



**San Joaquin Valley**  
AIR POLLUTION CONTROL DISTRICT

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2011**



Prepared By  
Finance Department

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# San Joaquin Valley Unified Air Pollution Control District

Comprehensive Annual Financial Report  
Year Ended June 30, 2011

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# INTRODUCTORY SECTION

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# San Joaquin Valley Unified Air Pollution Control District

## Governing Board

June 30, 2011

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J. Steven Worthley, Chair  
Supervisor, Kings County

Ann Johnston, Vice Chair  
Mayor, City of Stockton

William O'Brien  
Supervisor, Stanislaus County

Judith G. Case  
Supervisor, Fresno County

Leroy Ornellas  
Supervisor, San Joaquin County

Ronn Dominici  
Supervisor, Madera County

Vacant  
Appointed by Governor

Henry Jay Forman, Ph.D.  
Appointed by Governor

Raymond A. Watson  
Supervisor, Kern County

Hub Walsh  
Supervisor, Merced County

Chris Vierra  
Councilmember, City of Ceres

Vacant  
City Representative, Tulare County

Tony Barba  
Supervisor, Kings County

Vacant  
City Representative, Kings County

Randy Miller  
Councilmember, City of Taft

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Executive Director - Air Pollution Control Officer

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

January 31, 2012

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, 2011. 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.

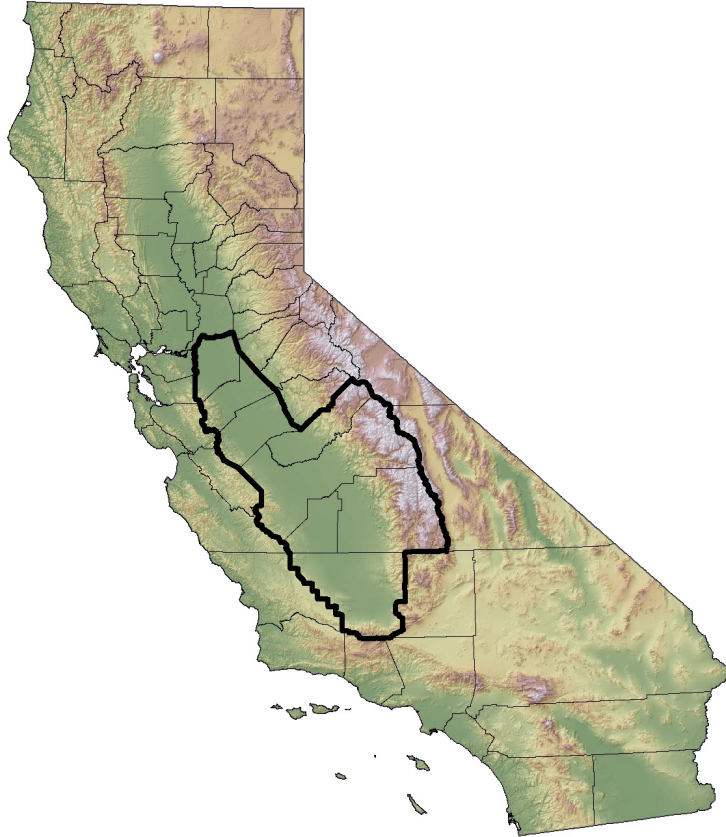
This report is divided into three major sections: the Introductory Section, Financial Section and Statistical Section. The Introductory Section includes the District's organizational structure and a list of principal officials as well as this Letter of Transmittal, which provides general comments on 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 2011. 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 2011 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 PM<sub>2.5</sub> 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 2010-11

### **Air Quality Plans**

The District has written several air quality plans (State Implementation Plans, or SIPs) over the years that serve as road maps for the new measures needed for the Valley to reach federal air quality standards. The District's air quality plans include emissions inventories showing the sources of air pollutants, evaluations of how well different control methods have worked, and a strategy for how air pollution will be further reduced. The plans also use computer modeling to estimate future levels of pollution and to ensure that the Valley will meet air quality goals on time.

Over 2010–2011, the District worked with ARB to provide EPA with additional documentation and information to support EPA approval of the 2007 Ozone Plan and 2008 PM2.5 Plan. The District also approved the 2008 PM2.5 Plan Progress

Report in June 2008. This report included information regarding the adoption of regulatory measures, implementation of incentive programs, and resulting emissions reductions. The report also documented recent measured improvements in PM2.5 air quality, such as lower annual average PM2.5 concentrations and more “Good” Air Quality Index days. Also over 2010–2011, the District began its analysis to prepare for the 2012 PM2.5 Attainment Plan for the 2006 federal PM2.5 standard. This plan is due to EPA by December 2012.

The District’s plans include not only a strategy of regulatory control measures and incentive programs, but other innovative strategies for accelerating attainment through non-regulatory measures such as the Fast Track strategy. In 2011, the District completed the last three Fast Track measures: Green Purchasing and Contracting, Urban Heat Island Mitigation, and Alternative Energy. The District developed practical guidance documents for each topic, focusing on voluntary actions that Valley businesses, jurisdictions, and the general public could take to reduce emissions. The documents highlight local success stories, win-win opportunities, and potential funding sources. [www.valleyair.org/Programs/FastTrack/FastTrackUpdates.htm](http://www.valleyair.org/Programs/FastTrack/FastTrackUpdates.htm)

### **Rules and Regulations**

The Valley Air District continues its leadership in developing and implementing groundbreaking regulatory strategies to reduce emissions. Tough and innovative rules such as the District’s rules for indirect source review, residential fireplaces, glass manufacturing, and agricultural burning have set benchmarks for California and the nation. Of the 26 control measure commitments in the 2007 Ozone Plan and the 2008 PM2.5 Plan, the District has adopted all measures but one for residential furnaces, which is scheduled for adoption in 2014 to allow time for technology development. Last year saw the following notable highlights:

**Glass Melting Furnaces (Rule 4354):** September 2010 amendments added a new compliance schedule allowing short-term compliance flexibility for flat-glass melting furnaces in exchange for more stringent long-term controls. Additional amendments adopted in May 2011 modified the start-up provision to accommodate the unique nature of an advanced emission control technology, oxy-fuel firing.

**Adhesives and Sealants (Rule 4653):** Amended in September 2010, this rule reduced the VOC content limits for sealants and adhesives.

**Confined Animal Facilities (Rule 4570):** October 2010 amendments implemented the latest phase in the District’s continuing effort to reduce emissions from Valley dairies and poultry ranches. In developing these amendments, the District worked closely with researchers and industry stakeholders, and this work yielded new scientific information that sheds light on dairy feed emissions and emission control measures. The resulting emission reductions will far exceed the 2007 Ozone Plan emission reduction commitment.

**New and Modified Stationary Source Review Rule (Rule 2201):** Adopted on April 21, 2011, amendments incorporated federal PM<sub>2.5</sub> New Source Review (NSR) permitting requirements and resolved the EPA's issue with the method the District uses to refer to the state's limited exemption from offsets for agricultural operations.

**Federally Mandated Ozone Nonattainment Fee (Rule 3170):** Amended in May 2011, this rule implements federal law requiring the District to collect fees from major stationary sources of NO<sub>x</sub> and VOC. The amendments enable the District to implement the federal mandate through an innovative alternative approach that collects the fees only from major sources that have not installed the best available air pollution control technology. Amendments also included tracking and reporting requirements to show that the fees collected from major sources, plus the mobile source fees collected under state Assembly Bill 2522, are, in total, sufficient to meet the federal requirements.

**Boilers, Steam Generators and Process Heaters—2 to 5 MMBtu/hr (Rule 4307):** May 2011 amendments addressed tree nut pasteurizers which are subject to federal Food and Drug Administration restrictions and cannot be retrofitted with add-on pollution controls. No additional emissions are expected to result from this change. **Steam Enhanced Crude Oil Production Wells (Rule 4401):** June 2011 amendments listed specific conditions allowing District approval of alternative testing requests. Amendments are expected to result in full EPA approval of the rule.

**Aerospace Assembly and Component Coating Operations (Rule 4605):** June 2011 amendments added new coating categories and lowered two existing VOC limits to match the new federal CTG. Amendments are expected to result in full EPA approval of the rule.

**Prevention of Significant Deterioration (Rule 2410):** Adopted on June 16, 2011, this new rule authorizes the District to administer the federal Prevention of Significant Deterioration (PSD) permitting program. PSD applies federal preconstruction review requirements to the pollutants for which the San Joaquin Valley has attained the federal National Ambient Air Quality Standards. Previously, EPA Region IX, administered the PSD program in the Valley by reviewing applications, issuing PSD permits and performing inspections.

**Polyester Resin Operations (Rule 4684):** June 2011 amendments added new specialty coating categories, lowered some VOC limits and raised VOC control system standards. Amendments are expected to result in full EPA approval of the rule.

## **Permitting**

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

- 5,429 Authority to Construct permits issued.
- 545 new Permits to Operate issued.
- 44 new Title V permits issued to five facilities.
- 2,203 Title V permit modifications.
- 3,218 Conservation Management Practices plans issued.
- 352 Emission Reduction Credit certificates issued or transferred.
- 874 toxic air contaminant risk-management reviews performed.
- 3,252 annual emissions inventory statements and surveys processed.
- 1,392 California Environmental Quality Act review requests processed.
- 678 CEQA comment letters and 81 CEQA documents prepared.
- 238 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 2010-11:

- 22,630 permit units inspected.
- 2,287 public complaints investigated.
- 1,935 open burn sites inspected.
- 3,584 incentive funding units (trucks, engines) inspected.
- 1,974 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 NO<sub>x</sub> 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 NO<sub>x</sub> 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 \$358 million in incentives, resulting in more than 84,000 tons of lifetime emission reductions. During the 2010-11 fiscal year, the District executed more than 4,800 agreements for more

than \$57 million. These projects are expected to reduce more than 6,600 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 much less than other air management agencies statewide, the District's outreach department nonetheless is just as effective in conveying critical public information, policy and air quality news.

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, "Raise Your Flag" Air Quality Flag program, a school notification system and the Real-time Air Advisory Network (RAAN), providing flexibility to schools regarding outdoor activities on days with deteriorating air quality forecasted.

## 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 due to receipt of Advanced Emission Reduction Option Fees (AERO), just prior to the close of the year and due to several significant one time settlements received throughout the year. AERO fees are received the last month of the fiscal period and are designated in fund balance to be used for incentive programs the following year. On the expenditure side, savings were gained in operating costs due to closely managing salary expense by maintaining vacancies and through careful monitoring of contracts and other expenditures.

While the District's permit fee and DMV revenues are relatively stable, the current state of the economy continues to dampen any growth in these fees. Operating expenditures, however, continue to grow primarily due to employee costs. Retirement benefit costs in particular. The District maintains a relentless on-going focus on developing operational efficiencies to address this imbalance. Automation and reorganization within the District's operational programs and grant programs has allowed for the District to assume significant amounts of additional workload without increasing staffing levels. For example, the District enhanced its Document Management System, its Grants Management System, workflow processes and increased its use of the internet and intranet in doing business during 2010-11.

The District continues to maintain a reasonable amount of 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, 2011. 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, 2011, 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, [www.valleyair.org](http://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. 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 not for immediate use 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, 2011 is \$145.5 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 Finance and Accounting 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,



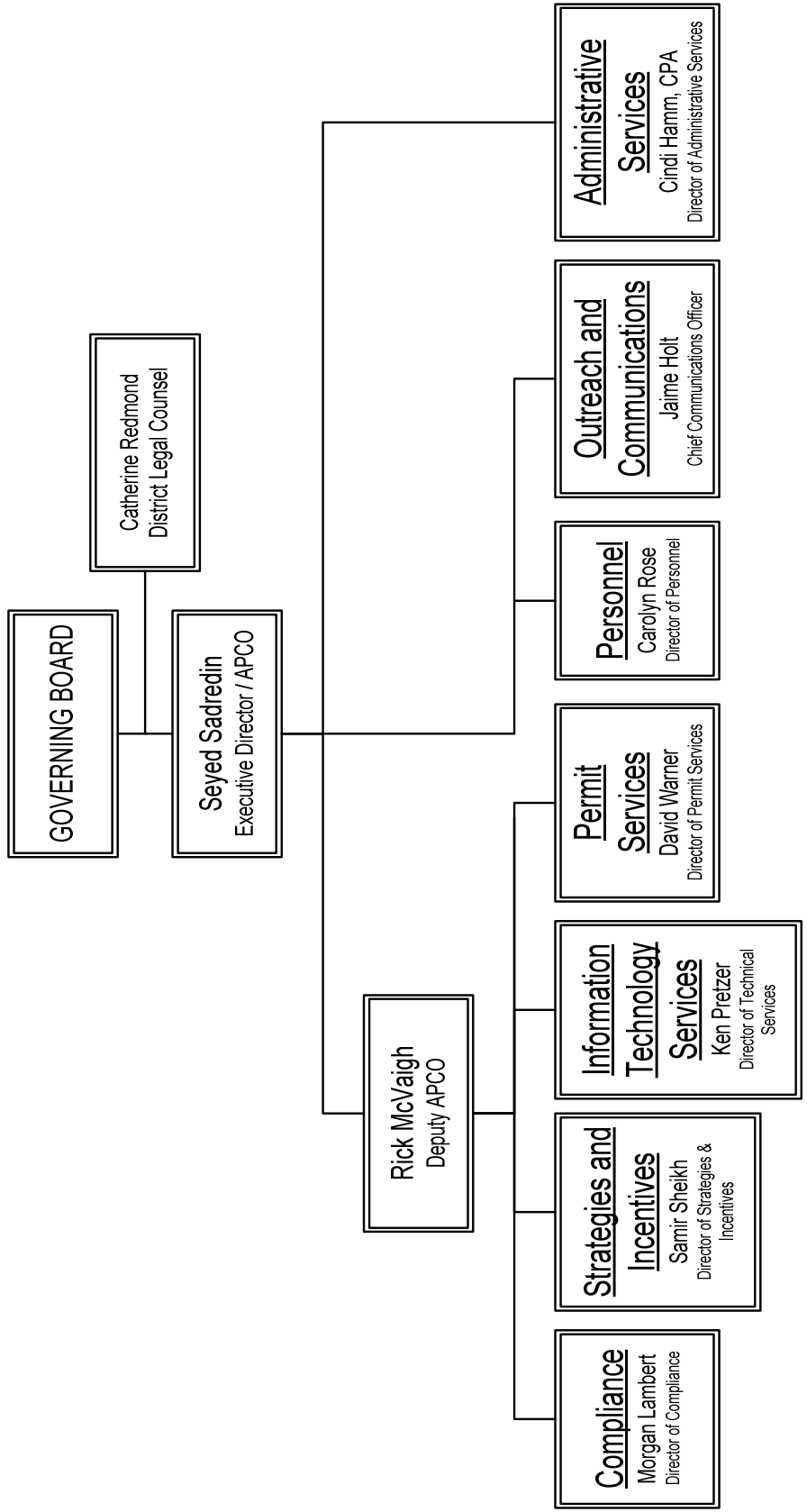
Seyed Sadredin  
Executive Director / APCO



Cindi Hamm, C.P.A.  
Director of Administrative Services

# San Joaquin Valley Unified Air Pollution Control District

June 30, 2011



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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and major fund of the San Joaquin Valley Unified Air Pollution Control District (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 major fund of the District, as of June 30, 2011, 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 January 31, 2012, 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 section and statistical section 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.

*Price Pange & Company*

Clovis, California  
January 31, 2012

# San Joaquin Valley Unified Air Pollution Control District

## Management's Discussion and Analysis June 30, 2011

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, 2011. 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 \$157.2 million (*net assets*). Of this amount, \$122 million is restricted for specific purposes, \$9 million is invested in capital assets (net of related debt), and \$26 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 \$5.8 million as compared to the prior fiscal year. The majority of this increase was related to collection of Advanced Emission Reduction Fees close to fiscal year end and receipt of some administrative funds received and not spent by the end of the year.
- The District's General Fund reported a total fund balance of \$150.4 million at year-end, a \$6.1 million increase as compared to the prior year-end balance. Approximately \$122 million of this balance is contractually or legally restricted; \$15 million represents fund balance assigned to specific purposes and \$13.1 million represents unassigned fund balance.
- Total District governmental fund revenues exceeded total District expenditures by \$6.1 million. The majority of this increase was related to collection of Advanced Emission Reduction Option (AERO) fees close to fiscal year end.

### 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.

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

### **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.

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

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 portion of unassigned fund balance that is not set aside as General Reserve 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 40 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 43 of this report. The Schedule of Funding Progress for pension plan can be found on page 44.

## **C. Government-wide Financial Analysis**

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

## Management's Discussion and Analysis

The following schedule is a condensed Statement of Net Assets as of the year ended June 30, 2011, as compared to the prior fiscal year.

### Statement of Net Assets (In Thousands)

	FY 2010-11	FY 2009-10	Increase (Decrease)	Percent Change
Current and Other Assets	\$ 151,967	\$ 145,587	\$ 6,380	4.4%
Capital Assets	10,129	10,684	(555)	-5.2%
Total Assets	162,096	156,271	5,825	3.7%
Current Liabilities	1,999	1,821	178	9.8%
Noncurrent Liabilities	2,914	3,091	(177)	-5.7%
Total Liabilities	4,913	4,912	1	0.0%
Net Assets:				
Invested in Capital Assets, net of related debt	9,421	9,646	(225)	-2.3%
Restricted for Special Projects/Programs	121,765	125,061	(3,296)	-2.6%
Unrestricted	25,997	16,652	9,345	56.1%
Total Net Assets	\$ 157,183	\$ 151,359	\$ 5,824	3.8%

The District's total Net Assets increased \$5,824,695 from the prior fiscal year. The majority of this increase is due to receipt of some administrative funds and Advanced Emission Reduction Fees received but not spent by fiscal year end.

The District's total liabilities increased only \$349 from the prior fiscal year. Current Liabilities increased \$178,281. This is due to more revenue being deferred and more days of wages accrued but unpaid at year end, partially offset by fewer outstanding payables. Noncurrent Liabilities decreased by a similar amount due to payment of principal on capital leases, offset in part, by increased compensated absences payable at year end.

Of the District's total net assets, 77.5% are legally or contractually restricted to expenditures for specific purposes, and 16.5% are unrestricted and may be used to meet the District's ongoing obligations without legal constraints. Additionally 6% are net assets in the form of capital assets (e.g. land, buildings, equipment, and vehicles), some of which have been financed by capital leases. Consequently, these assets are not available for future spending.

## Management's Discussion and Analysis

The following is a condensed schedule of Changes in Net Assets for the fiscal year ended June 30, 2011, as compared to the prior year.

<b>Changes in Net Assets</b>				
<b>(In Thousands)</b>				
	Fiscal Year	Fiscal Year	Increase	Percent
	<u>2010-11</u>	<u>2009-10</u>	<u>(Decrease)</u>	<u>Change</u>
<b>Revenues:</b>				
<b>Program Revenues:</b>				
Fees and Charges - Stationary Sources	\$ 26,861	\$ 19,348	\$ 7,513	38.8%
Fees and Charges - Mobile Sources	11,005	11,569	(564)	-4.9%
Operating Grants	2,123	1,630	493	30.2%
Restricted Special Revenue Sources	55,524	98,837	(43,313)	-43.8%
<b>General Revenues:</b>				
State Subvention - Not Restricted	901	900	1	0.1%
Interest - Not Restricted	392	164	228	139.0%
Penalties/Settlements	6,151	4,662	1,489	31.9%
Miscellaneous Revenue	<u>223</u>	<u>30</u>	<u>193</u>	<u>643.3%</u>
Total Revenues	103,180	137,140	(33,960)	-24.8%
<b>Expenses:</b>				
Permitting	13,836	12,758	1,078	8.4%
Enforcement / Air Monitoring	11,063	11,761	(698)	-5.9%
Agricultural Burning	1,001	937	64	6.8%
Plan & Rule Development	2,054	2,035	19	0.9%
Mobile Sources	3,399	3,315	84	2.5%
Outreach and Communications	2,252	2,321	(69)	-3.0%
Air Quality Analysis	3,023	1,560	1,463	93.8%
Restricted for Grants and Other Uses	<u>60,728</u>	<u>31,546</u>	<u>29,182</u>	<u>92.5%</u>
Total Expenses	97,356	66,233	31,123	47.0%
Increase (Decrease) in Net Assets	5,824	70,907	(65,083)	-91.8%
Net Assets - Beginning	<u>151,359</u>	<u>80,452</u>	<u>70,907</u>	<u>88.1%</u>
Net Assets - ending	<u><u>\$ 157,183</u></u>	<u><u>\$ 151,359</u></u>	<u><u>\$ 5,824</u></u>	<u><u>3.8%</u></u>

### 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.

## Management's Discussion and Analysis

Fees, grants, state subvention, penalties, and settlements predominantly support the governmental functions of the District. The primary governmental activities of the District include the following: Permit Services, Enforcement / Air Monitoring, Agricultural Burning, Plan and Rule Development, Mobile Source, Outreach and Communications, Air Quality Analysis, and Grants and Other Special Uses. The following is a schedule of Revenues by Major Source for the fiscal year ended June 30, 2011, as compared to the prior year.

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

	Fiscal Year 2010-11	Fiscal Year 2009-10	Increase (Decrease)
Stationary Sources	\$ 26,861	\$ 19,348	\$ 7,513
Mobile Sources	11,005	11,569	(564)
Operating Grants	2,123	1,630	493
General Revenues *	7,667	5,756	1,911
Restricted Special Revenue Sources	55,524	98,837	(43,313)
	\$ 103,180	\$ 137,140	\$ (33,960)

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

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

### Stationary Source Revenue

- Stationary Source Revenue increased \$7,513,541 as compared to the prior fiscal year. Increases in permit revenue due to the collection of AERO fees and the collection of fees charged biennially were the major factors in the District's overall increase to Stationary Source Revenue.

### Mobile Source Revenue

- Mobile Source Revenue decreased \$564,442 as compared to the prior fiscal year due to a slight decrease in DMV Fee revenues related to the economic downturn.



## Management's Discussion and Analysis

### Operating Grant Revenue

- Operating Grant Revenue increased \$493,423 as compared to the prior fiscal year. The major factor for this difference was recently changing the revenue recognition methodology to exclude EPA Grant Revenues that were earned and received after year end. The change in methodology caused a temporary one time reduction in 2009-10 revenue reporting.

Grant Revenue	Fiscal Year 2010-11	Fiscal Year 2009-10	Increase (Decrease)
EPA 105 Grant	\$ 1,977,285	\$ 1,521,116	\$ 456,169
EPA 103 Grant	146,140	108,886	37,254
Total Grant Revenue	\$ 2,123,425	\$ 1,630,002	\$ 493,423

### General Revenues

General Revenue increased \$1,910,643 as compared to the prior fiscal year due to additional Penalties and Settlements received.

### Restricted Special Revenue Sources

- Restricted Special Revenue decreased \$43,313,247 as compared to the prior fiscal year. The table below details the major changes to the various incentive programs that make up this decrease. Changes are due to the availability of and /or timing of the receipt of grant and other funding sources

Incentive Program	Fiscal Year 2010-11	Fiscal Year 2009-10	Increase (Decrease)
DMV Surcharge Fees	\$ 8,204,024	\$ 8,441,848	\$ (237,824)
Carl Moyer Program	12,336,537	8,101,934	4,234,603
Proposition 1B	1,249,054	38,600,000	(37,350,946)
Lower Emission School Bus Program	19,894,255	36,245,826	(16,351,571)
Federal Diesel Earmark Grant	5,365,049	4,629,762	735,287
Diesel Emission Reduction Act	6,556,067	-	6,556,067
Voluntary Emission Reduction	410,113	437,055	(26,942)
ISR Rule Mitigation Funds	712,641	535,435	177,206
Other Miscellaneous Incentives	796,118	-	796,118
Total	\$ 55,523,858	\$ 96,991,860	\$ (41,468,002)

## Management's Discussion and Analysis

Total District Expenses increased by \$31,122,263. The majority of this increase is related to grants and incentives paid to Valley residents and businesses who participated in various emission reduction programs. The following is a schedule of District expenses by activity for the fiscal year ending June 30, 2011 with a comparison of prior year expenditures.

### Expenses by Activities Governmental Activities

	Fiscal Year 2010-11	Fiscal Year 2009-10	Increase (Decrease)
Permitting	\$ 13,835,586	\$ 12,758,531	\$ 1,077,055
Enforcement / Air Monitoring	11,063,271	11,760,658	(697,387)
Agricultural Burning	1,000,541	937,312	63,229
Plan and Rule Development	2,054,340	2,034,991	19,349
Mobile Source	3,399,671	3,315,001	84,670
Outreach & Communications	2,251,876	2,320,601	(68,725)
Air Quality Analysis	3,022,735	1,560,082	1,462,653
Total Operating Expenses	<u>36,628,020</u>	<u>34,687,176</u>	1,940,844
Restricted for Grants and Special Uses	<u>60,727,740</u>	<u>31,546,321</u>	29,181,419
Total District Expenses	<u><u>\$ 97,355,760</u></u>	<u><u>\$ 66,233,497</u></u>	<u><u>\$ 31,122,263</u></u>

## 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 \$150,417,060, an increase of \$6,142,707 in comparison with the prior year. Approximately 81% of this fund balance, or \$121,756,815, is restricted for specific purposes. The long-term contractual commitments related to these restricted programs involve multiple-year expenditures. The remainder of the fund balance also includes \$240,625 not in spendable form for items that are not expected to be converted to cash, such as prepaid expenses, and \$15,308,808 assigned to be used for specific purposes.

At the end of the fiscal year, the District's Unassigned Fund Balance was \$13,110,812, an increase of \$2,651,354 as compared with the prior year. The majority of this increase is related to receipt of AERO fees and unanticipated Settlement revenue.

## Management's Discussion and Analysis

### Operating Revenues

- Total Operating Revenues increased \$9,748,137 which is mainly due to increases in Penalties and Settlements and Administrative funds received during fiscal year 2010-11.

### Operating Expenditures

Total Operating Expenditures increased \$1,191,264 as compared to the prior fiscal year.

- Total Salaries and Benefits increased \$2,513,406 compared to the prior fiscal year. A bargained 4% cost of living adjustment for District employees, filling some prior year vacant positions, and an increase in retirement costs were the major factors in this increase.
- Total Services and Supplies decreased \$96,901 as compared to the prior fiscal year.
- Total capital outlay decreased \$1,225,244 as compared to the prior fiscal year. The table below details the major changes to the various fixed asset accounts that make up this decrease.

Account Title	Fiscal Year 2010-11	Fiscal Year 2009-10	Increase (Decrease)
Computer Equipment	\$ 504,605	\$ 704,851	\$ (200,246)
Telephone System	5,825	48,999	(43,174)
Automobiles	45,161	300,866	(255,705)
Office Improvements	53,378	129,321	(75,943)
Video Conferencing System	15,977	405,184	(389,207)
Air Monitoring Station Equipment	246,871	567,095	(320,224)
Electronic Document Management Project	86,255	27,000	59,255
Total	\$ 958,072	\$ 2,183,316	\$ (1,225,244)

### Non-Operating Revenues

- Non-Operating Revenues decreased \$44,013,324 mainly due to a delay in receipt of Proposition 1B revenue from the State, and the discontinuance of Lower Emission School Bus (LESB) funding which was received during fiscal year 2009-10.

## Management's Discussion and Analysis

### Non-Operating Expenditures

- Non-Operating Incentive Program expenditures increased \$29,181,419 as compared to the prior fiscal year. The table below details the major changes to the various Incentive Programs that make up this increase.

Incentive Program Name	Fiscal Year 2010-11	Fiscal Year 2009-10	Increase (Decrease)
DMV Heavy-Duty Program	\$ 3,347,606	\$ 5,661,880	\$ (2,314,274)
Carl Moyer Program	4,507,284	8,235,279	(3,727,995)
Traffic Congestion Relief Program	-	18,347	(18,347)
School Bus Retro/Replace Program	141,325	-	141,325
State ERC Program	-	28,727	(28,727)
Peaker Plant Program	3,674	1,241	2,433
Voluntary Emission Reduction Agreements	290,200	239,346	50,854
ISR Rule Mitigation Program	428,331	1,786,321	(1,357,990)
Federal Diesel Earmark Grant	5,365,049	4,448,375	916,674
Proposition 1B Program	23,111,899	5,958,500	17,153,399
Lower Emission School Bus Program	15,832,687	3,730,150	12,102,537
Diesel Emission Reduction Act	6,556,067	643,623	5,912,444
Community Incentive Programs	537,270	296,850	240,420
Air Toxics	23,430	47,682	(24,252)
Misc. Incentive Grants	582,918	200,000	382,918
San Joaquin Valley Blueprint Program	-	250,000	(250,000)
Total	\$ 60,727,740	\$ 31,546,321	\$ 29,181,419

### E. Capital Assets

The District's investment in capital assets is used for governmental activities. The book value was \$10,128,546 (net of accumulated depreciation of \$8,596,832) as of June 30, 2011. 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 36 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 \$3,448,497 including the current portion of \$534,990. Of this amount, \$707,909 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 \$2,740,588, including the current portion of \$189,312. Additional information on the

## Management's Discussion and Analysis

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

The original Operating Budget adopted in June 2010 was \$38,418,178. However, a \$165,000 adjustment to increase appropriations for Office Improvements was made during the fiscal year.

The Adjusted Non-Operating Budget at June 30, 2011 was \$119,404,513, including \$850,000 appropriated for contingencies. This was an increase of \$6,450,692 over the originally adopted Non-Operating Budget. Listed below are the major budget additions made during the year:

- \$2,473,112 for additional Carl Moyer program revenue.
- \$2,767,467 for the Federal Air Shed- Ag Tractor Program.
- \$380,000 for an EPA 105 Incentive grant.

### Operating Budget

#### Revenues

Actual Operating Revenues at June 30, 2011 were \$47,398,263 as compared to the final Adjusted Budget of \$37,653,784 a positive variance of \$9,744,479. The majority of the variance is related to the Advance Emission Reduction Option Fee of \$5,448,669 that was not budgeted but was received and recognized during fiscal year 2010-11. The District also received about \$3.5 million in unanticipated Settlement fees over what was budgeted.

#### Expenditures

Actual Operating Expenditures at June 30, 2011 were \$35,428,074 as compared to the final Adjusted Budget of \$38,583,178 a positive variance of \$3,155,104.

#### Salaries and Benefits

Actual Salary and Benefit expenditures at year-end were \$29,722,716 as compared to the final Adjusted Budget of \$30,505,078, a positive variance of \$782,362. Salary and benefit savings on vacant positions during the year were the major factor contributing to the positive variance.

## Management's Discussion and Analysis

### Services and Supplies

Actual Services and Supplies expenditures at year-end were \$4,642,293 as compared to the final Adjusted Budget of \$5,898,300, a positive variance of \$1,256,007. Listed in the table below are the expenditures that make up the major variances in the Services and Supplies accounts.

	<b>Final Adjusted Budget</b>	<b>Actual Expenditures @ 6/30/11</b>	<b>Variance Positive (Negative)</b>	<b>Amount Encumbered</b>
Mobile Communications	\$ 257,000	\$ 225,830	\$ 31,170	\$ -
Equipment Maintenance	1,166,800	951,196	215,604	-
Professional & Specialized Services	4,289,000	3,310,862	978,138	542,598
Publications & Legal Notices	<u>185,500</u>	<u>154,405</u>	<u>31,095</u>	<u>-</u>
Total	<u>\$ 5,898,300</u>	<u>\$ 4,642,293</u>	<u>\$ 1,256,007</u>	<u>\$ 542,598</u>

### Fixed Assets

Actual Fixed Assets expenditures at year-end were \$1,063,065 as compared to the final Adjusted Budget of \$2,179,800, a positive variance of \$1,116,735. Listed in the table below are the expenditures that make up the major variances in the Fixed Assets accounts.

	<b>Final Adjusted Budget</b>	<b>Actual Expenditures @ 6/30/11</b>	<b>Variance Positive (Negative)</b>	<b>Amount Encumbered</b>
Office Improvements	\$ 205,000	\$ 29,448	\$ 175,552	\$ 135,552
Computer Equipment	676,600	493,784	182,816	102,105
Automobiles	320,000	45,161	274,839	262,419
Office Machines	74,500	3,935	70,565	45,365
Video Conferencing System	486,200	392,043	94,157	6,483
Air Monitoring Station Equipment	<u>417,500</u>	<u>98,694</u>	<u>318,806</u>	<u>175,971</u>
Total	<u>\$ 2,179,800</u>	<u>\$ 1,063,065</u>	<u>\$ 1,116,735</u>	<u>\$ 727,895</u>

## **Non-Operating Budget**

### Revenues

Actual Non-Operating Revenues at June 30, 2011 were \$55,523,858 as compared to the final Adjusted Budget of \$106,326,013, a negative variance of \$50,802,155. Listed in the table below are the revenues that make up the major variances in Non-Operating Revenues.

## Management's Discussion and Analysis

	Final Adjusted Budget	Actual Revenues @ 6/30/11	Variance Positive (Negative)
Air Toxics	\$ 30,000	\$ -	\$ (30,000)
DMV Surcharge Fees	9,036,956	8,001,703	(1,035,253)
Carl Moyer Program	12,474,512	11,779,420	(695,092)
Proposition 1B	45,000,000	735,902	(44,264,098)
Lower Emission School Bus Program	22,517,583	19,016,394	(3,501,189)
Federal Grants	9,897,467	5,365,049	(4,532,418)
Diesel Emission Reduction Act	-	6,556,067	6,556,067
Voluntary Emission Reduction	866,300	381,441	(484,859)
ISR Rule Mitigation Funds	2,170,700	553,354	(1,617,346)
Non-operating Interest	952,200	2,333,283	1,381,083
Other Miscellaneous Incentives	3,380,295	801,245	(2,579,050)
	<u>\$ 106,326,013</u>	<u>\$ 55,523,858</u>	<u>\$ (50,802,155)</u>

The \$44,264,098 negative variance in the Proposition 1B funds is due to the delay in receipt of this revenue because of a delay in the bond selling process and the unavailability of these funds from the State. These funds are anticipated to be available during the 2011-12 fiscal year.

### Expenditures

Actual Non-Operating Expenditures at June 30, 2011 were \$1,406,493 as compared to the final Adjusted Budget of \$119,404,513 a positive variance of \$117,998,020. Listed in the following table are the expenditures that make up the variances in Non-Operating Expenditures.

	Final Adjusted Budget	Actual Expenditures @ 6/30/11	Variance Positive (Negative)
Air Toxics-Pass Through	\$ 30,000	\$ -	\$ 30,000
Federal Grants - Non-Operating	9,897,467	129,097	9,768,370
Carl Moyer Program	13,016,512	160,000	12,856,512
DMV Surcharge Fees	8,889,656	-	8,889,656
ISR Rule Mitigation Program	8,473,900	-	8,473,900
Voluntary Emission Reduction	916,900	-	916,900
Proposition 1B Program	45,576,200	240,000	45,336,200
Lower Emission School Bus Funds	22,288,965	477,346	21,811,619
Community Incentive Programs	5,201,900	400,050	4,801,850
Green House Gas Mitigation	3,260,400	-	3,260,400
Miscellaneous Incentive Programs	1,002,613	-	1,002,613
Appropriation for Contingencies	850,000	-	850,000
Total	<u>\$ 119,404,513</u>	<u>\$ 1,406,493</u>	<u>\$ 117,998,020</u>

## Management's Discussion and Analysis

The District has a policy of not entering into incentive agreements for non-federal grant contracts until grant funds are received by the District. A significant amount of grant funds that were received and appropriated in FY 2010-11, (Carl Moyer Program, Proposition 1B Program, Lower Emission School Bus Program, and Indirect Source Review (ISR) Rule Mitigation Funds) will not be expended on incentive contracts until FY 2011-12 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.

For 2010-11, additional appropriations funded by new revenues were included in the Adopted and Adjusted Budgets. Projects encumbered at the end of the previous year remained appropriated against the previous year's budget. Only expenditures made against 2010-11 appropriations are shown in this table. A total of \$60,727,740 was expended for various incentive programs during 2010-11 with \$59,321,247 of these expenditures appropriated in prior years.

The Governing Board adopted a change in budgeting approach with the adoption of the 2011-12 Adopted Budget where all previously budgeted appropriations lapse at year end and are re-budgeted the following year. In the future, the District will maintain only one budget year, the current year.

### H. Next Year's Budget

The Adopted Budget for FY 2011-12 is \$258,585,478 as compared to the Adjusted Budget for FY 2010-11 of \$157,987,691, an increase of \$100,597,787. The majority of this increase is due to the new budgeting approach beginning in budget year 2011-12 that primarily affects Non-Operating appropriations. With the new budgeting approach, all unencumbered appropriations lapse at year-end and are re-budgeted where appropriate. This approach eliminates keeping prior year budgets open and enhances public accountability and transparency.

**Operating Budget:** The Operating Budget shows an increase of \$1,254,000 as compared to the prior year adjusted budget. The table below details the changes to the three major appropriation categories.

	FY 2011-12 Adopted Budget	FY 2010-11 Adjusted Budget	Increase (Decrease)
Salaries & Benefits	\$ 30,833,389	\$ 30,505,078	\$ 328,311
Services & Supplies	6,400,377	5,898,300	502,077
Fixed Assets	2,603,412	2,179,800	423,612
Total Operating Appropriations	\$ 39,837,178	\$ 38,583,178	\$ 1,254,000



## Management's Discussion and Analysis

**Non-Operating Budget:** The Adopted FY 2011-12 Non-Operating Budget is \$218,748,300 as compared to the FY 2010-11 Adjusted Budget of \$119,404,513 an increase of \$99,343,787. The table below details the major variances:

	FY 2011-12 Adopted Budget	FY 2010-11 Adjusted Budget	Increase (Decrease)
DMV Surcharge Fees	\$ 48,102,100	\$ 8,889,656	\$ 39,212,444
Carl Moyer Program	30,427,700	13,016,512	17,411,188
CEC - Energy Efficiency	3,844,300	-	3,844,300
ISR Rule And VERA	7,064,300	9,390,800	(2,326,500)
Proposition 1B Program	76,160,300	45,576,200	30,584,100
Lower Emission School Bus Program	32,101,400	22,853,783	9,247,617
Federal Grants	11,288,000	9,897,467	1,390,533
Green Gas Mitigation Program	-	3,010,400	(3,010,400)
GHG Support Projects for Cities and Counties	250,000	250,000	-
Community Incentives	8,635,200	5,639,695	2,995,505
Total Incentive Programs	\$ 217,873,300	\$ 118,524,513	\$ 99,348,787

The major difference in amounts budgeted between budget years is that prior year appropriations lapse and are re-appropriated in the 2011-12 Budget. For 2010-11, only new appropriations were included in that Budget. Projects encumbered at the end of the previous year remained appropriated against the previous year's budget, and the District maintained both current and prior year budgets.

### 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 stable fiscal health for the District. While the District does face a full agenda of challenges, the Governing Board generally has sufficient resources available to meet 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, 2011

	<u>Governmental Activities</u>
<u>Assets</u>	
Current Assets:	
Cash and Investments	\$ 145,550,551
Accrued Revenues	6,176,301
Prepaid Expenses	240,625
Total Current Assets	151,967,477
Noncurrent Assets:	
Land	904,208
Capital Assets, Net of Accumulated Depreciation	9,224,338
Total Noncurrent Assets	10,128,546
Total Assets	162,096,023
<u>Liabilities</u>	
Current Liabilities:	
Accounts Payable	283,823
Accrued Wages Payable	1,007,995
Deferred Revenue	172,341
Compensated Absences Payable	189,312
Capital Leases Payable	345,678
Total Current Liabilities	1,999,149
Non-Current Liabilities:	
Compensated Absences Payable	2,551,276
Capital Leases Payable	362,231
Total Non-Current Liabilities	2,913,507
Total Liabilities	4,912,656
<u>Net Assets</u>	
Invested in Capital Assets, net of related debt	9,420,637
Restricted for Special Projects/Programs	121,765,688
Unrestricted	25,997,042
Total Net Assets	\$ 157,183,367

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

**San Joaquin Valley Unified Air Pollution Control District**  
**Statement of Activities**  
**For the Year Ended June 30, 2011**

Programs	Expenses	Program Revenues				Restricted Special Revenue Sources *	Net (Expense) Revenue and Changes in Net Assets
		Fees & Charges for Services		Operating Grants	Governmental Activities		
		Stationary Sources	Mobile Sources				
Governmental Activities:							
Permitting	\$ 13,835,586	\$ 13,189,169	\$ 2,135,111	\$ 318,772	\$ -	\$ 1,807,466	
Enforcement / Air Monitoring	11,063,271	13,232,332	1,991,342	465,958	-	4,626,361	
Agricultural Burning	1,000,541	439,872	448	259	-	(559,962)	
Plan & Rule Development	2,054,340	-	1,352,327	376,637	-	(325,376)	
Mobile Sources	3,399,671	-	2,637,822	403,929	-	(357,920)	
Outreach & Communications	2,251,876	-	1,997,725	356,433	-	102,282	
Air Quality Analysis	3,022,735	-	889,542	201,437	-	(1,931,756)	
Restricted for Grants and Other Special Uses	60,727,740	-	-	-	55,523,858	(5,203,882)	
<b>Total Governmental Activities</b>	<b>\$ 97,355,760</b>	<b>\$ 26,861,373</b>	<b>\$ 11,004,317</b>	<b>\$ 2,123,425</b>	<b>\$ 55,523,858</b>	<b>(1,842,787)</b>	

General Revenues:	
State Subvention - not restricted to specific programs	901,102
Interest - not restricted to specific programs	392,185
Penalties/Settlements	6,151,499
Gain (Loss) on disposal of Capital Assets	(52,925)
Miscellaneous Revenue	275,621
<b>Total General Revenues</b>	<b>7,667,482</b>
Change in Net Assets	5,824,695
Net Assets - beginning, July 1, 2010	151,358,672
<b>Net Assets - ending, June 30, 2011</b>	<b>\$ 157,183,367</b>

\* 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.

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

**San Joaquin Valley Unified Air Pollution Control District**  
**Balance Sheet - Governmental Funds**  
**June 30, 2011**

Assets:	
Cash and Investments	\$ 145,550,551
Accrued Revenues	6,176,301
Prepaid Expenses	240,625
Total Assets	<u>\$ 151,967,477</u>
Liabilities:	
Accounts Payable	\$ 283,823
Accrued Wages Payable	1,007,995
Deferred Revenue	258,599
Total Liabilities	<u>1,550,417</u>
Fund Balance:	
Nonspendable Fund Balance	240,625
Restricted Fund Balance	121,756,815
Assigned Fund Balance	15,308,808
Unassigned Fund Balance	13,110,812
Total Fund Balance	<u>150,417,060</u>
Total Liabilities and Fund Balance	<u>\$ 151,967,477</u>

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

# 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, 2011

Fund Balance - Governmental Funds \$ 150,417,060

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. 10,128,546

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. (3,448,497)

Certain revenues are deferred because they are not available within the District's 90 day availability period. However, they are recognized in the government-wide financial statements. 86,258

Net Assets of Governmental Activities \$ 157,183,367

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

**San Joaquin Valley Air Pollution Control District**  
**Statement of Revenue, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2011**

Revenues:	
Operating:	
License and Permit Fees	\$ 31,490,329
Administrative Fees	6,370,840
Penalties and Settlements	6,150,991
Interest	392,184
State Grants	901,102
Federal Grants	2,046,040
Miscellaneous Revenue	46,777
Total Operating Revenue	<u>47,398,263</u>
Non-Operating:	
Incentive Grants	41,220,054
Interest	2,333,280
Federal Grants	11,970,524
Total Non-Operating Revenue	<u>55,523,858</u>
Total Revenues	<u>102,922,121</u>
Expenditures:	
Operating:	
Salaries and Benefits	29,722,716
Services and Supplies	4,997,940
Capital Outlay	958,072
Debt Services:	
Principal	329,884
Interest	43,062
Total Operating Expenditures	<u>36,051,674</u>
Non-Operating:	
Restricted for Grants and Other Special Uses	60,727,740
Total Expenditures	<u>96,779,414</u>
Net Change In Fund Balance	6,142,707
Beginning Fund Balance, July 1, 2010	144,274,353
Fund Balance, June 30, 2011	<u><u>\$ 150,417,060</u></u>

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

# San Joaquin Valley Unified Air Pollution Control District

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

For the Year Ended June 30, 2011

Net Change in Fund Balance - Governmental Funds \$ 6,142,707

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. 616,220

Donation of capital assets are not reported in the governmental funds. Such donations are reported in the government-wide financial statements. 225,000

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. (1,343,891)

The net effect of disposal of assets. (52,925)

Certain revenues are deferred because they are not available within the District's 90 day availability period. However, they are recognized in the government-wide financial statements. 86,258

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. (178,559)

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. 329,885

Change in Net Assets of Governmental Activities \$ 5,824,695

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

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

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2011**

### **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.



## NOTES TO BASIC FINANCIAL STATEMENTS

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

## NOTES TO BASIC FINANCIAL STATEMENTS

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 assignment of fund balance for expenditure in a subsequent year. These outstanding encumbrances do not constitute expenditures or liabilities until performance has occurred on the part of the vendors with whom the District has entered into an agreement.

## NOTES TO BASIC FINANCIAL STATEMENTS

### 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 started capitalizing intangible software that was developed internally and met the threshold of \$100,000 for Intangible asset capitalization.

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

Depreciation is charged as an expense against operations, and accumulated depreciation is reported on the Statement of Net 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 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 \$189,312 and \$2,551,276 respectively, and has been reflected in the Statement of Net Assets.

## NOTES TO BASIC FINANCIAL STATEMENTS

### 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 \$121,765,688. 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	\$ 31,108,660
DMV Surcharge Fees - Incentives	20,922,337
DMV Fees - Rollover	611,314
State ERC Bank Program	19,599
Peaker Plant Program	41,925
Dairy CEQA Program	9,061
ISR Rule Mitigation Program	7,678,194
Lower Emission School Bus Program	44,833,877
Winery Rule Program	47,397
Proposition 1B Program	15,217,987
Voluntary Emission Reduction Agreements	1,275,337
Total Restricted Net Assets	<u>\$ 121,765,688</u>

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

### I. Fund Balance

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

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

## NOTES TO BASIC FINANCIAL STATEMENTS

- Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provision, or by enabling legislation.
- Committed fund balance—amounts constrained to a specific purpose by the District itself, using its highest level of decision-making authority (i.e. District Governing Board). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same level of action to remove or change the constraint.
- Assigned fund balance—amounts the District intends to use for a specific purpose. Intent can be expressed by the District Governing Board (the Board) or by an official or body to which the Board delegates the authority.
- Unassigned fund balance—amounts that are available for any purpose. Only positive amounts are reported in the General Fund.

Beginning fund balances for the District's governmental funds have been restated to reflect the above classifications.

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

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

## NOTES TO BASIC FINANCIAL STATEMENTS

The amounts of various fund balance categories required by GASB 54 are as follows:

Nonspendable Fund Balance	\$	240,625
Restricted Fund Balance:		
Heavy-Duty Program - Incentives	\$	31,099,787
DMV Surcharge Fees - Incentives		20,922,337
DMV Surcharge Fees - Rollover		611,314
State ERC Bank Program		19,599
Peaker Plant Mitigation Program		41,925
Dairy CEQA Program		9,061
ISR Rule Mitigation Program		7,678,194
Lower Emission School Bus Program		44,833,877
Winery Rule Program		47,397
Proposition 1B Program		15,217,987
Voluntary Emission Reduction Programs		1,275,337
Total Restricted Fund Balance		121,756,815
Assigned Fund Balance:		
Encumbrances	\$	2,312,205
Community Incentive Programs		9,823,125
Long-Term Building Maintenance		378,000
Appropriated FY 2011-12 Budgetary Deficit		2,795,478
Total Assigned Fund Balance		15,308,808
Unassigned Fund Balance		
General Reserve	\$	4,000,000
Unassigned Fund Balance		9,110,812
Total Unassigned Fund Balance		13,110,812
<b>Total Fund Balance</b>		<b>\$ 150,417,060</b>

### Restricted Fund balance:

- The \$31,099,787 fund balance 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 \$20,922,337 fund balance for DMV Surcharge Fees – Incentives represents monies identified by the District Governing Board for distribution to qualifying

## NOTES TO BASIC FINANCIAL STATEMENTS

agencies or individuals in the District's DMV Heavy-Duty Emissions Program and the DMV Mobile Source Incentives Program.

- The \$611,314 fund balance for the DMV Surcharge Fees – Rollover represents unanticipated revenue and unexpended appropriations specifically identified for District-managed incentive programs, and interest earned on DMV Surcharge Fee monies.
- The \$19,599 fund balance 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 \$41,925 fund balance 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 \$9,061 fund balance 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 \$7,678,194 fund balance 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 \$44,833,877 fund balance 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 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 \$15,217,987 fund balance for the Proposition 1B Program represents funds received from the California Air Resources Board. These funds will be used for the replacement and retrofit of heavy-duty trucks.
- The \$1,275,337 fund balance 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.

## NOTES TO BASIC FINANCIAL STATEMENTS

### Assigned Fund Balance:

- The \$2,312,205 fund balance for encumbrances outstanding at June 30, 2011 represents the amount of expenditures that would result if contracts in process at fiscal year-end were completed. This assignment earmarks resources to pay for these contractual obligations by segregating a portion of fund balance.
- The \$9,823,125 was assigned by the District Governing Board for various Community Incentive Programs.
- The \$378,000 was established by the District Governing Board to provide for Long-Term Building Maintenance.
- The \$2,795,478 is the portion of existing fund balance that is included as a budgetary resource in the fiscal year 2011-12 budget.

### Unassigned Fund Balance:

- The \$4,000,000 general reserve was established by the District Governing Board to provide for additional financial stability.

### 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

During the year ended June 30, 2011, the District implemented the following GASB Statements:

In February 2009, GASB issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and 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. Under previous reporting standards, the District's governmental fund balances were reported under three categories: reserved, unreserved, and designated. The new reporting standard replaces these three fund balance categories with five new classifications: nonspendable, restricted, committed, assigned, and unassigned based on the relative strength of the



## NOTES TO BASIC FINANCIAL STATEMENTS

constraints that control how specific amounts can be spent. Additional disclosure concerning the implementation of GASB 54 is available in Note 1.I.

In June 2010, GASB issued Statement No. 59, Financial Instruments Omnibus. This statement updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investments pools which improve financial reporting by providing more complete information, by providing consistency of measurements, and by providing clarifications of existing standards.

The District is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

In November 2010, GASB issued Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. This Statement requires disclosures about an SCA including a general description of the arrangement and information about the associated assets, liabilities, and deferred inflows, the rights granted and retained, and guarantees and commitments. Application of this Statement is effective for the District's fiscal year ending June 30, 2013.

In December 2010, GASB issued Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board ("FASB") Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' ("AICPA") Committee on Accounting Procedure

These pronouncements collectively are referred to as the "FASB and AICPA pronouncements." This Statement will improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. Application of this Statement is effective for the District's fiscal year ending June 30, 2013.

In June 2011, GASB issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This Statement also amends the net asset reporting requirements in Statement No. 34, Basic Financial Statements—and

## NOTES TO BASIC FINANCIAL STATEMENTS

Management’s Discussion and Analysis—for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The requirements of this Statement are effective for the District’s fiscal year ending June 30, 2012.

### 2. CASH AND INVESTMENTS

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

Petty Cash	\$	1,050
District Cash Funds		2,800
Change Funds		150
Postage Funds		17,750
Total Cash On Hand		21,750
Wells Fargo Bank		2,867,459
Other Deposits		102
Total Deposits with Financial Institutions		2,867,561
Security Deposit - Leased Property		2,000
Total Other Deposits		2,000
Fresno County Treasurer		141,434,237
Kern County Treasurer		1,225,003
Total Investments with County Investment Pools		142,659,240
Total Cash and Investments	\$	145,550,551

### 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.

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

## NOTES TO BASIC FINANCIAL STATEMENTS

### Disclosures Relating to Interest Rate Risk

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

As of June 30, 2011, none of the District's investments are required to disclose interest rate risk.

### Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of the rating required by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, or the District's investment policy, and the actual rating as of year-end for each type. The column marked "exempt from disclosure" identifies those investment types for which GASB No. 40 does not require disclosure as to credit risk:

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year-End		
				AAA	Aa	Not Rated
County Investment Pool	<u>\$142,659,240</u>	N/A	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$142,659,240</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 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 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. 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: California Government Code requires that a financial institution secure deposits made by state or local government

## NOTES TO BASIC FINANCIAL STATEMENTS

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, 2011, 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, 2011 consisted of the following:

	<b>Capital Assets - Governmental Activities</b>			
	Balance			Balance
	<u>June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2011</u>
Land	\$ 904,208	\$ -	\$ -	\$ 904,208
Building & Improvements	6,898,332	25,935	-	6,924,267
Machinery & Equipment	9,471,285	590,285	225,718	9,835,852
Intangible Assets	<u>836,051</u>	<u>225,000</u>	-	<u>1,061,051</u>
Totals	18,109,876	841,220	225,718	18,725,378
Less Accumulated Depreciation:				
Building & Improvements	1,380,084	203,494	-	1,583,578
Machinery & Equipment	5,352,130	1,089,391	172,793	6,268,728
Intangible Assets	<u>693,520</u>	<u>51,006</u>	-	<u>744,526</u>
	7,425,734	1,343,891	172,793	8,596,832
Net book value of Capital Assets	<u>\$ 10,684,142</u>	<u>\$ (502,671)</u>	<u>\$ 52,925</u>	<u>\$ 10,128,546</u>

## NOTES TO BASIC FINANCIAL STATEMENTS

For the year ended June 30, 2011, depreciation expense of \$1,343,891 on capital assets was charged to the District's activities as follows:

Permitting	\$ 329,215
Enforcement / Air Monitoring	774,999
Agricultural Burning	45,468
Plan and Rule Development	52,977
Mobile Sources	80,984
Outreach and Communications	32,630
Air Quality Analysis	<u>27,618</u>
Total Depreciation Expense	<u>\$ 1,343,891</u>

### 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, 2011:

July 1, 2010 Balance	\$2,562,029
Plus: Net Increase	<u>178,559</u>
June 30, 2011 Balance	<u>2,740,588</u>
Amount Due within one Year	<u>\$ 189,312</u>
Amount Due More Than One Year	<u>\$2,551,276</u>

### 5. RETIREMENT PLAN

#### Plan Description

The District contributes to the Kern County Employees' Retirement Association (KCERA), a cost-sharing, multiple employer, 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.

## NOTES TO BASIC FINANCIAL STATEMENTS

### 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 2010-11 is 32.84% of annual covered payroll for a total amount of \$6,962,404. 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:

<u>Year Ended June 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2011	\$ 6,962,404	100%
2010	5,653,041	100%
2009	4,962,833	100%

KCERA's funded status based on the most recent actuarial valuation as of June 30, 2010 is as follows (amounts expressed in thousands):

**Kern County Employees' Retirement Association**  
(amounts expressed in thousands)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a) (c)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (d)</u>	<u>UAAL as a Percentage of Annual Covered Payroll (c)/(d)</u>
6/30/2010	2,794,644	4,457,038	1,662,394	62.70%	559,380	297.19%

### 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 2010-11, the District contributed \$152,547 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.

## NOTES TO BASIC FINANCIAL STATEMENTS

### 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 AND ENCUMBRANCES

#### 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, 2011. Future minimum lease payments under these leases are as follows:

Year Ending June 30,	
2012	\$ 413,688
2013	393,768
2014	408,888
2015	424,008
2016	424,008
2017 - 2019	1,141,020
Total	<u>\$ 3,205,380</u>

#### Encumbrances

The District utilizes encumbrance accounting in its governmental funds as explained in Note 1D. Total encumbrances for the General Fund as of June 30, 2011 were \$2,312,205. Encumbrances are categorized as Assigned Fund Balance.

### 9. CAPITAL LEASE OBLIGATIONS

The District currently has two capital lease agreements. One agreement for a 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

## NOTES TO BASIC FINANCIAL STATEMENTS

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	\$ 512,668
Video Teleconferencing Equipment	1,139,514
Subtotal	1,652,182
Less: Accumulated Depreciation	777,216
Total	\$ 874,966

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011, are as follows:

<b>Year Ended June 30:</b>	<b>Total Future Minimum Lease Payments</b>
2012	\$ 372,946
2013	372,946
Total minimum lease payments	745,892
Less: amount representing interest	(37,982)
Present Value of minimum lease payments	707,910
Amount due within one year	(345,678)
Amount due in more than one year	\$ 362,231

### Interest Included as Direct Expense

Interest expense of \$43,062 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.



## **Required Supplementary Information**

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**San Joaquin Valley Unified Air Pollution Control District**  
**General Fund - Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance Positive (Negative)
	Adopted	Final Adjusted		
<b>Operating Budget</b>				
Revenues:				
Vehicle Registration Fees	\$ 10,100,000	\$ 10,100,000	\$ 10,100,000	\$ -
License & Permit Fees	27,166,140	21,505,684	27,760,660	6,254,976
Interest	316,200	316,200	392,185	75,985
Penalties & Settlements	2,641,000	2,641,000	6,151,499	3,510,499
State Grants	882,000	882,000	901,102	19,102
Federal Grants	2,150,000	2,150,000	2,046,040	(103,960)
Miscellaneous Revenue	58,900	58,900	46,777	(12,123)
Total Operating Revenues	<u>43,314,240</u>	<u>37,653,784</u>	<u>47,398,263</u>	<u>9,744,479</u>
Operating Amounts Available For Appropriations	43,314,240	37,653,784	47,398,263	9,744,479
Expenditures:				
Salaries and Benefits	30,505,078	30,505,078	29,722,716	782,362
Services & Supplies	5,898,300	5,898,300	4,642,293	1,256,007
Fixed Assets:				
Office Improvements	40,000	205,000	29,448	175,552
Computer Equipment	676,600	676,600	493,784	182,816
Office Furniture/Equipment	26,500	26,500	2,791	23,709
Office Machines	48,000	48,000	1,144	46,856
Telephone System	141,500	141,500	122,802	18,698
Detection Equipment	11,300	11,300	8,877	2,423
Automobiles	320,000	320,000	45,161	274,839
Video Conferencing System	344,700	344,700	269,241	75,459
Air Monitoring Station Equipment	406,200	406,200	89,817	316,383
Total Fixed Assets	<u>2,014,800</u>	<u>2,179,800</u>	<u>1,063,065</u>	<u>1,116,735</u>
Total Operating Charges to Appropriations	<u>38,418,178</u>	<u>38,583,178</u>	<u>35,428,074</u>	<u>3,155,104</u>
Excess of Operating Revenues Over Expenditures	<u>4,896,062</u>	<u>(929,394)</u>	<u>11,970,189</u>	<u>12,899,583</u>
<b>Non-Operating Budget</b>				
Revenues:				
Air Toxics	30,000	30,000	-	(30,000)
DMV Surcharge Fees	9,036,956	9,036,956	8,001,703	(1,035,253)
Carl Moyer Program	10,001,400	12,474,512	11,779,420	(695,092)
Proposition 1B	45,000,000	45,000,000	735,902	(44,264,098)
Lower Emission School Bus Program	21,952,765	22,517,583	19,016,394	(3,501,189)
Federal Grants	6,750,000	9,897,467	5,365,049	(4,532,418)
Diesel Emission Reduction Act	-	-	6,556,067	6,556,067
Voluntary Emission Reduction	866,300	866,300	381,441	(484,859)
ISR Rule Mitigation Funds	2,170,700	2,170,700	553,354	(1,617,346)
Non-operating Interest	952,200	952,200	2,333,283	1,381,083
Other Miscellaneous Incentives	3,115,000	3,380,295	801,245	(2,579,050)
Non-Operating Amounts Available For Appropriations	<u>99,875,321</u>	<u>106,326,013</u>	<u>55,523,858</u>	<u>(50,802,155)</u>
Expenditures:				
Air Toxics-Pass Through	30,000	30,000	-	30,000
Federal Grants - Non-Operating	6,750,000	9,897,467	129,097	9,768,370
Carl Moyer Program	10,543,400	13,016,512	160,000	12,856,512
DMV Surcharge Fees	8,889,656	8,889,656	-	8,889,656
ISR Rule Mitigation Program	8,473,900	8,473,900	-	8,473,900
Voluntary Emission Reduction	916,900	916,900	-	916,900
Proposition 1B Program	45,576,200	45,576,200	240,000	45,336,200
Lower Emission School Bus Funds	22,288,965	22,288,965	477,346	21,811,619
Community Incentive Programs	5,201,900	5,201,900	400,050	4,801,850
Green House Gas Mitigation	3,260,400	3,260,400	-	3,260,400
Miscellaneous Incentive Programs	172,500	1,002,613	-	1,002,613
Total Non-Operating Charges to Appropriations	<u>112,103,821</u>	<u>118,554,513</u>	<u>1,406,493</u>	<u>117,148,020</u>
Excess of Non-Operating Revenues Over Expenditures	<u>(12,228,500)</u>	<u>(12,228,500)</u>	<u>54,117,365</u>	<u>66,345,865</u>
Appropriation for Contingencies	<u>850,000</u>	<u>850,000</u>	<u>-</u>	<u>850,000</u>
Net Change to District Fund Balance, June 30, 2011	<u>\$ (8,182,438)</u>	<u>\$ (14,007,894)</u>	<u>\$ 66,087,554</u>	<u>\$ 78,395,448</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, 2011.

Excess of revenues over expenditures (GAAP Basis)	\$ 6,142,707
Adjustments from budget cash basis to modified accrual basis	<u>59,944,847</u>
Excess of revenues over expenditures (Budgetary Basis)	<u><u>\$66,087,554</u></u>

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](http://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, 2011**

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  
(amounts expressed in thousands)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a) (c)	Funded Ratio (a/b) (a/b)	Covered Payroll (d)	UAAL as a Percentage of Annual Covered Payroll (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%
6/30/2010	2,794,644	4,457,038	1,662,394	62.70%	559,380	297.19%

Source: Kern County Employees' Retirement Association Actuarial Valuation, June, 30, 2010

\* Reflects General member benefit increases

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

**STATEMENT OF NET ASSETS**

**Last Nine 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>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
Current and Other Assets	\$ 55,020	\$ 49,920	\$ 46,872	\$ 83,825	\$ 72,106	\$ 63,504	\$ 75,321	\$ 145,587	\$ 151,967
Capital Assets	6,232	5,840	6,605	6,504	9,740	10,812	10,525	10,684	10,129
Total Assets	<u>61,252</u>	<u>55,760</u>	<u>53,477</u>	<u>90,329</u>	<u>81,846</u>	<u>74,316</u>	<u>85,846</u>	<u>156,271</u>	<u>162,096</u>
Current Liabilities	2,083	1,092	1,430	1,849	1,712	2,415	2,141	1,821	1,999
Noncurrent Liabilities	1,435	1,432	1,581	1,723	1,837	3,337	3,253	3,091	2,914
Total Liabilities	<u>3,518</u>	<u>2,524</u>	<u>3,011</u>	<u>3,572</u>	<u>3,549</u>	<u>5,752</u>	<u>5,394</u>	<u>4,912</u>	<u>4,913</u>
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	9,421
Restricted for Special Projects/Programs	34,084	30,494	27,454	66,096	57,905	47,388	59,073	125,061	121,765
Unrestricted	17,418	16,902	16,407	14,157	10,652	12,016	12,206	16,652	25,997
Total Net Assets	<u>\$ 57,734</u>	<u>\$ 53,236</u>	<u>\$ 50,466</u>	<u>\$ 86,757</u>	<u>\$ 78,297</u>	<u>\$ 68,564</u>	<u>\$ 80,452</u>	<u>\$ 151,359</u>	<u>\$ 157,183</u>

Source:

San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

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

**CHANGES IN NET ASSETS**

**Last Nine 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>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
Revenues:									
Program Revenue:									
Fees and Charges - Stationary Sources	\$ 8,423	\$ 8,581	\$ 9,312	\$ 10,413	\$ 11,317	\$ 11,559	\$ 15,852	\$ 19,348	\$ 26,861
Fees and Charges - Mobile Sources	9,907	10,100	13,007	11,329	12,041	11,915	11,872	11,569	11,005
Operating Grants	2,107	1,940	1,997	2,135	94	3,845	2,055	1,630	2,123
Restricted Special Revenue Sources	5,238	3,660	7,141	44,101	30,231	26,628	37,347	98,837	55,524
Total Program Revenue	<u>25,675</u>	<u>24,281</u>	<u>31,457</u>	<u>67,978</u>	<u>53,683</u>	<u>53,947</u>	<u>67,126</u>	<u>131,384</u>	<u>95,513</u>
General Revenues:									
State Subvention	866	868	876	884	868	897	899	900	901
Interest	412	328	354	424	625	486	653	164	392
Penalties/Settlements	2,813	3,306	3,239	5,393	3,010	4,007	3,605	4,662	6,151
Miscellaneous	79	141	243	46	81	125	(11)	30	223
Total General Revenue	<u>4,170</u>	<u>4,643</u>	<u>4,712</u>	<u>6,747</u>	<u>4,584</u>	<u>5,515</u>	<u>5,146</u>	<u>5,756</u>	<u>7,667</u>
Other Financing Sources - Capital Asset Leases	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,652</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue & Other Financing Sources	<u>29,845</u>	<u>28,924</u>	<u>36,169</u>	<u>74,725</u>	<u>58,267</u>	<u>61,114</u>	<u>72,272</u>	<u>137,140</u>	<u>103,180</u>
Expenses:									
Permitting	6,800	7,787	9,005	9,614	11,230	12,054	12,263	12,758	13,836
Enforcement / Air Monitoring	7,502	8,518	7,376	9,702	10,314	11,020	11,105	11,761	11,063
Agricultural Burning	637	1,422	2,412	1,053	1,115	1,181	1,170	937	1,001
Plan and Rule Development	2,090	2,109	2,472	2,894	1,854	2,062	2,484	2,035	2,054
Mobile Sources	890	882	1,052	1,182	1,526	2,284	2,840	3,315	3,399
Outreach & Communications	1,229	1,284	1,552	1,806	1,675	2,187	2,276	2,321	2,252
Air Quality Analysis	797	885	996	1,421	1,246	1,235	1,156	1,560	3,023
Non-Operating	15,701	10,535	14,075	10,762	37,768	40,453	24,872	31,546	60,728
Total Expenses	<u>35,646</u>	<u>33,422</u>	<u>38,940</u>	<u>38,434</u>	<u>66,728</u>	<u>72,476</u>	<u>58,166</u>	<u>66,233</u>	<u>97,356</u>
Increase / (Decrease) - Changes in Net Assets	<u>\$ (5,801)</u>	<u>\$ (4,498)</u>	<u>\$ (2,771)</u>	<u>\$ 36,291</u>	<u>\$ (8,461)</u>	<u>\$ (11,362)</u>	<u>\$ 14,106</u>	<u>\$ 70,907</u>	<u>\$ 5,824</u>

Source:

San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

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

**FUND BALANCES, GENERAL FUND**

**Last Nine 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>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</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	-
Nonspendable Fund Balance									241
Restricted Fund Balance									121,757
Committed Fund Balance									-
Assigned Fund Balance									15,309
Unassigned Fund Balance									13,110
Total General Fund	<u>\$52,938</u>	<u>\$48,828</u>	<u>\$45,442</u>	<u>\$81,976</u>	<u>\$70,395</u>	<u>\$61,388</u>	<u>\$73,494</u>	<u>\$144,274</u>	<u>\$150,417</u>

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

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

## SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

### CHANGES IN FUND BALANCE, GENERAL FUND

**Last Nine 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>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
Revenues:									
Program Revenues:									
Fees and Charges - Stationary Sources	\$ 8,423	\$ 8,581	\$ 9,312	\$ 10,413	\$ 11,317	\$ 11,559	\$ 15,852	\$ 19,348	\$ 26,829
Fees and Charges - Mobile Sources	9,907	10,100	11,013	11,329	12,041	11,915	11,872	11,569	11,004
Operating Grants	2,107	1,940	1,996	2,135	94	3,845	2,055	1,630	2,123
Restricted Special Revenue Sources	5,238	3,660	9,135	44,101	30,231	26,628	37,347	98,837	55,524
General Revenues:									-
State Subvention - Not Restricted	866	868	876	884	868	897	899	900	901
Interest - Not Restricted	413	328	354	424	625	486	653	164	392
Penalties/Settlements	2,812	3,306	3,239	5,393	3,010	4,007	3,605	4,662	6,151
Miscellaneous Revenue	79	141	244	46	81	125	100	76	(2)
Total Revenue	<u>29,845</u>	<u>28,924</u>	<u>36,169</u>	<u>74,725</u>	<u>58,267</u>	<u>59,462</u>	<u>72,383</u>	<u>137,186</u>	<u>102,922</u>
Expenses:									
Operating:									
Salaries and Benefits	15,136	17,084	19,825	21,693	23,479	24,195	26,172	27,209	29,723
Services and Supplies	3,570	3,673	4,038	4,464	3,815	4,247	5,100	5,095	4,998
Capital Outlay	1,354	1,742	1,617	1,273	4,786	2,854	1,916	2,183	958
Debt Services:									
Principal	-	-	-	-	-	-	300	315	330
Interest	-	-	-	-	-	-	73	58	43
Total Operating Expenditures	<u>20,060</u>	<u>22,499</u>	<u>25,480</u>	<u>27,430</u>	<u>32,080</u>	<u>31,296</u>	<u>33,561</u>	<u>34,860</u>	<u>36,052</u>
Non-Operating:									
Pass Through and Non-Operating	15,700	10,535	14,075	10,762	37,768	40,453	24,872	31,546	60,728
Total Expenditures	<u>35,760</u>	<u>33,034</u>	<u>39,555</u>	<u>38,192</u>	<u>69,848</u>	<u>71,749</u>	<u>58,433</u>	<u>66,406</u>	<u>96,780</u>
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)	13,950	70,780	6,142
Adjustment to Fund Balance	792	-	-	-	-	1,629	(2,218)	-	-
Net Change in Fund Balance	<u>\$ (5,123)</u>	<u>\$ (4,110)</u>	<u>\$ (3,386)</u>	<u>\$ 36,533</u>	<u>\$ (11,581)</u>	<u>\$ (9,006)</u>	<u>\$ 11,732</u>	<u>\$ 70,780</u>	<u>\$ 6,142</u>

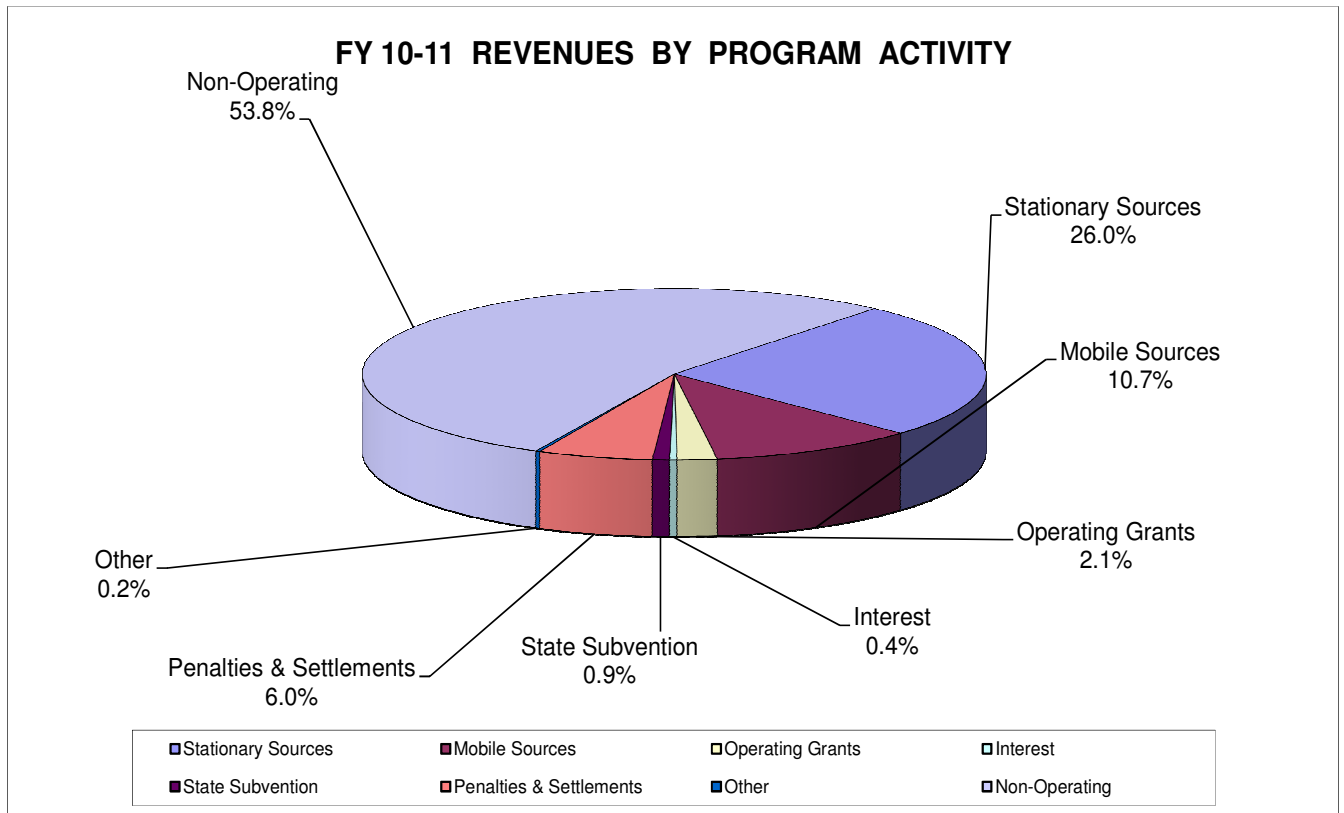
Source:

San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

# SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

## REVENUES BY PROGRAM ACTIVITY Last Five Fiscal Years

Program Activity	2006-07	2007-08	2008-09	2009-10	2010-11
Stationary Sources	\$ 11,316,961	\$ 11,559,383	\$ 15,851,846	\$ 19,347,832	\$ 26,861,373
Mobile Sources	12,041,145	11,915,269	11,872,072	11,568,759	11,004,317
Operating Grants	93,795	3,844,519	2,055,373	1,630,002	2,123,425
Interest	625,236	486,560	652,846	164,572	392,185
State Subvention	867,800	896,628	898,823	900,090	901,102
Penalties & Settlements	3,010,358	4,006,787	3,604,528	4,661,655	6,151,499
Other	81,065	124,937	(11,024)	30,522	222,696
Non-Operating	30,230,810	26,627,693	37,347,323	98,837,105	55,523,858
Total Revenues	\$ 58,267,170	\$ 59,461,776	\$ 72,271,787	\$ 137,140,537	\$ 103,180,455



**Notes:**

Other includes: Miscellaneous Revenue and Subscriptions

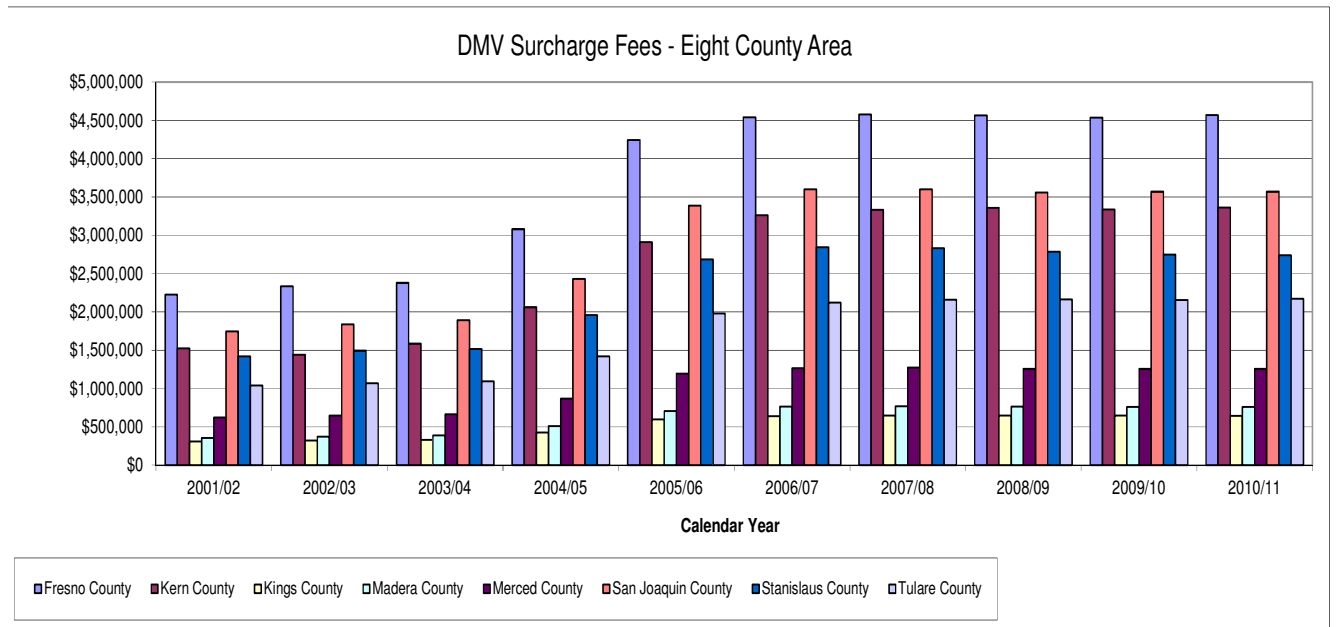
**Source:**

San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

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

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

Fiscal Year	Fresno County	Kern County	Kings County	Madera County	Merced County	San Joaquin County	Stanislaus County	Tulare County	Total	% Increase
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%
2010/11	4,568,020	3,362,490	643,497	761,072	1,253,604	3,568,755	2,741,126	2,172,166	19,070,730	0.36%



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

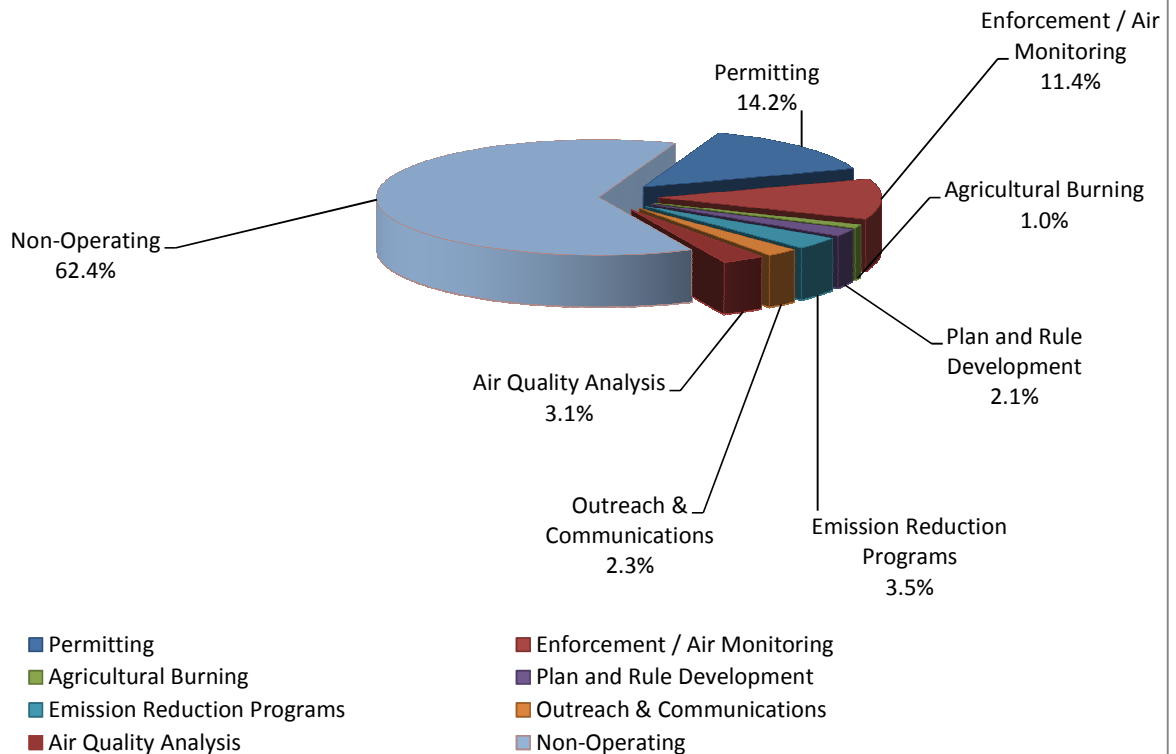
Source: California Department of Motor Vehicles

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

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

<b>Program Activity</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>
Permitting	\$ 11,230,458	\$ 12,053,583	\$ 12,262,847	\$ 12,758,531	\$ 13,835,586
Enforcement / Air Monitoring	10,313,900	11,020,138	11,105,333	11,760,658	11,063,271
Agricultural Burning	1,115,208	1,180,869	1,169,500	937,312	1,000,541
Plan and Rule Development	1,853,564	2,062,228	2,484,135	2,034,991	2,054,340
Emission Reduction Programs	1,525,673	2,284,463	2,840,067	3,315,001	3,399,671
Outreach & Communications	1,675,084	2,187,232	2,275,970	2,320,601	2,251,876
Air Quality Analysis	1,245,566	1,234,496	1,156,358	1,560,082	3,022,735
Non-Operating	37,768,236	40,453,003	24,871,936	31,546,321	60,727,740
<b>Total Expenditures</b>	<b>\$ 66,727,689</b>	<b>\$ 72,476,012</b>	<b>\$ 58,166,146</b>	<b>\$ 66,233,497</b>	<b>\$ 97,355,760</b>

**FY 10-11 EXPENDITURES BY PROGRAM ACTIVITY  
(Accrual Basis)**

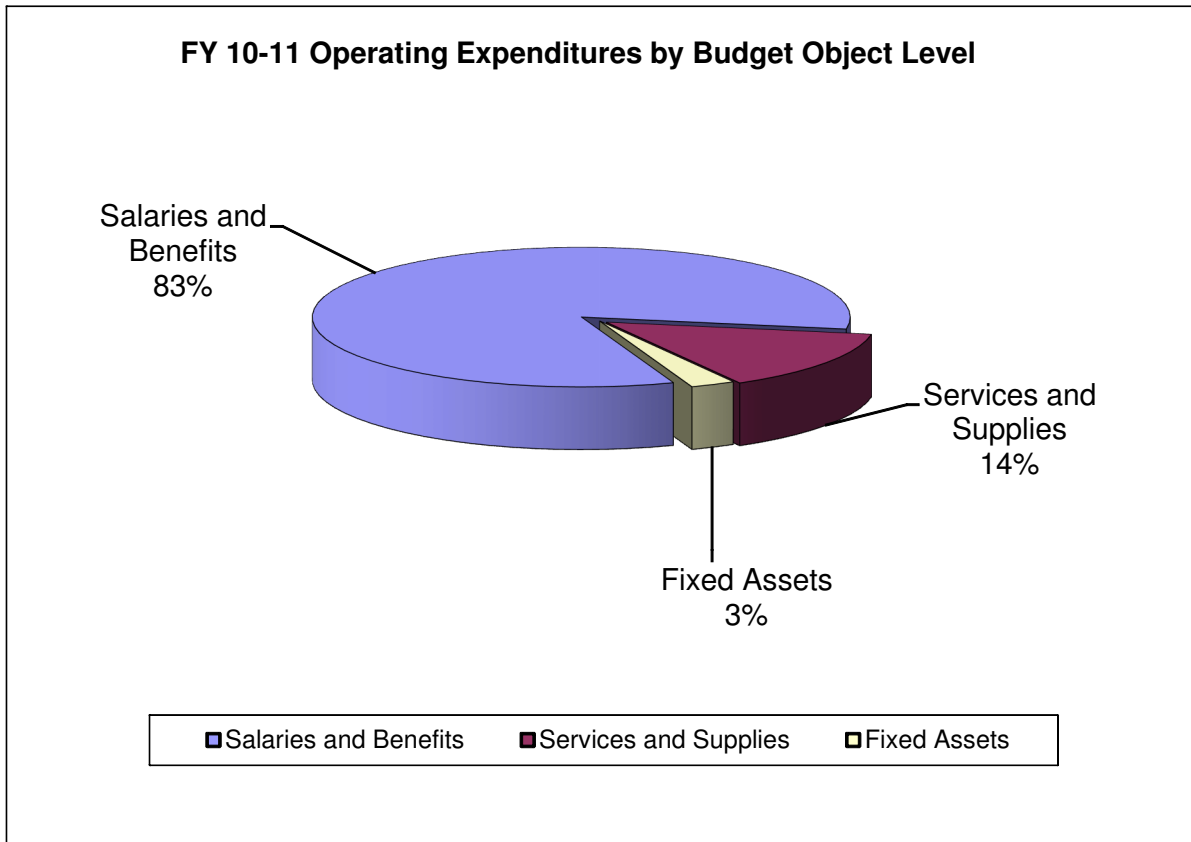


Source:  
San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

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

**OPERATING EXPENDITURES BY BUDGET OBJECT LEVEL  
Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Salaries and Benefits</b>	<b>Services and Supplies</b>	<b>Fixed Assets</b>	<b>Total Operating Expenditures</b>
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
2010/11	29,722,716	4,997,940	958,072	35,678,728



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



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

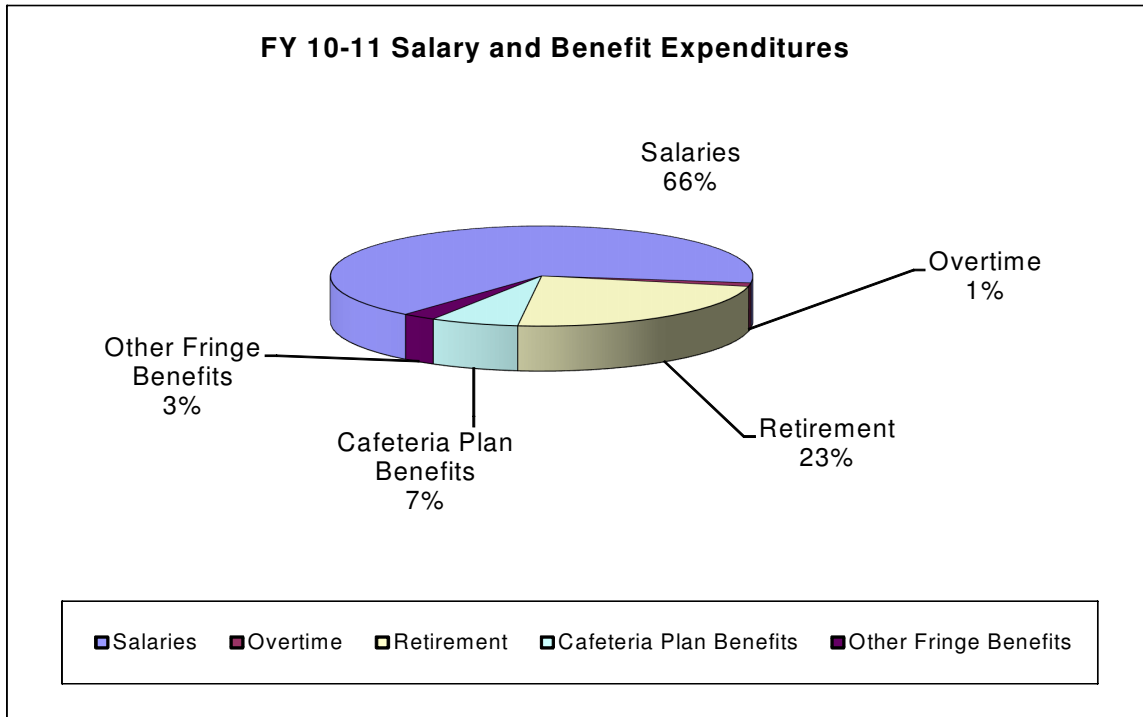
**SALARY AND BENEFIT EXPENDITURES  
Last Ten Fiscal Years**

Fiscal Year	Salaries	Overtime	Retirement	Cafeteria Plan Benefits	Other Fringe Benefits	Total Salaries and Benefits
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
2010/11	19,655,967	338,115	6,962,404	2,006,418	759,812	29,722,716

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:

San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

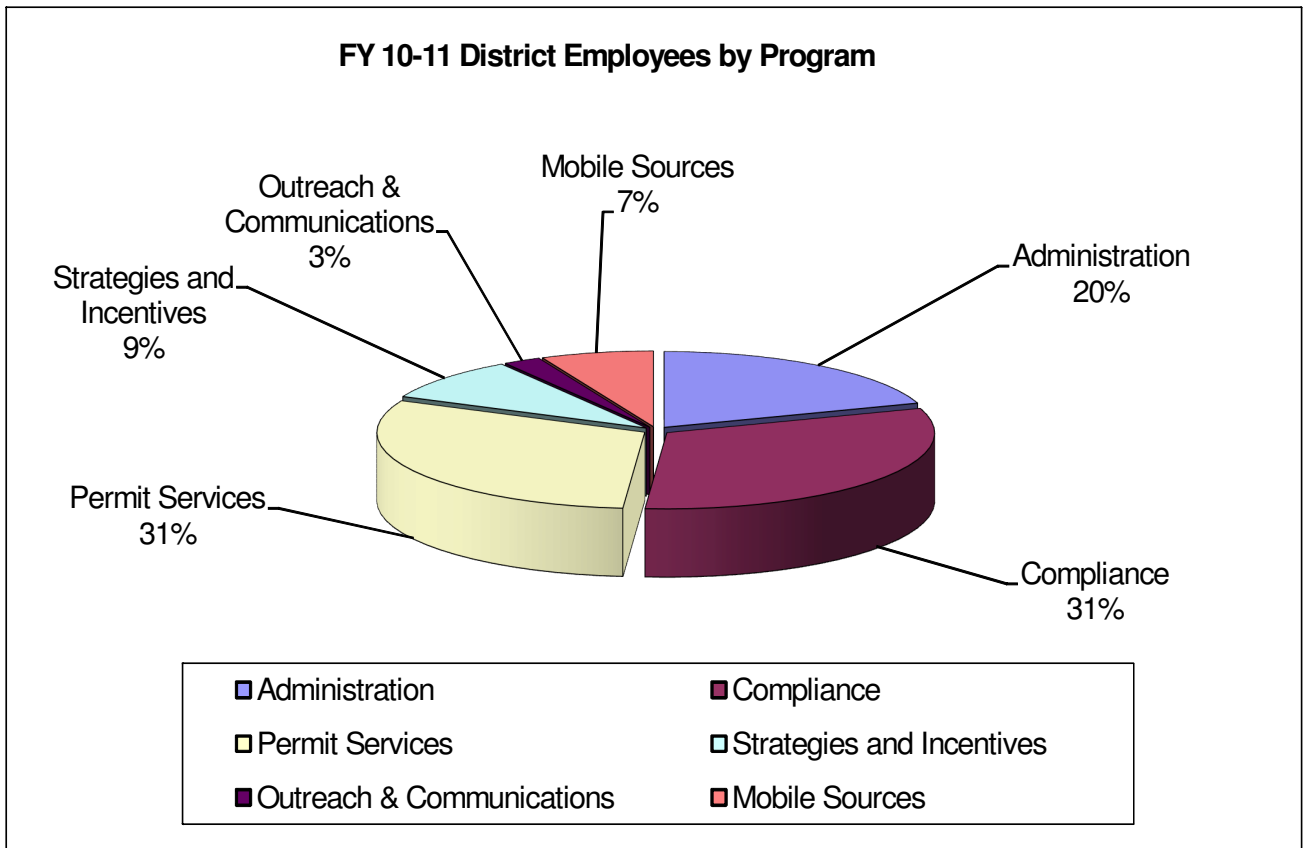
**SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT**

**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
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
2010/11	61	97	94	28	7	21	308

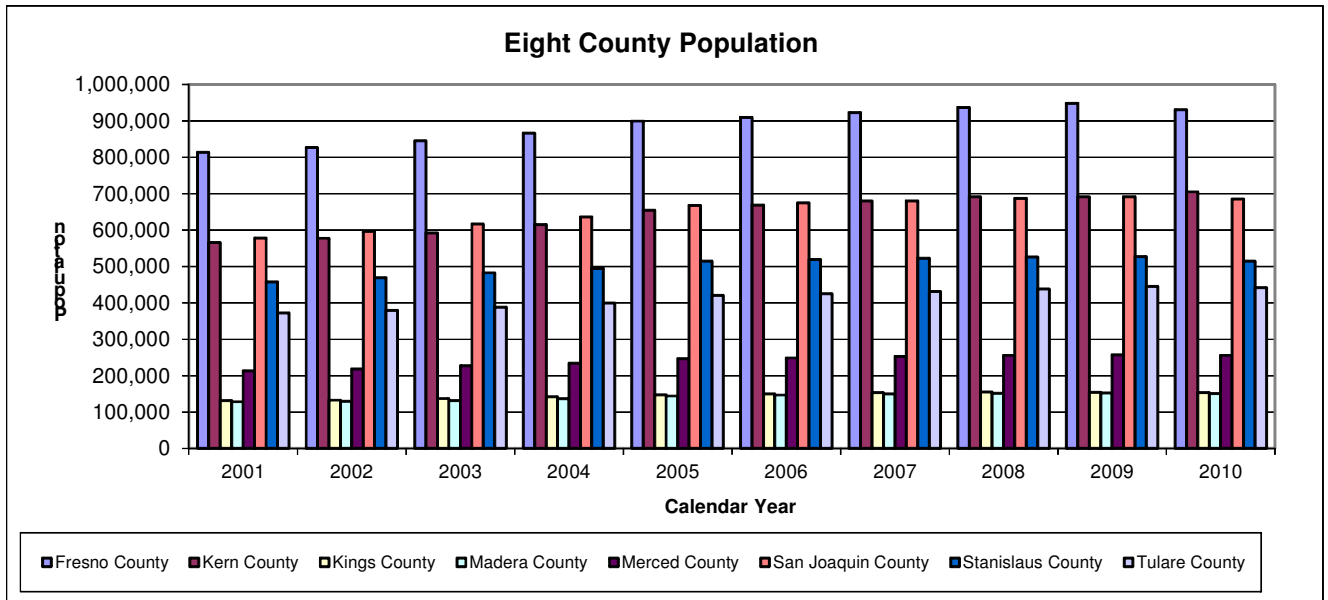


Source:  
San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

## SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

### EIGHT COUNTY POPULATION Last Ten Calendar Years

Year	Fresno County	Kern County	Kings County	Madera County	Merced County	San Joaquin County	Stanislaus County	Tulare County	Total	% Increase
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	691,800	154,700	152,900	257,000	691,700	527,100	445,000	3,868,700	1.99%
2010	930,450	705,300	152,982	150,865	255,793	685,306	514,453	442,179	3,837,328	-0.81%



**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 (2010)
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 (6/30/11) 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 2011-12 Budget:	\$258,585,478

### **Northern Region**

*Serving San Joaquin, Stanislaus and Merced counties*

4800 Enterprise Way

Modesto, CA 95356-8718

(209) 557-6400      FAX (209) 557-6475

### **Central Region**

*Serving Madera, Fresno and Kings counties*

1990 E. Gettysburg Avenue

Fresno, CA 93726-0244

(559) 230-6000      FAX (559) 230-6061

### **Southern Region**

*Serving Tulare and Valley air basin portions of Kern counties*

34946 Flyover Court

Bakersfield, CA 93308-9725

(661) 392-5500      FAX (661) 392-5585