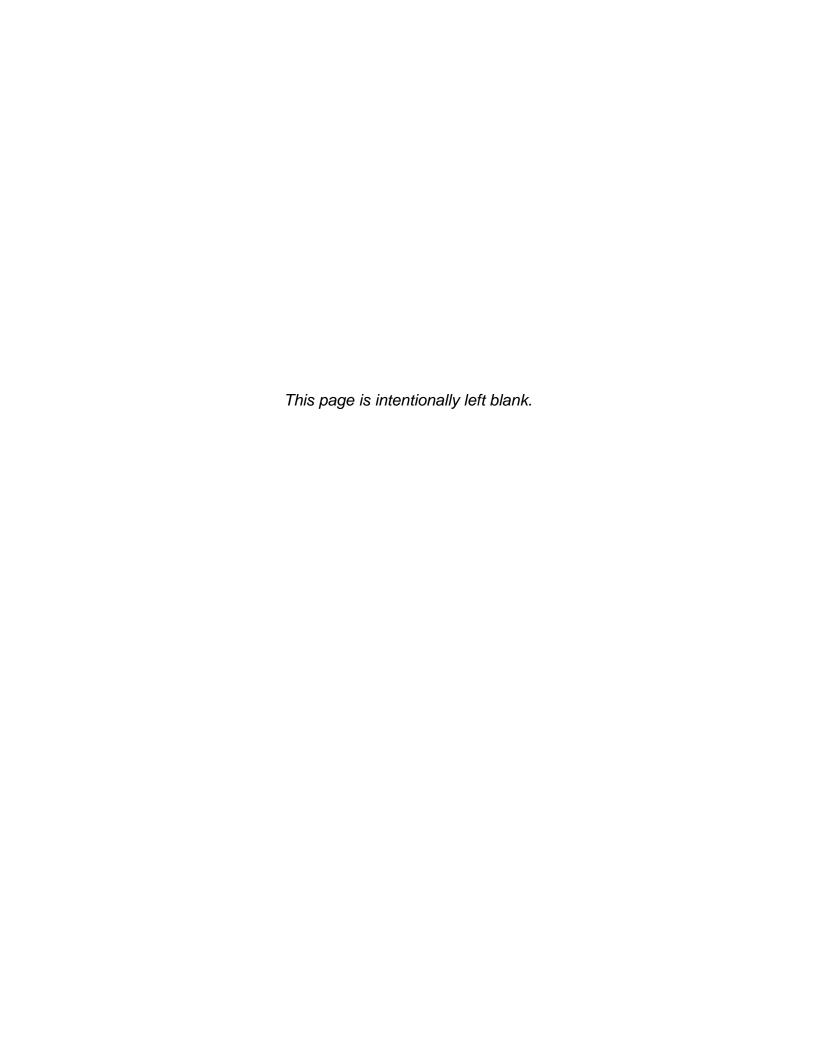
The District contributes to the Kern County Employees' Retirement Association (KCERA). The District's defined benefit pension plan is a cost-sharing multiple-employer defined benefit pension plan that provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The information presented in below in the schedule of funding progress and employer contributions relates to the plan as a whole, of which the District is one participating employer.

**Kern County Employees' Retirement Association** 

						UAAL as a
	Actuarial	Actuarial	Unfunded			Percentage of
Actuarial	Value of	Accrued	AAL (UAAL)	Funded	Covered	Annual
Valuation	Assets	Liability (AAL)	(b-a)	Ratio	Payroll	Covered Payroll
Date	(a)	(b)	(c)	(a/b)	(d)	(c)/(d)
12/31/2003	\$1,927,585	\$ 2,059,286	\$ 131,701	93.60%	\$ 353,444	37.26%
12/31/2004	2,012,521	2,336,406	323,885	86.14%	374,951	86.38%
12/31/2005 *	2,164,304	2,861,872	697,568	75.63%	391,381	178.23%
12/31/2006	2,352,028	3,109,038	757,010	75.65%	417,351	181.38%
12/31/2007	2,589,817	3,355,755	765,938	77.18%	453,412	168.93%
6/30/2008	2,654,305	3,671,460	1,017,155	72.30%	482,879	210.64%
6/30/2009	2,780,215	4,205,200	1,424,985	66.11%	559,872	254.52%

Source: Kern County Employees' Retirement Association Actuarial Valuation, June, 30, 2008

<sup>\*</sup> Reflects General member benefit increases



### 47

#### SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

# STATEMENT OF NET ASSETS Last Eight Fiscal Years

(accrual basis of accounting)
(In Thousands)

	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	2008-09	2009-10
Current and Other Assets Capital Assets	\$ 55,020 6,232	\$ 49,920 5,840	\$ 46,872 6,605	\$ 83,825 6,504	\$ 72,106 9,740	\$ 63,504 10,812	\$ 75,321 10,525	\$ 145,587 10,684
Total Assets	61,252	55,760	53,477	90,329	81,846	74,316	85,846	156,271
Current Liabilities	2,083	1,092	1,430	1,849	1,712	2,415	2,141	1,821
Noncurrent Liabilities	1,435	1,432	1,581	1,723	1,837	3,337	3,253	3,091
Total Liabilities	3,518	2,524	3,011	3,572	3,549	5,752	5,394	4,912
Net Assets:								
Invested in Capital Assets, net of related debt	6,232	5,840	6,605	6,504	9,740	9,160	9,173	9,646
Restricted for Special Projects/Programs	34,084	30,494	27,454	66,096	57,905	47,388	59,073	125,061
Unrestricted	17,418	16,902	16,407	14,157	10,652	12,016	12,206	16,652
Total Net Assets	\$ 57,734	\$ 53,236	\$ 50,466	\$ 86,757	\$ 78,297	\$ 68,564	\$ 80,452	\$151,359

#### Source:

#### 48

#### SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

#### CHANGES IN NET ASSETS Last Eight Fiscal Years

(accrual basis of accounting)
(In Thousands)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Revenues:								
Program Revenue:								
Fees and Charges - Stationary Sources	\$ 8,423	\$ 8,581	\$ 9,312	\$ 10,413	\$ 11,317	\$ 11,559	\$ 15,852	\$ 19,348
Fees and Charges - Mobile Sources	9,907	10,100	13,007	11,329	12,041	11,915	11,872	11,569
Operating Grants	2,107	1,940	1,997	2,135	94	3,845	2,055	1,630
Restricted Special Revenue Sources	5,238	3,660	7,141	44,101	30,231	26,628	37,347	98,837
Total Program Revenue	25,675	24,281	31,457	67,978	53,683	53,947	67,126	131,384
General Revenues:								
State Subvention	866	868	876	884	868	897	899	900
Interest	412	328	354	424	625	486	653	164
Penalties/Settlements	2,813	3,306	3,239	5,393	3,010	4,007	3,605	4,662
Miscellaneous	79	141	243	46	81	125	(11)	30
Total General Revenue	4,170	4,643	4,712	6,747	4,584	5,515	5,146	5,756
Other Financing Sources - Capital Asset Leases						1,652		
Total Revenue & Other Financing Sources	29,845	28,924	36,169	74,725	58,267	61,114	72,272	137,140
Expenses:								
Permitting	6,800	7,787	9,005	9,614	11,230	12,054	12,263	12,758
Enforcement / Air Monitoring	7,502	8,518	7,376	9,702	10,314	11,020	11,105	11,761
Agricultural Burning	637	1,422	2,412	1,053	1,115	1,181	1,170	937
Plan and Rule Development	2,090	2,109	2,472	2,894	1,854	2,062	2,484	2,035
Mobile Sources	890	882	1,052	1,182	1,526	2,284	2,840	3,315
Outreach & Communications	1,229	1,284	1,552	1,806	1,675	2,187	2,276	2,321
Air Quality Analysis	797	885	996	1,421	1,246	1,235	1,156	1,560
Non-Operating	15,701	10,535	14,075	10,762	37,768	40,453	24,872	31,546
Total Expenses	35,646	33,422	38,940	38,434	66,728	72,476	58,166	66,233
Increase / (Decrease) - Changes in Net Assets	\$ (5,801)	\$ (4,498)	\$ (2,771)	\$ 36,291	\$ (8,461)	\$(11,362)	\$ 14,106	\$ 70,907

#### Source:

# FUND BALANCES, GENERAL FUND Last Eight Fiscal Years

(modified accrual basis of accounting)
(In Thousands)

	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	2008-09	<u>2009-10</u>
General Fund:								
Reserved	\$39,137	\$37,065	\$33,531	\$72,069	\$62,685	\$53,583	\$66,370	\$131,112
Unreserved	13,801	11,763	11,911	9,907	7,710	7,805	7,124	13,162
Total General Fund	\$52,938	\$48,828	\$45,442	\$81,976	\$70,395	\$61,388	\$73,494	\$144,274

Source:

#### CHANGES IN FUND BALANCE, GENERAL FUND Last Eight Fiscal Years

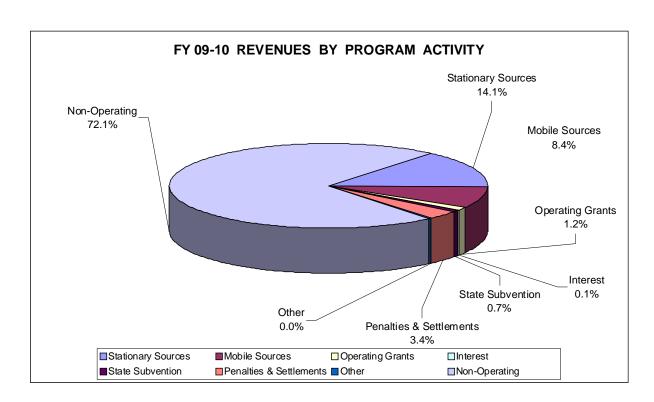
(modified accrual basis of accounting)
(In Thousands)

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Revenues:								
Program Revenues:								
Fees and Charges - Stationary Sources	\$ 8,423	\$ 8,581	\$ 9,312	\$ 10,413	\$ 11,317	\$ 11,559	\$ 15,852	\$ 19,348
Fees and Charges - Mobile Sources	9,907	10,100	11,013	11,329	12,041	11,915	11,872	11,569
Operating Grants	2,107	1,940	1,996	2,135	94	3,845	2,055	1,630
Restricted Special Revenue Sources	5,238	3,660	9,135	44,101	30,231	26,628	37,347	98,837
General Revenues:								
State Subvention - Not Restricted	866	868	876	884	868	897	899	900
Interest - Not Restricted	413	328	354	424	625	486	653	164
Penalties/Settlements	2,812	3,306	3,239	5,393	3,010	4,007	3,605	4,662
Miscellaneous Revenue	79	141	244	46	81	125	100	76
Total Revenue	29,845	28,924	36,169	74,725	58,267	59,462	72,383	137,186
Expenses: Operating:								
Salaries and Benefits	15,136	17,084	19,825	21,693	23,479	24,195	26,172	27,209
Services and Supplies	3,570	3,673	4,038	4,464	3,815	4,247	5,100	5,095
Capital Outlay	1,354	1,742	1,617	1,273	4,786	2,854	1,916	2,556
Total Operating Expenditures	20,060	22,499	25,480	27,430	32,080	31,296	33,188	34,860
Non-Operating:								
Pass Through and Non-Operating	15,700	10,535	14,075	10.762	37.768	40,453	24,872	31,546
Total Expenditures	35,760	33,034	39,555	38,192	69,848	71,749	58,060	66,406
Other Financing Sources - Capital Asset Leases	-	-	-	-	-	1,652	-	-
Net Change in Fund Balance - Prior to Adjustment	(5,915)	(4,110)	(3,386)	36,533	(11,581)	(10,635)	14,323	70,780
Adjustment to Fund Balance	792					1,629	(2,218)	
Net Change in Fund Balance	\$ (5,123)	\$ (4,110)	\$ (3,386)	\$ 36,533	\$ (11,581)	\$ (9,006)	\$ 12,105	\$ 70,780

Source:

# REVENUES BY PROGRAM ACTIVITY Last Five Fiscal Years

Program Activity	2005-06	2006-07	2007-08	2008-09	2009-10
Stationary Sources	\$ 10,413,416	\$ 11,316,961	\$ 11,559,383	\$ 15,851,846	\$ 19,347,832
Mobile Sources	11,328,423	12,041,145	11,915,269	11,872,072	11,568,759
Operating Grants	2,135,399	93,795	3,844,519	2,055,373	1,630,002
Interest	424,158	625,236	486,560	652,846	164,572
State Subvention	884,253	867,800	896,628	898,823	900,090
Penalties & Settlements	5,392,669	3,010,358	4,006,787	3,604,528	4,661,655
Other	46,446	81,065	124,937	(11,024)	30,522
Non-Operating	44,100,700	30,230,810	26,627,693	37,347,323	98,837,105
Total Revenu	es \$ 74,725,464	\$ 58,267,170	\$ 59,461,776	\$ 72,271,787	\$ 137,140,537



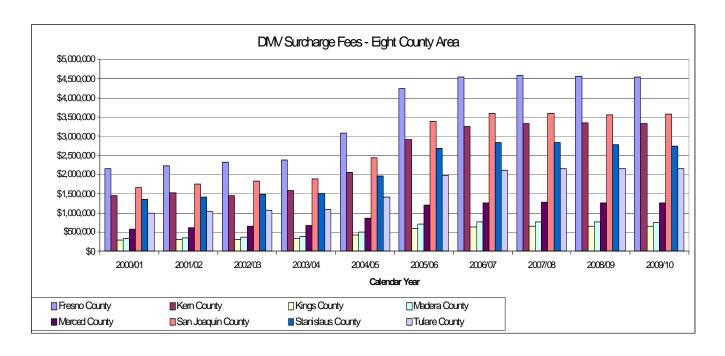
Notes:

Other includes: Miscellaneous Revenue and Subscriptions

#### Source:

#### DMV SURCHARGE FEES - EIGHT COUNTY AREA Last Ten Fiscal Years

Fiscal Year	Fresno County	Kern Caunty	Kings County	Madera County	Merced County	San Joaquin County	Stanislaus County	Tulare County	Total	% Increase
2000/01	\$ 2,150,677	\$ 1,455,402		\$ 336,909		\$ 1,665,743	\$ 1,351,551	\$ 1,000,762		4.22%
2001/02	2,227,493	1,523,782	308,038	357,055	623,319	1,748,164	1,419,123	1,038,981	8,849,748	2.82%
2002/03	2,332,851	1,443,497	321,647	373,073	647,110	1,839,549	1,494,038	1,067,073	9,245,955	3.97%
2003/04	2,379,559	1,584,515	331,516	387,595	664,317	1,893,093	1,514,331	1,093,248	9,518,838	4.48%
2004/05	3,079,191	2,061,601	426,999	509,137	867,833	2,428,456	1,959,813	1,419,005	9,848,174	2.95%
2005/06	4,242,477	2,912,463	596,583	705,113	1,195,142	3,386,635	2,686,686	1,980,099	12,752,035	3.46%
2006/07	4,540,457	3,262,092	638,027	764,935	1,264,960	3,600,963	2,844,147	2,121,519	17,705,198	29.49%
2007/08	4,579,395	3,333,027	649,141	769,579	1,273,970	3,599,834	2,831,833	2,160,649	19,037,100	38.84%
2008/09	4,565,075	3,358,785	645,520	763,627	1,253,828	3,559,192	2,785,930	2,164,078	19,197,428	0.84%
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	-1.02%



#### Notes:

The San Joaquin Valley Unified Air Pollution Control District encompasses all of Freeno, Kings, Madera, Merced, San Joaquin, Stanislaus,

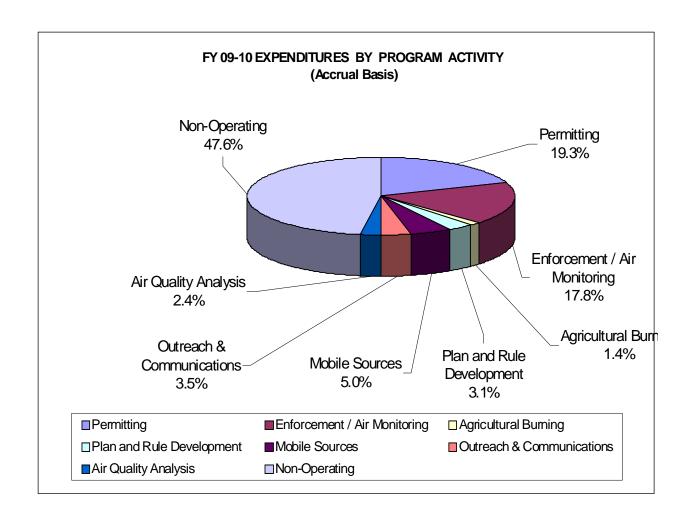
Tulare, and the valley portion of Kern County.

Starting in 2004/005 Total DMV Surcharge Fees include fund from AB2766, SB709, and AB923.

Source: California Department of Motor Vehides

# EXPENDITURES BY PROGRAM ACTIVITY - (Accrual Basis) Last Five Fiscal Years

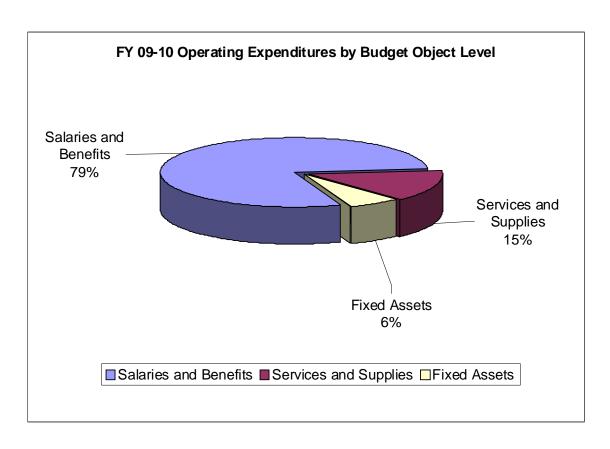
Program Activity	2005-06	2006-07	2007-08	2008-09	2009-10
Permitting	\$ 9,614,325	\$11,230,458	\$ 12,053,583	\$12,262,847	\$ 12,758,531
Enforcement / Air Monitoring	9,702,837	10,313,900	11,020,138	11,105,333	11,760,658
Agricultural Burning	1,052,751	1,115,208	1,180,869	1,169,500	937,312
Plan and Rule Development	2,893,886	1,853,564	2,062,228	2,484,135	2,034,991
Mobile Sources	1,181,484	1,525,673	2,284,463	2,840,067	3,315,001
Outreach & Communications	1,805,975	1,675,084	2,187,232	2,275,970	2,320,601
Air Quality Analysis	1,421,034	1,245,566	1,234,496	1,156,358	1,560,082
Non-Operating	10,761,689	37,768,236	40,453,003	24,871,936	31,546,321
Total Expenditures	\$38,433,981	\$66,727,689	\$72,476,012	\$58,166,146	\$66,233,497



#### Source:

# OPERATING EXPENDITURES BY BUDGET OBJECT LEVEL Last Ten Fiscal Years

Fiscal Year	,	Salaries and Benefits	S	ervices and Supplies	Fixed Assets		tal Operating xpenditures
2000/01	\$	11,399,829	\$	2,953,265	\$	1,021,780	\$ 15,374,874
2001/02		13,053,755		3,460,986		1,708,566	18,223,307
2002/03		15,135,708		3,570,051		1,354,016	20,059,775
2003/04		17,083,592		3,673,348		1,741,708	22,498,648
2004/05		19,824,791		4,038,448		1,617,469	25,480,708
2005/06		21,693,531		4,463,578		1,273,182	27,430,291
2006/07		23,479,039		3,814,644		4,786,429	32,080,112
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



Source:

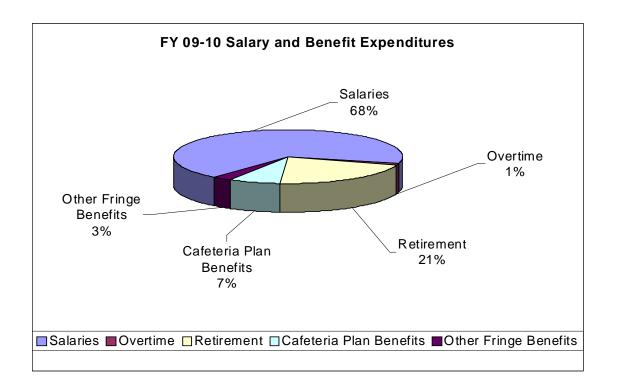
# SALARY AND BENEFIT EXPENDITURES Last Ten Fiscal Years

Fiscal Year	Salaries	Overtime	Retirement	Cafeteria Plar Benefits	Other Fringe Benefits	Total Salaries and Benefits
2000/01	\$ 8,955,997	\$ 209,668	\$ 914,024	\$ 878,958	\$ 214,213	\$ 11,172,860
2001/02	10,286,165	269,340	1,028,358	1,161,467	308,425	13,053,755
2002/03	11,431,697	251,189	1,722,223	1,255,852	474,747	15,135,708
2003/04	12,760,813	226,307	1,995,013	1,398,170	703,289	17,083,592
2004/05	14,325,161	269,618	2,701,422	1,572,390	956,200	19,824,791
2005/06	14,850,007	254,625	4,040,114	1,700,021	848,764	21,693,531
2006/07	15,512,732	299,691	5,208,586	1,792,819	665,201	23,479,029
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

#### Notes:

Salaries Includes: Regular Salaries, Temporary Help, and On Call Pay.

Other Fringe Benefits Includes: Unemployment Insurance, OASDI Insurance, Worker's Compensation Contributions, Long Term Disability Insurance, and Alternate Transportation Incentive.

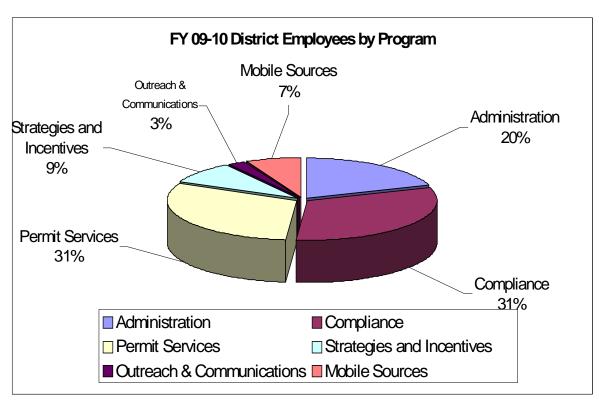


#### Source:

#### DISTRICT EMPLOYEES BY PROGRAM

Adjusted Budget @June 30 Last Ten Fiscal Years

Fiscal Year	Administration	Compliance	Permit Services	Strategies and Incentives	Outreach & Communications	Mobile Sources	Total Employees
2000/01	40	70	ස	34	6	6	203
2001/02	41	70	67	37	6	9	219
2002/03	42	71	73	39	6	9	230
2003/04	49	78	89	40	6	9	240
2004/05	48	83	85	44	8	10	271
2005/06	50	83	89	45	8	14	278
2006/07	52	83	99	35	8	14	289
2007/08	60	85	95	36	7	23	291
2008/09	62	88	95	36	7	23	306
2009/10	61	97	94	28	7	21	308

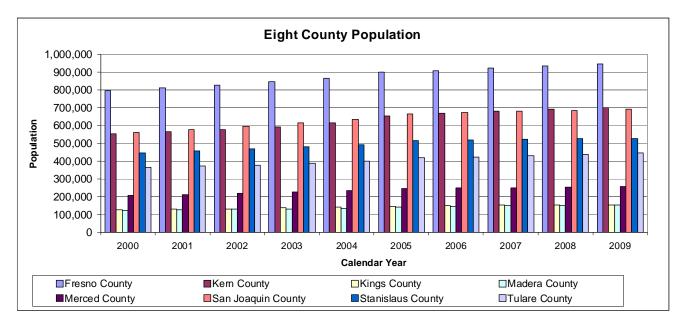


Source:

#### **EIGHT COUNTY POPULATION**

**Last Ten Calendar Years** 

	Fresno	Kern	Kings	Madera	Merced	San Joaquin	Stanislaus	Tulare		%
Year	County	County	County	County	County	County	County	County	Total	Increase
2000	797,900	554,600	128,800	124,500	208,800	561,200	445,900	367,000	3,127,600	1.43%
2001	813,200	565,800	131,300	128,600	213,000	578,600	457,700	372,400	3,188,700	1.95%
2002	826,600	577,600	133,100	129,700	218,900	596,000	469,500	379,200	3,260,600	2.25%
2003	845,600	592,500	137,400	131,500	227,000	616,500	483,000	388,600	3,330,600	2.15%
2004	866,500	615,200	141,500	136,900	234,200	636,500	494,800	400,100	3,422,100	2.75%
2005	899,500	655,100	147,700	144,400	246,800	668,300	514,400	420,600	3,525,700	3.03%
2006	909,400	668,900	149,800	147,200	249,100	674,300	519,300	425,600	3,696,800	4.85%
2007	923,100	680,300	153,300	149,900	252,500	680,200	523,100	431,000	3,743,600	1.27%
2008	936,800	691,800	155,000	151,900	256,100	687,000	526,000	438,300	3,793,400	1.33%
2009	948,500	700,500	154,700	152,900	257,000	691,700	527,100	445,000	3,877,400	2.21%



#### Notes:

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

Source: California State Department of Finance - Demographic Research Unit - (SJVUAPCD Portion of Kern County estimated at 84%)

## San Joaquin Valley Unified Air Pollution Control District

### **Demographic and Miscellaneous Statistics**

District Established: March 21, 1991

Area Covered: 25,000 Square Miles

Counties Included in District: San Joaquin, Stanislaus, Merced, Madera, Fresno,

Kings, Tulare, and the Valley portion of Kern County

Population: 3,877,400 (2009)

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: 2,762,100 (6/30/10) 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 Operate and 6,200 Agricultural Conservation Management Practice Plans

Number of Air Monitoring Stations: 29, District, ARB, Tribal, and National Park Service

Combined (Including 2 Lower Air Profilers)

District Full-time Authorized Positions: 308

Adopted FY 2010-11 Budget: \$151,371,999

#### Southern Region

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