

Comprehensive Annual Financial Report

Year Ended June 30, 2014



South Coast
Air Quality Management District
Diamond Bar, California
Cleaning the air that we breathe...





MISSION STATEMENT

All residents have a right to live and work in an Environment of clean air and we are committed to undertaking all necessary steps to protect public health from air pollution with sensitivity to the impacts of our actions on the community, public agencies and businesses.

South Coast
Air Quality Management District

Diamond Bar, California

Comprehensive Annual Financial Report
Year Ended June 30, 2014

Prepared by:
Finance Office
Michael B. O'Kelly, Chief Financial Officer

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

Comprehensive Annual Financial Report
Year Ended June 30, 2014

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SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

GOVERNING BOARD

June 30, 2014

WILLIAM A. BURKE, Ed.D
Chairman
Speaker of the Assembly Appointee

DENNIS YATES
Vice Chair
County of San Bernardino
Cities Representative

MICHAEL D. ANTONOVICH
County of Los Angeles Representative

JOSEPH K. LYOU, Ph.D.
Governor's Appointee

BEN BENOIT
County of Riverside
Cities Representative

JUDY MITCHELL
County of Los Angeles
Cities Representative
Western Region

JOHN BENOIT
County of Riverside Representative

SHAWN NELSON
County of Orange Representative

JOE BUSCAINO
City of Los Angeles Representative

DR. CLARK E. PARKER, SR.
Senate Rules Committee Appointee

MICHAEL A. CACCIOTTI
County of Los Angeles
Cities Representative
Eastern Region

MIGUEL A. PULIDO
County of Orange
Cities Representative

JOSIE GONZALES
County of San Bernardino Representative

BARRY R. WALLERSTEIN, D.Env.
Executive Officer



South Coast Air Quality Management District

21865 Copley Drive, Diamond Bar, CA 91765-4178
(909) 396-2000 • www.aqmd.gov

October 17, 2014

Chairman, Governing Board and Residents
Of the South Coast Air Quality Management District

State law requires that local governments publish within six months of the close of each fiscal year a complete set of audited financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This report is published to fulfill that requirement for the fiscal year ended June 30, 2014.

This report consists of management's representations concerning the finances of the South Coast Air Quality Management District (SCAQMD), Diamond Bar, California. Management assumes full responsibility for the completeness and reliability of all of the information presented in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

SCAQMD's financial statements have been audited by Simpson & Simpson, Certified Public Accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of SCAQMD for the fiscal year ended June 30, 2014 are free of material misstatements. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified (clean) opinion that SCAQMD's financial statements for the fiscal year ended June 30, 2014 are fairly presented in conformity with accounting principles generally accepted in the United States. The independent auditor's report is located at the front of the financial section of this report.

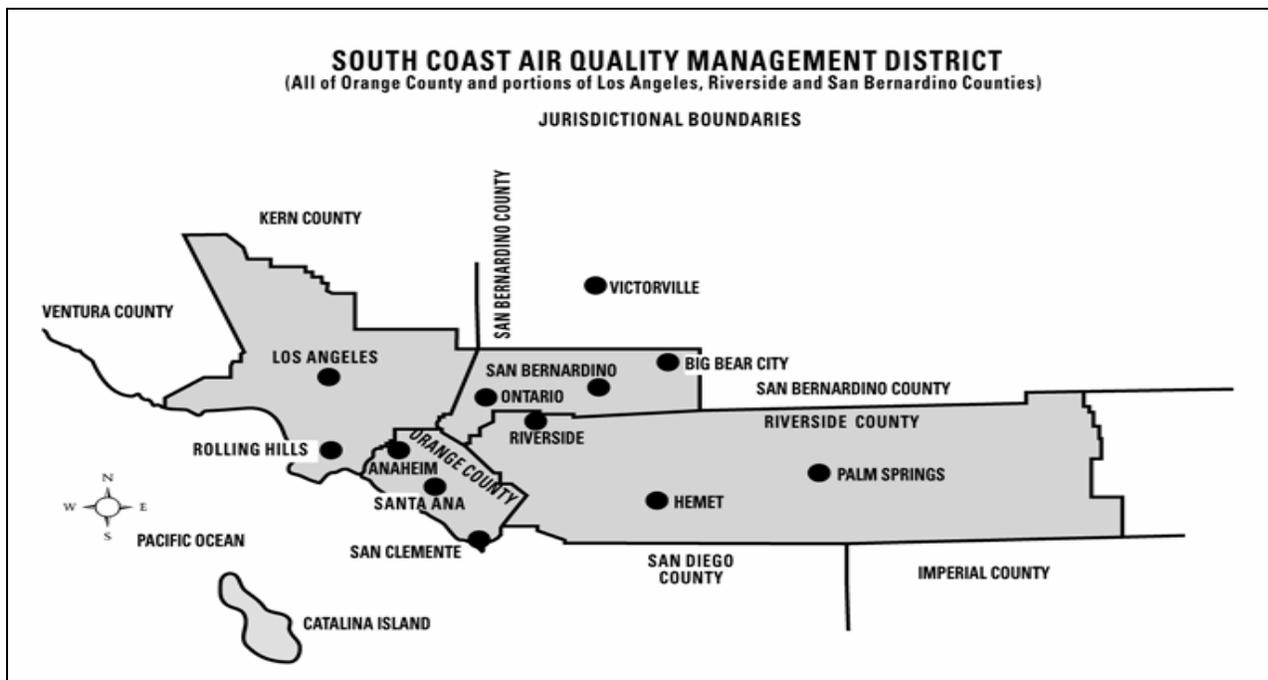
The independent audit of the financial statements of SCAQMD was part of a broader, federally mandated "Single Audit" designed to meet the special needs of Federal grantor

agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of Federal awards. These reports are available in SCAQMD's separately issued Single Audit Report.

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

Profile of the South Coast Air Quality Management District

The South Coast Air Quality Management District began operation on February 1, 1977 as a regional governmental agency established by the California Legislature pursuant to the Lewis Air Quality Management Act. SCAQMD encompasses all of Orange County and parts of Los Angeles, San Bernardino and Riverside Counties, representing over 16 million residents. It succeeded the Southern California Air Pollution Control District and its predecessor four county air pollution control districts, of which the Los Angeles County Air Pollution Control District was the oldest in the nation, having been formed in 1947.



SCAQMD's Governing Board is composed of 13 members, including four members appointed by the Boards of Supervisors of the four counties in SCAQMD's jurisdiction, six members appointed by cities in SCAQMD's jurisdiction and three members appointed by the Governor, the Speaker of the State Assembly and the Rules Committee of the State Senate, respectively. The members appointed by the various Boards of Supervisors and cities consist of one member of the Board of Supervisors of Los Angeles, Orange, Riverside, and San Bernardino Counties, respectively, and a mayor or member of the city council of a city within Orange, Riverside and San Bernardino Counties. Los Angeles County cities have three representatives, one each from the western and eastern portions of the county and one member representing the City of Los Angeles. Each Board member serves a four year term. The Board appoints the agency's Executive Officer and General Counsel. The Executive Officer in turn appoints the heads of the various agency departments.

Southern California has the most serious air quality problem in the country. A combination of poor atmospheric ventilation, a capping temperature inversion, bordering mountains and sunny days act to enhance smog formation and effectively trap pollutants in the Basin. SCAQMD is responsible for monitoring air pollution within the Basin and for developing and administering programs to reduce air pollution levels below the health-based standards established by the state and federal governments.

SCAQMD provides a full range of air pollution control activities, including permitting, site inspection, air quality attainment planning, rule making, air quality monitoring and technology advancement. Government Accounting Standards Board Statement No. 61 requires that certain separate but related component units be included with SCAQMD for reporting purposes. This report includes the South Coast Air Quality Management District Building Corporation (Corporation) as a blended component unit. SCAQMD may impose its will on the component unit, including the ability to appoint, hire, reassign or dismiss management. There are also financial benefit/burden relationships between SCAQMD and the Corporation. For additional information, see Note 1 to the financial statements.

The annual budget serves as the foundation for SCAQMD's financial planning and control. The Governing Board is required to adopt an annual budget by July 1 of each fiscal year. SCAQMD's annual appropriated budgets are adopted for the General Fund. Budgets are adopted on a budgetary basis that includes encumbrances as expenditures. All annual appropriations lapse at fiscal year end to the extent they have not been expended or encumbered. Amendments to increase the budget must be approved by the Governing Board. Budgets for Special Revenue Funds are not adopted due to the narrow focus (advance technology demonstration projects/emission reduction projects) and limited life of many of these special revenues. Expenditures from the Special Revenue Funds require Governing Board approval and are primarily related to contractual obligations with vendors and grantees. Administrative expenditures related to managing

and accounting for Special Revenue Fund projects are appropriated within the General Fund budget.

SCAQMD maintains budgetary controls through both signature authority and automated budget checking. The objective of these controls is to ensure compliance with specific special revenue fund appropriations and the annual appropriated budget approved by the Governing Board. SCAQMD maintains an encumbrance accounting system of purchase orders and contracts at the fund level as a means of accomplishing budgetary control. Open encumbrances are reported as committed fund balance at the end of the fiscal year. Purchase orders and contracts are reviewed to ensure that funds are available and that requests are properly authorized prior to being released or executed.

The accounting principles applied in reporting budgetary expenditures differ in some respects from the generally accepted accounting principles applied in the reporting of the financial statements. Reconciliation of these differences is presented in the Required Supplementary Information section of this report.

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

Factors Affecting Financial Condition

SCAQMD is a fee-supported agency and does not receive sales or property tax support. Approximately 74% of its General Fund revenue is derived from permit evaluation fees, annual permit renewal fees, emission fees, Hearing Board fees, penalties and settlements, interest earnings, and other revenues. The remaining 26% of its General Fund revenue is derived from federal grants, state grants, California Air Resources Board (CARB) subvention funds, and motor vehicle fees.

To meet its program commitments, despite new federal and state mandates, increased workload complexity, and ongoing cost containment efforts, SCAQMD continues to streamline many of its operations. Compared to the 1991-92 fiscal year, 2013-14 reflects funded staffing levels that are 31% (366 FTEs) below 1991-92 levels and expenditures, when adjusted for inflation, that are approximately 35% less than the 1991-92 period.

Government-wide revenues during this fiscal year remained flat as compared to the prior fiscal year. General Fund revenues increased by 9% as compared to the prior fiscal year, primarily due to an increase in penalties and settlements paid by non-compliant entities, combined with stable permit, renewal, and emission fees. Future changes in government-wide revenue are highly dependent on the timing of receipts and continuation of state and federal grant funding, while General Fund revenues are expected to continue to remain stable through the following fiscal year due to the strengthening of the economic environment.

Government-wide expenses remained flat as compared to the prior fiscal year. General Fund expenditures decreased by 2% as compared to the prior fiscal year, primarily due to reduced debt service costs related to the early retirement of debt associated with the Headquarters building. Future changes in government-wide expenses are highly dependent on the timing of receipts and continuation of state and federal grant funding, while General Fund expenditures are expected to remain flat through the following fiscal year due to the continued cost-containment measures incorporated into the fiscal year 2014-15 General Fund budget. These measures include an 8% position vacancy rate, stable services and supplies costs, and continued savings from the retired debt associated with the Headquarters building.

Long-term Financial Planning

In addressing long-term program costs, SCAQMD has pursued actions over the past several years including legislative changes to the employee retirement plan and the use of one-time revenues to lower its long-term retirement costs and economically defease a portion of its current debt service. Statewide pension reform legislation was signed into law in September 2012, which enacted broad changes to SCAQMD's retirement plan for most new employees. As part of the annual budget process, SCAQMD prepares a five year financial plan that demonstrates the commitment to meet future financial challenges and uncertainties while continuing to protect the health of the residents within the SCAQMD boundaries and remaining sensitive to business. During the current fiscal year and beyond, SCAQMD continues to look for cost savings and operational efficiencies as a means of balancing revenues and expenditures to ensure long term financial sustainability.

Relevant Financial Policies

In recent years, SCAQMD's Governing Board has made several policy decisions to meet future financial challenges and uncertainties while continuing to protect the health of the residents within the SCAQMD boundaries and remaining sensitive to business. These policy decisions include reducing debt, negotiating reductions in the cost of pensions, and reviewing and revising fee policies. In fiscal year 2012-13, debt associated with the Headquarters building was eliminated, while additional funds were set aside in fiscal year 2013-14 to pay for outstanding debt related to pension obligation bonds. Over the past ten fiscal years and ongoing, changes and reductions in pension benefits have been successfully negotiated with the employees of SCAQMD.

In fiscal year 2010-11, SCAQMD's Governing Board approved a rule which provides that certain fees be automatically adjusted effective July 1 of each year by the California Consumer Price Index for the preceding calendar year unless the Governing Board by rule decides not to implement such fee increase for a given year, either for all fees or for

a specified fee or fees. In fiscal year 2013-14, the Governing Board approved an additional fee increase, to be phased-in over fiscal years 2014-15 and 2015-16, to more fully recover costs for certain SCAQMD activities.

Additionally, in fiscal year 2013-14, the Governing Board approved a change to the fund balance policy for the General Fund so that the percentage of revenues to be maintained in the General Fund is increased from a minimum of 15% to a minimum of 20%. The increase will serve to mitigate current and future risks related to potential revenue shortfalls and/or unanticipated expenditures.

Major Initiatives

The mission of SCAQMD is to protect public health from air pollution with sensitivity to the impacts of its actions on the community, public agencies and businesses. To carry out this mission, SCAQMD has developed the following goals:

- I. Ensure expeditious progress toward meeting clean air standards and protecting public health.
- II. Enhance public education and ensure equitable treatment for all communities.
- III. Operate efficiently and in a manner sensitive to businesses, the public, and SCAQMD staff.

During the current and upcoming fiscal year, SCAQMD highlighted several projects which are particularly important to achieving our mission and goals, including: implementation of the 2012 Air Quality Management Plan (AQMP) and initial development of the 2016 AQMP, demonstration projects to achieve near zero and zero tailpipe emissions for container transport, completion the Multiple Air Toxics Exposure Study (MATES IV), implementation of the AB 1318 Mitigation Program in the Coachella Valley, increased communication between SCAQMD and members of the public, and continued timely response to community complaints.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the South Coast Air Quality Management District for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2013. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. The Comprehensive Annual Financial Report must satisfy both generally accepted accounting principles and applicable legal requirements. The

Certificate of Achievement is valid for a period of one year only. We believe our current report continues to meet the Certificate of Achievement program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of our comprehensive annual financial report was made possible by the dedicated services of the accounting, financial services, and management staff of the Finance Office. These members have our sincere appreciation for the contribution made in the preparation of this report.

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

Respectfully submitted,



Barry R. Wallerstein, D.Env.
Executive Officer



Michael B. O'Kelly, CPA
Chief Financial Officer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

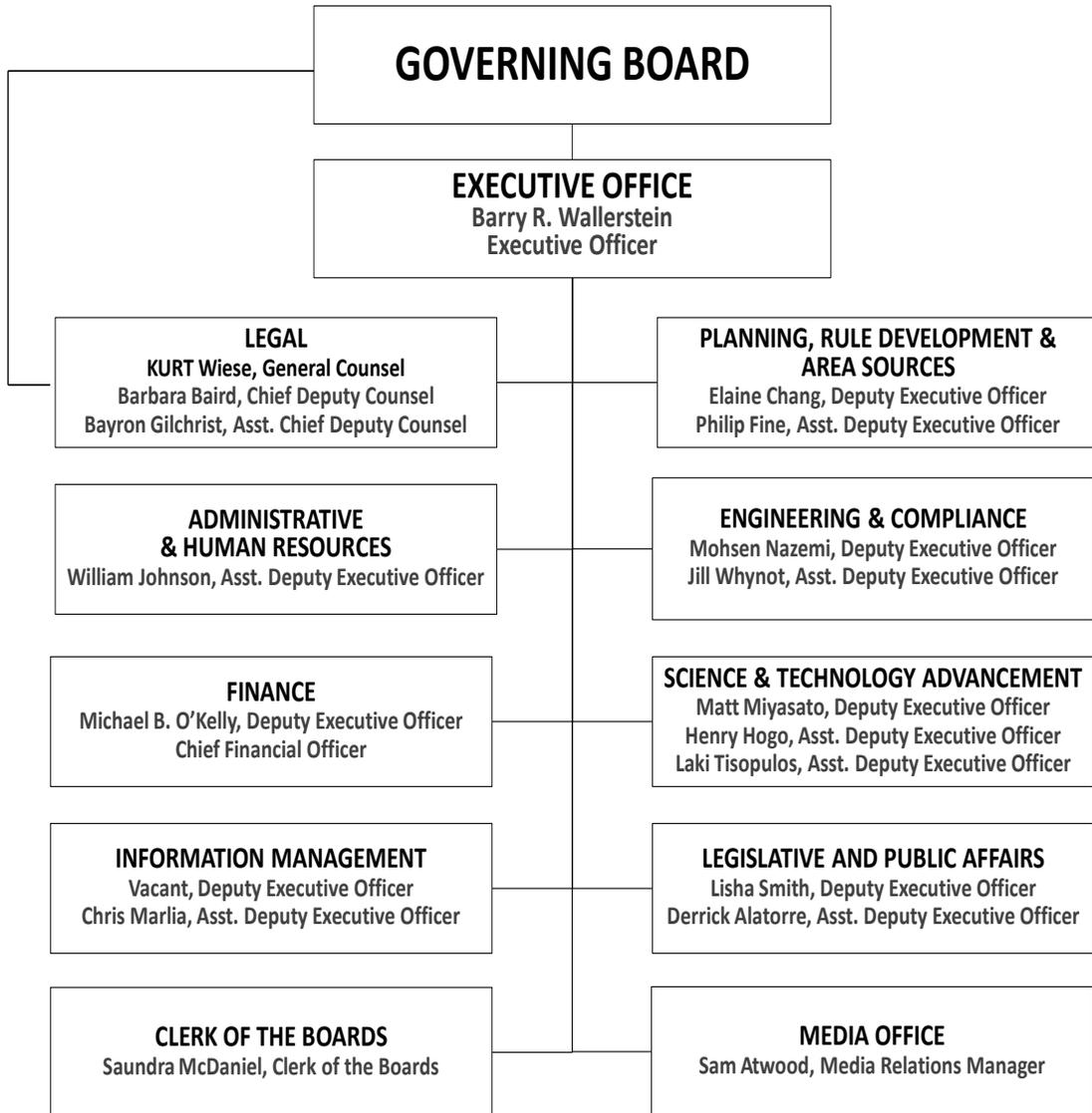
**South Coast Air Quality
Management District (AQMD)
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

**South Coast Air Quality Management District, California
Organizational Chart
June 30, 2014**





SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

The Governing Board of
South Coast Air Quality Management District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the blended component unit, each major fund, and the aggregate remaining fund information of the **South Coast Air Quality Management District (SCAQMD)**, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the SCAQMD's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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



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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the blended component unit, each major fund, and the aggregate remaining fund information of the SCAQMD, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1F to the financial statements, SCAQMD adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for the year ended June 30, 2014. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4–21 and 64–66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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



The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2014, on our consideration of the SCAQMD's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SCAQMD's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Simpson & Simpson".

Los Angeles, California
October 17, 2014

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

As management of the South Coast Air Quality Management District (SCAQMD), we offer readers of SCAQMD's financial statements this narrative overview and analysis of the financial activities of SCAQMD for fiscal year ended June 30, 2014. Please read it in conjunction with the accompanying transmittal letter, the basic financial statements, and the accompanying notes to those financial statements.

A. Financial Highlights

- Total assets of SCAQMD exceeded its total liabilities at the close of the most recent fiscal year by \$609.7 million (net position). Of this amount, \$30.1 million (unrestricted net position), may be used to meet SCAQMD's ongoing obligations to creditors.
- SCAQMD's total net position increased by \$14.2 million. Total revenues from all sources were \$299.5 million and total expenses for all functions/programs were \$285.3 million.
- As of the close of the fiscal year, SCAQMD's governmental funds reported combined ending fund balances of \$582.4 million, a increase of \$13.4 million in comparison to the prior year. Of the \$582.4 million combined ending fund balances, \$45.8 million represents the fund balance of the General Fund.
- Out of the general fund balance of \$45.8 million at the end of the fiscal year, \$66,703 was nonspendable, \$5.8 million was committed, \$12.2 million was assigned and \$27.7 million was unassigned, which is 21.1% of the general fund expenditures.
- SCAQMD's capital assets decreased by \$1.2 million from the prior year.
- SCAQMD's long term debt decreased by \$3.6 million or 7.3% of the long term debt outstanding.

B. Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to SCAQMD's basic financial statements. SCAQMD's basic financial statements have three components: 1) Government-wide Financial Statements; 2) Fund Financial Statements; and 3) Notes to the Basic Financial Statements. This report also contains supplementary information in addition to the basic financial statements.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

In general, the purpose of financial reporting is to provide the external parties that read 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, SCAQMD, in accordance with required reporting standards, presents government-wide financial statements and fund financial statements.

Government-wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of SCAQMD. These financial statements are constructed around the concept of a primary government and its component unit, excluding fiduciary funds. The financial statements of SCAQMD's fiduciary funds are not included in the government-wide financial statements because these funds cannot be used to finance SCAQMD's activities.

The government-wide financial statements are designed to provide readers with a broad overview of SCAQMD's finances in a manner similar to a private sector business. These financial statements include the Statement of Net Position and the Statement of Activities.

The Statement of Net Position reports all assets held and liabilities owed by SCAQMD using the accrual basis of accounting which is similar to the accounting method used by most private sector companies. The difference between assets and liabilities is reported as net position. Over time increases or decreases in net position serve as a useful indicator of whether SCAQMD's financial position is improving or deteriorating.

The Statement of Activities presents information showing how SCAQMD's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods such as earned but unused vacation leave.

Fund Financial Statements

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

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Non-financial assets such as land and building and long-term liabilities such as pension obligation bonds payable or long term liabilities that will not be paid with current assets are excluded. Such information on available spendable resources may be useful in evaluating SCAQMD's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Government-wide Financial Statements. By doing so, readers may better understand the long-term impact of SCAQMD's near-term financing decisions. Information from the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances is used to facilitate the comparison between governmental funds and governmental activities. The reconciliation between the Governmental Funds Balance Sheet and the Government-wide Statement of Net Position can be found under the Fund Financial Statements section. The reconciliation of the total change in fund balances for all governmental funds to the change in net position can also be found under that same section.

SCAQMD maintains 45 individual special revenue funds, one debt service fund and a blended component unit in addition to the General Fund. Four of the special revenue funds are considered major funds. The information for the major special revenue funds is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund balances. Data for the other 41 non-major special revenue funds, debt service fund and blended component unit are combined into a single, aggregated presentation. Individual fund data for each of the 41 non-major governmental funds, debt service fund and blended component unit, is reported in the Other Supplementary Information section of this report.

SCAQMD adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. This is presented in the Required Supplementary Information section of this report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

The Basic Governmental Fund Statements can be found under the Fund Financial Statements section of this report.

Proprietary Funds

When SCAQMD charges for Compressed Natural Gas (CNG) fuel, whether to outside customers or within SCAQMD, the transactions are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the government-wide financial statements only in more detail. A statement of cash flows, for instance, is presented at the fund financial statement level for proprietary funds but no equivalent statement is presented in the government-wide financial statements for either governmental activities or business-type activities.

SCAQMD's Proprietary Fund Financial Statements for the CNG Fueling Station are presented under the Fund Financial Statements section.

Fiduciary Funds

Fiduciary Funds represent Agency Funds and Retirement Benefit Trust Fund which are custodial in nature and do not involve measurement of results of operations. SCAQMD's fiduciary activities are reported in separate Statements of Fiduciary Net Position. These statements are excluded from SCAQMD's other financial statements because the resources of fiduciary funds, by definition, cannot be used to support SCAQMD's own programs. SCAQMD is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The accounting used for fiduciary funds is much like that used for proprietary funds.

SCAQMD's Fiduciary Fund Financial Statements for the Agency Funds and Retirement Benefit Trust Fund are presented under the Fund Financial Statements section.

Notes to the Basic Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential to the reader for a full understanding of the data provided in the Government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents Required Supplementary Information section concerning the General Fund's budgetary comparison schedule and budgetary reconciliation.

Individual fund data for each of the non-major governmental funds is included in the Other Supplementary Information section.

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The Statistical section provides readers with information covering financial trends, revenue capacity, debt capacity, demographic and economic information, and operating information.

C. Government-wide Financial Analysis

Our analysis focuses on the net position and changes in net position of SCAQMD's governmental and business-type activities.

The schedule below presents a condensed Statement of Net Position as of June 30, 2014 compared with the prior fiscal year.

	Net Position (amounts expressed in thousands)					
	Governmental Activities		Business-Type Activities		TOTAL	
	<u>FY 2013-14</u>	<u>FY 2012-13</u>	<u>FY 2013-14</u>	<u>FY 2012-13</u>	<u>FY 2013-14</u>	<u>FY 2012-13</u>
Current and other assets	\$ 630,067	\$ 625,240	\$ 897	\$ 757	\$ 630,964	\$ 625,997
Prepaid pension assets	40,473	42,167	-	-	40,473	42,167
Capital assets	38,510	39,667	-	-	38,510	39,667
Total assets	<u>709,050</u>	<u>707,074</u>	<u>897</u>	<u>757</u>	<u>709,947</u>	<u>707,831</u>
Deferred outflow of resources	-	-	-	-	-	-
Total deferred outflow of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Long-term liabilities	49,698	53,329	-	-	49,698	53,329
Other liabilities	37,932	58,950	21	10	37,953	58,960
Total liabilities	<u>87,630</u>	<u>112,279</u>	<u>21</u>	<u>10</u>	<u>87,651</u>	<u>112,289</u>
Deferred inflow of resources	12,590	-	-	-	12,590	-
Total deferred inflow of resources	<u>12,590</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,590</u>	<u>-</u>
Net Position:						
Investment in capital assets net of related debt	38,510	39,667	-	-	38,510	39,667
Restricted for:						
Pension assets	4,438	3,032	-	-	4,438	3,032
Restricted for long-term emission-reduction projects	536,617	530,541	-	-	536,617	530,541
Unrestricted	29,265	21,555	876	747	30,141	22,302
Total net position	<u>\$ 608,830</u>	<u>\$ 594,795</u>	<u>\$ 876</u>	<u>\$ 747</u>	<u>\$ 609,706</u>	<u>\$ 595,542</u>

As noted earlier, net position may serve over time as a useful indicator of SCAQMD's financial position. At the close of the most recent fiscal year, SCAQMD's assets exceeded liabilities by \$609.7 million.

The largest portion of SCAQMD's net position (88.0%) represents resources that are subject to external restrictions on how they may be used. The revenue in special

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
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revenue funds is restricted to expenditures for specific purposes. Approximately 6.0% of SCAQMD's net position reflect its investment in capital assets used by SCAQMD (e.g. land, buildings, equipment, and vehicles) less any related debt used to acquire those assets that is still outstanding. SCAQMD uses these capital assets in carrying out its mission of protecting public health while being sensitive to the economic needs of local businesses. Consequently, these assets are not available for future spending. Although SCAQMD's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. The debt service installment schedules for the 1995 and 2004 Pension Obligation Bonds will be fully paid by 2022 and 2024 respectively.

The remaining portion of SCAQMD's net position (4.94%) are unrestricted and may be used to meet SCAQMD's ongoing operations and obligations to creditors. At the end of the current fiscal year, SCAQMD is able to report positive balances in all three categories of net position and positive fund balance in unrestricted category for the business-type activities.

The net position for governmental activities increased by \$14.0 million compared with the prior fiscal year. Most of the increase was due to increase in one-time penalties and settlements.

Program revenues decreased by approximately \$6.8 million, 2.5% change from the prior year. These are largely due to a decrease of approximately \$20.7 million in state grants in special revenue funds. General revenue increased by \$8.4 million, compared with the prior fiscal year, which is primarily attributed to a one-time increase in penalties and settlements.

Expenses decreased by \$1.8 million largely due a lower amount paid for salaries and benefits in fiscal year 2013-14 as compared to fiscal year 2012-13 due to vacancy rate being higher in fiscal year 2013-14.

A condensed Schedule of Changes in Net Position for the fiscal year ending June 30, 2014 compared with the prior fiscal year can be found on the following page.

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**Changes in Net Position
(amounts expressed in thousands)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>TOTAL</u>	
	<u>FY 2013-14</u>	<u>FY 2012-13</u>	<u>FY 2013-14</u>	<u>FY 2012-13</u>	<u>FY 2013-14</u>	<u>FY 2012-13</u>
Revenues:						
Program Revenues:						
Fees and charges – stationary sources	\$ 87,160	\$ 85,440	\$ -	\$ -	\$ 87,160	\$ 85,440
Fees and charges – mobile sources	24,308	23,535	-	-	24,308	23,535
Operating grants and subventions	9,742	8,755	-	-	9,742	8,755
Restricted long-term project grants	154,312	164,555	-	-	154,312	164,555
General Revenues:						
Grants and subventions – not restricted to specific programs	2,890	2,889	-	-	2,890	2,889
Penalties and settlements	17,959	11,563	-	-	17,959	11,563
Interest	462	343	-	-	462	343
Other revenues	2,259	407	-	-	2,259	407
CNG fuel sales	-	-	393	411	393	411
Total revenues	<u>299,092</u>	<u>297,487</u>	<u>393</u>	<u>411</u>	<u>299,485</u>	<u>297,898</u>
Expenses:						
Advance clean air technology	6,212	6,858	-	-	6,212	6,858
Ensure compliance with clean air rules	48,814	47,418	-	-	48,814	47,418
Customer service	8,333	8,170	-	-	8,333	8,170
Develop programs to achieve clean air	11,147	12,317	-	-	11,147	12,317
Develop rules to achieve clean air	7,514	7,269	-	-	7,514	7,269
Monitoring air quality	14,969	14,265	-	-	14,969	14,265
Timely review of permits	27,821	28,621	-	-	27,821	28,621
Policy support	1,205	1,307	-	-	1,205	1,307
Interest on long-term debt	4,103	4,606	-	-	4,103	4,606
Long-term emission reduction projects	154,939	155,998	-	-	154,939	155,998
Other expenses	-	-	264	189	264	189
Total expenses	<u>285,057</u>	<u>286,829</u>	<u>264</u>	<u>189</u>	<u>285,321</u>	<u>287,018</u>
Increase in net position, before transfers	14,035	10,658	129	222	14,164	10,880
Transfers	-	-	-	-	-	-
Increase in net position	14,035	10,658	129	222	14,164	10,880
Net position beginning	594,795	584,137	747	525	595,542	584,662
Net position ending	<u>\$ 608,830</u>	<u>\$ 594,795</u>	<u>\$ 876</u>	<u>\$ 747</u>	<u>\$ 609,706</u>	<u>\$ 595,542</u>

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

Governmental Activities

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

The Statement of Activities presents information showing how SCAQMD's net position changed during fiscal year 2014. All changes in net position are reported as soon as the underlying event occurs regardless of the timing of the cash flows.

The Statement of Activities distinguishes governmental activities from business type activities. Governmental activities of SCAQMD are predominantly supported by fees, grants, state subvention, penalties, and settlements. The penalties and settlements are one-time revenues which are over and above the regular revenues directly related to the programs. The primary governmental activities of SCAQMD are: Advance Clean Air Technology, Ensure Compliance with Clean Air Rules, Customer Service and Business Assistance, Develop Programs to Achieve Clean Air, Develop Rules to Achieve Clean Air, Monitoring Air Quality, Timely Review of Permits, Policy Support, and Long-Term Emission Reduction Projects.

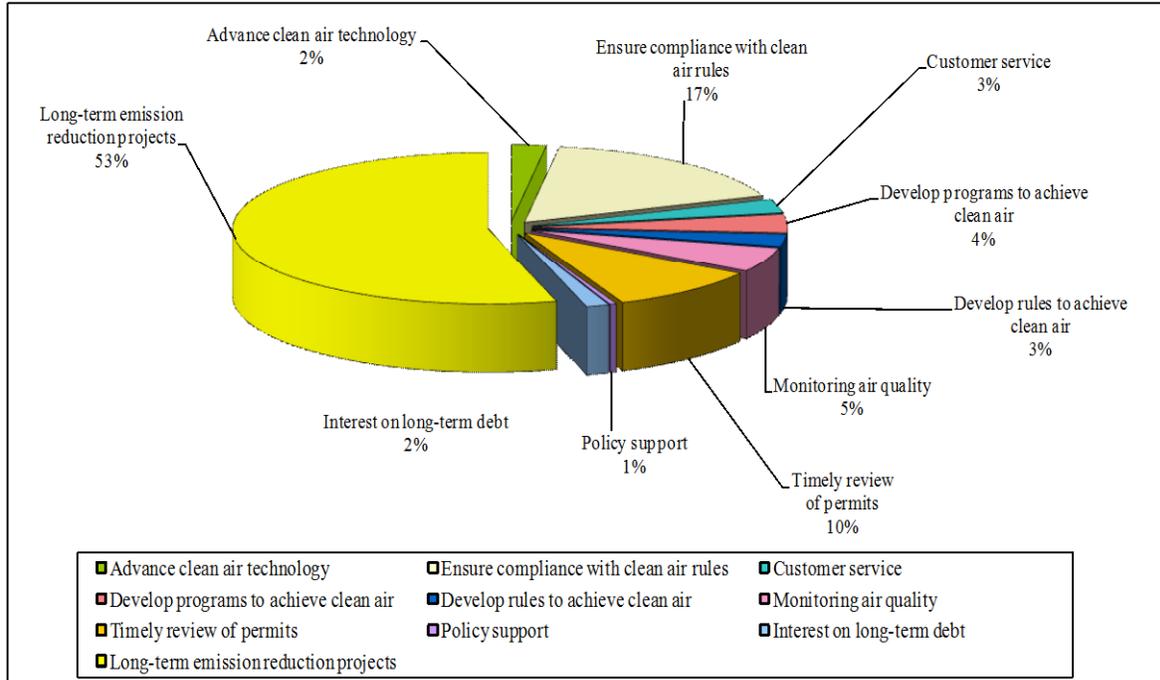
There was a decrease in program revenues in the Long-Term Special Revenues Sources. The program revenues in the long-term special revenue category are made up of revenues from mostly restricted special revenue funds. Following is an explanation of the significant revenue variances from fiscal year 2012-13 to fiscal year 2013-14:

- **Prop 1B Goods Movement Fund** – This fund was set up in fiscal year 2007-08 to receive funds from the voter approved bond funding under Proposition 1B to implement programs that reduce emissions from the movement of freight or “goods” along California’s trade corridors. In fiscal year 2013-14, this fund received \$53.0 million in state grants, a decrease of \$19.5 million as compared to prior year.

Business-type Activities

The Business-type Activities section reports transactions relating to the CNG fueling station. The CNG fueling station expenditures are reported on an accrual basis and are offset by sales. The net position of the business-type activities increased by \$129,000 from \$747,000 to \$876,000. The increase is primarily due to a federal rebate for the purchase and sale of CNG fuel, and an increase in sales.

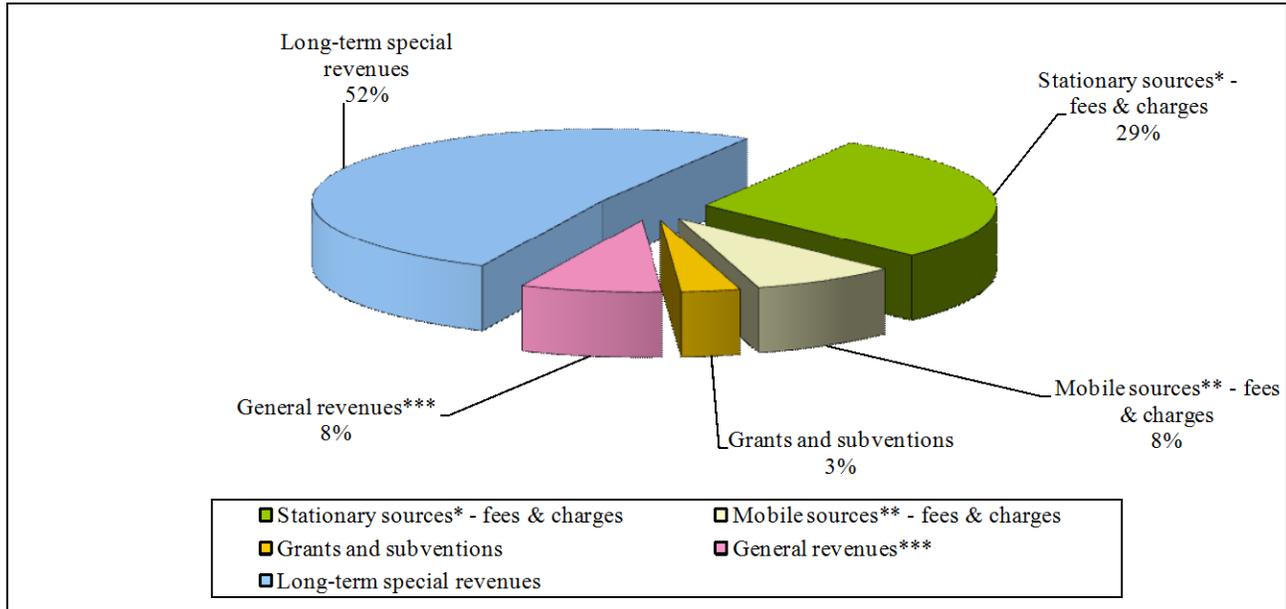
**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
EXPENSES BY ACTIVITY
Government Activities
FY 2013-14**



Activity	FY 13-14	FY 12-13	FY 11-12	FY 10-11	FY 09-10	FY 08-09
Advance clean air technology	\$ 6,212,087	\$ 6,857,959	\$ 6,672,977	\$ 6,398,859	\$ 6,512,144	\$ 7,111,931
Ensure compliance with clean air rules	48,813,991	47,417,956	47,026,447	46,877,017	46,154,574	43,823,112
Customer service	8,332,770	8,169,587	7,729,015	7,578,813	7,682,897	7,441,806
Develop programs to achieve clean air	11,147,303	12,317,470	12,130,832	11,780,948	10,861,040	10,216,378
Develop rules to achieve clean air	7,514,210	7,269,414	7,286,149	8,826,846	8,436,415	8,433,410
Monitoring air quality	14,969,083	14,265,601	15,930,225	15,093,093	14,239,509	14,067,041
Timely review of permits	27,821,032	28,621,527	27,241,449	28,045,891	28,530,507	26,205,282
Policy support	1,204,588	1,306,054	1,483,613	1,792,208	1,760,038	4,782,531
Interest on long-term debt	4,102,888	4,605,963	4,691,658	3,277,933	3,871,465	4,325,460
Long-term emission reduction projects	154,939,035	155,998,253	137,800,260	161,904,680	150,362,508	104,277,915
Total	\$ 285,056,987	\$ 286,829,784	\$ 267,992,627	\$ 291,576,288	\$ 278,411,097	\$ 230,684,866

Source: FY 2013-14 CAFR Statement of Activities

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
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 REVENUES BY MAJOR SOURCE
 Government Activities
 FY 2013-14



Source	FY 13-14	FY 12-13	FY 11-12	FY 10-11	FY 09-10	FY 08-09
Stationary sources* - fees & charges	\$ 87,160,484	\$ 85,439,616	\$ 82,624,489	\$ 81,291,028	\$ 81,097,647	\$ 92,703,725
Mobile sources** - fees & charges	24,307,527	23,535,070	23,384,894	22,512,790	23,728,238	24,128,436
Grants and subventions	9,741,945	8,754,443	8,486,563	8,867,069	8,379,757	8,782,322
General revenues***	23,570,233	15,202,920	9,684,052	12,739,158	14,929,145	14,796,424
Long-term special revenues	154,311,991	164,555,289	204,845,839	207,555,510	243,802,246	133,185,494
Total	\$299,092,180	\$ 297,487,338	\$ 329,025,837	\$ 332,965,555	\$ 371,937,033	\$ 273,596,401

* Stationary sources consist of refineries, power plants, manufacturing facilities and small businesses.

** Mobile sources are motorized vehicles that typically include automobiles, trucks, aircraft, ships, trains, and self-propelled construction equipment.

*** General Revenues include Penalties/Settlements, Interest, and dollars that are not restricted to specific stationary source programs.

Source: FY 2013-14 CAFR Statement of Activities

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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The following schedule presents the cost of each SCAQMD program as well as each program's net cost (total cost less revenues generated by the activities):

GOVERNMENTAL ACTIVITIES

**Net (Expense) Revenue
(amounts expressed in thousands)**

	<u>FY 2013-2014</u>	
	<u>Total Cost of Program Activities</u>	<u>Net Cost of Program Activities</u>
Advance clean air technology	\$ 6,212	\$ (16)
Ensure compliance with clean air rule	48,814	(2,583)
Customer service and business assistance	8,333	(425)
Develop programs to achieve clean air	11,147	(386)
Develop rules to achieve clean air	7,514	(432)
Monitoring air quality	14,969	(255)
Timely review of permits	27,821	(678)
Policy support	1,205	(30)
Interest on long-term debt	4,103	(4,103)
Long-term emission reduction projects	154,939	(627)
Total	\$ <u>285,057</u>	\$ <u>(9,535)</u>

The program activities are described as follows:

- **Advance Clean Air Technology** – Identify technologies from anywhere in the world that may have application in reducing emissions from mobile and stationary sources in SCAQMD's jurisdiction. Promote development and assess the use of clean fuels and low-emitting technologies. Implement and administer state- and federal-funded programs for retrofitting, re-powering, or replacing diesel engines with newer and cleaner engines and projects to reduce air pollution associated with freight movement along California's trade corridors.
- **Ensure Compliance with Clean Air Rules** – Perform inspections, source tests, sample collection, the certification of Continuous Emission Monitoring Systems (CEMS), emissions audits, and respond to and resolve public complaints to ensure compliance with SCAQMD rules for existing major and small stationary sources of all pollutants.
- **Customer Service and Business Assistance** – Provide local government, business, and the public with access and input into the regulatory and policy processes of SCAQMD. Assist cities and others with AB 2766 projects. Interact with local, state and federal agencies and others to share air quality information, resolve jurisdictional questions, and implement joint programs. Implement comprehensive public information, legislative and customer service programs.

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- **Develop Programs to Achieve Clean Air** – Develop a regional Air Quality Management Plan (AQMP) to achieve federal and state ambient air quality standards and to meet all other requirements of the federal and California Clean Air Acts. Analyze air quality data and provide an estimate of pollutant emissions by source category. Develop pollutant control strategies and project future air quality using computer models and statistical analysis of alternative control scenarios.
- **Develop Rules to Achieve Clean Air** – Develop emission reduction regulations for sulfur dioxide, nitrogen dioxide, organic gases, particulate matter, toxics, and other pollutants to implement the regional AQMP, Tanner Air Toxics Process (AB 1807), National Emission Standards for Hazardous Air Pollutants (NESHAPS), and Prevention of Significant Deterioration (PSD) requirements.
- **Monitoring Air Quality** – Operate and maintain within SCAQMD's jurisdiction a network of air quality monitoring sites for ozone, nitrogen oxides, sulfur oxides, particulate matter, carbon monoxide and other pollutants to obtain data regarding public exposure to air contaminants. Analyze, summarize, and report air quality information generated from the monitoring sites. Prepare meteorological forecasts and models.
- **Timely Review of Permits** – Ensure timely processing of permits for new sources based on compliance with New Source Review and other applicable local, state and federal air quality rules and regulations.
- **Policy Support** – Provide support staff to the Governing Board, Board committees, and various advisory and other groups as well as ad hoc committees and Rule working groups. Monitor potential changes to state and federal legislation and budgets that may affect SCAQMD.
- **Interest on Long-Term Debt** – Identify the cost of borrowing on Pension Obligation Bonds to partially retire the Unfunded Actuarial Accrued Liability (UAAL) due to San Bernardino County Employees' Retirement Association (SBCERA).
- **Long-term Emission Reduction Projects** – Generate funding for long-term projects that reduce emissions in the South Coast Air Basin. Funding for special funds activities are recognized when received and projects carried out may extend over multiple fiscal years.

D. Financial Analysis of SCAQMD's Funds

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

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Governmental Funds

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

As of the end of the fiscal year, SCAQMD's governmental funds reported combined ending fund balances of \$582.4 million, an increase of \$13.3 million in comparison with the prior year. Approximately 92.1% of these fund balances (\$536.6 million) constitutes the portion pertaining to special revenue funds. Expenditures under these funds are restricted for specific purposes. The long-term contractual commitments related to these special fund programs, such as replacement of diesel-fueled school buses, involve multiple-year spending.

- **The General Fund** is the operating fund of SCAQMD. At the end of the fiscal year, the total fund balance of the General Fund was \$45.8 million. The unassigned fund balance was \$27.7 million; assigned was \$12.2 million or 26.6% of the total fund balance. The assigned amount represent SCAQMD's intended use of the financial resources in future periods. One measure of the General Fund's liquidity is the comparison of both assigned and unassigned fund balance to total expenditures. The assigned and unassigned fund balance represent 30.5% of total General Fund expenditures, while total fund balance represents 35.0% of the total General Fund expenditures. In the General Fund, the assigned and unassigned fund balance may serve as a useful measure of SCAQMD's net resources available for spending at the end of the fiscal year.

General Fund's balance increased in fiscal year 2013-14 by \$7.2 million. This increase is primarily due to increase in revenue from one time penalties and settlements.

Overall, General Fund's expenditure decreased in fiscal year 2013-14 by \$2.9 million primarily due to a lower debt service payment as compared to fiscal year 2012-13. Installment Sale Revenue Bonds were prepaid in fiscal year 2012-13 causing the debt service in fiscal year 2013-14 to be lower by \$3 million. Also, Capital Outlay decreased by \$1.1 million and salaries and benefits decreased by \$1.3 million due to high vacancy rate. Some of these decreases are offset by an increase in expenditures in fiscal year 2013-14 as compared to fiscal year 2012-13 of \$2.4 million due to increase in services and supplies category.

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Fund balance changes in other major governmental funds are noted below:

- **Mobile Sources Air Pollution Reduction Fund** – The fund balance increased compared with the prior year due to revenues exceeding expenditures in fiscal year 2013-14. Many of the contracts executed in this special revenue fund are multi-year and the projects are often long-term and expenditures can vary significantly from year to year.
- **Hydrogen Fueling Infrastructure Network Fund** – This fund was established in fiscal year 2013-14, therefore an analysis of fund balance change is not applicable.
- **Carl Moyer Program AB 923 Fund** – The fund balance decreased due to expenditures exceeding revenues in fiscal year 2013-14. Many of the contracts executed in this special revenue fund are multi-year and expenditures can vary significantly from year to year.
- **Prop 1B Goods Movement Fund** –The increase in fund balance in fiscal year 2013-14 is due to revenues exceeding expenditures. Many of the contracts executed in this special revenue fund are multi-year and expenditures can vary from year to year.

Proprietary Funds

As noted earlier, SCAQMD's proprietary fund statements provide the same type of information found in the government-wide financial statements but in more detail. A Statement of Cash Flows is included in the Proprietary Fund Statement.

E. General Fund Budgetary Highlights

Overall, the fiscal year 2013-14 adopted budget represented a \$4.24 million (3.18%) decrease in expenditures from the fiscal year 2012-13 adopted budget. The fiscal year 2013-14 adopted budget decreased due to a reduction in capital outlays, increased vacancy rate and a reduction in debt service payments due to the early pay off of Installment Sale Revenue Bonds. On a budgetary basis, actual fiscal year 2013-14 General Fund revenues exceeded expenditures by \$7.17 million.

SCAQMD adopts an annual operating budget for the General Fund. During budget preparation, SCAQMD estimates its revenues using realistic but conservative methods so as to budget its expenditure appropriations and activities in a prudent manner. As a result, SCAQMD adopts budget amendments during the fiscal year to reflect availability of additional revenues for new programs or the expansion of existing programs and any budget transfers between major accounts.

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The fiscal year 2013-14 amended budget compared to the adopted budget reflects an increase in appropriations of \$6.5 million. The changes to the budget were the result of Governing Board actions that allocated additional funding after the budget was adopted. Also, changes can be attributed to Governing Board approved use of unassigned fund balance for program needs that were unknown at the time the budget was developed.

Additional funding was appropriated during fiscal year 2013-14 from the following:

U.S. EPA - \$2,358,000 for the following programs: Photochemical Assessment Monitoring Stations (PAMS), PM 2.5 Monitoring, the National Air Toxics Monitoring Program, Near Road NO₂ and enhanced particulate monitoring programs.

U.S. Department of Homeland Security - \$741,000 for an enhanced particulate monitoring program.

U.S. Department of Energy - \$150,000 for a LNG Fueling Station upgrade at the Ontario Airport.

Sunshine Landfill - \$208,000 for an odor control project at the landfill.

Clean Fuels Fund - \$1,002,000 to support Clean Fuels Program activities such as technical assistance, expert consultations, public outreach, technical conference sponsorships, advance technology vehicle purchases and leases, and the Multiple Air Toxics Exposure Study (MATES) IV study.

Prop 1B Goods Movement Fund - \$300,000 to support administrative and technical assistance and other directly related Prop 1B/Goods Movement activities.

Carl Moyer Program AB 923 Special Revenue Fund – \$200,000 for support of various Carl Moyer Program activities such as public outreach, technical conference sponsorships, technical assistance and expert consultations.

BP ARCO Fund - \$275,000 for air toxics monitoring lab/field equipment and data management software.

Rule 1309.1 Priority Reserve Fund - \$100,000 for outreach and internal costs to implement the Low Emissions Hearth Product Incentive Voucher Program.

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Air Quality Investment Fund - \$37,000 to assist in implementing SCAQMD's "Mow Down Air Pollution 2014" program.

Mobile Sources Air Pollution Reduction Fund - \$56,000 to facilitate reimbursement of administrative costs.

Penalty and Settlements Revenue - \$1,462,000 for vehicle replacements, hardware upgrades, analysis/compliance equipment and contracts with outside law firms to assist in environmental lawsuits.

In addition, an increase of \$130,000 can be attributed to transfers from unassigned fund balance for the following purchases: a PM2.5 monitor to document potential impacts from refinery emissions; hydrogen sulfide analyzers to be used for odor events; and laptops in the Engineering & Compliance unit.

For fiscal year 2013-14, on a budgetary basis, actual revenues exceeded the final budget by \$1,527,899 or 1.1% and expenditure savings were \$4,778,559 or 3.5%.

Revenue exceeded the final budget primarily due to large one-time unanticipated cash penalties/settlements. In addition, mobile source/ clean fuel revenue was lower than the amount estimated due to the timing of the projects that are reimbursed for staff time working on incentive program projects.

The expenditure savings can be primarily attributed to salary savings, which was a result of filling only critical vacant positions throughout the year and having retirees exceed the number of new employees during the year. Additional significant savings were achieved through prudent purchase decisions and postponing contract work and fixed asset purchases.

F. Capital Assets and Debt Administration

Capital Assets

SCAQMD's investment in capital assets is mostly for its governmental activities. The book value was \$38.5 million (net of accumulated depreciation of \$76.5 million) as of June 30, 2014. This investment in capital assets includes land, buildings, laboratory equipment, air monitoring stations, intangible assets (internally generated software) and SCAQMD fleet vehicles. Depreciation on capital assets is recognized in the Government-wide financial statements.

Additional information on the capital assets can be found in Note V under the Notes to the Basic Financial Statements section.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
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Long-Term Debt

At the end of the current fiscal year, SCAQMD had total long-term debt outstanding of \$49.7 million, including the current portion of \$4.2 million. The amount of \$36.0 million represents the Pension Obligation Bonds. The 1995 series (outstanding balance of \$4.7 million) and the 2004 Series issued in June 2004 with \$31.3 million outstanding balance retired the Unfunded Actuarial Accrued Liability due to San Bernardino County Employees Retirement Association as of June 30, 2004. Other long-term debt includes general liability claims and workers' compensation claims payable of \$378,296 and compensated absences of \$13.3 million.

Additional information on SCAQMD's long-term debt can be found in Note VI under the Notes to the Basic Financial Statements section of this report.

G. Economic Factors and Next Year's Budget and Rates

The fiscal year 2014-15 expenditure budget decreased by 8.3% compared to the fiscal year 2013-14 amended budget. The budget reflects a decrease of \$11.0 million in expenditures from the fiscal year 2013-14 Amended Budget and a \$3.0 million increase from the fiscal year 2013-14 Adopted Budget. The increase in expenditures from the fiscal year 2013-14 Adopted Budget can be attributed to increases in retirement, building operations and infrastructure improvement costs. The fiscal year 2014-15 Adopted Budget includes the current cost associated with SCAQMD's labor agreements, which expire in December 2014. Any increases or decreases resulting from labor negotiations will be addressed through budget amendments. In addition, the fiscal year 2014-15 Adopted Budget increases the funded staffing level by one position and includes an 8% vacancy factor reflecting the agency's efforts to reduce program costs.

In fiscal year 2014-15 revenues are projected to increase by approximately \$3.0 million from the fiscal year 2013-14 adopted budget. The increase in revenue can be mainly attributed to a 1.6% CPI fee increase in most stationary source fees and an additional fee adjustment of 3% was applied to Annual Operating Permit Renewal and Permit Processing fees to better align program costs with revenues. Estimated revenues for fiscal year 2014-15 are \$132.2 million which brings funding in balance with expenditures. Nevertheless, in recent years, SCAQMD's revenues have not kept pace with program costs mainly due to increases in retirement contribution rates as the result of market losses to the retirement system's investments.

Moreover, since fiscal year 1991-92, the SCAQMD has reduced staffing and program costs despite increased program requirements. The fiscal year 2014-15 expenditure budget is \$132.2 million and includes 798 authorized positions. Compared to fiscal year 1991-92, this reflects a reduction of 31% in authorized positions. Program costs,

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

however, will exceed by \$19.2 million (approximately 17%) of the fiscal year 1991-92 budget. Using inflation-adjusted dollars, however, this year's budget request is 25% less than the budget approved in fiscal year 1991-92.

H. Requests for Information

This financial report is designed to provide a general overview of SCAQMD'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 Office of the Chief Financial Officer, South Coast Air Quality Management District, 21865 Copley Drive, Diamond Bar, CA 91765-4182.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
STATEMENT OF NET POSITION
June 30, 2014

<u>Assets</u>	Primary Government		Total
	Governmental Activities	Business- type Activities	
Current Assets:			
Cash and pooled cash	\$ 556,368,655	\$ 894,066	\$ 557,262,721
Investments	40,233,260	-	40,233,260
Interest receivable	1,564,466	2,733	1,567,199
Due from other governmental agencies	27,948,058	-	27,948,058
Accounts receivable, net	3,885,640	-	3,885,640
Inventories	66,704	-	66,704
Total current assets	630,066,783	896,799	630,963,582
Noncurrent Assets:			
Prepaid pension assets	40,473,683	-	40,473,683
Capital assets:			
Land	8,829,792	-	8,829,792
Depreciable building and improvements, equipment, vehicles and furniture, net	29,680,055	-	29,680,055
Total capital assets	38,509,847	-	38,509,847
Total noncurrent assets	78,983,530	-	78,983,530
Total assets	709,050,313	896,799	709,947,112
Deferred Outflow of Resources:			
Deferred outflow of resources	-	-	-
Combined Assets and Deferred Outflow of Resources	709,050,313	896,799	709,947,112
Liabilities			
Current Liabilities:			
Accounts payable and accrued liabilities	27,697,358	20,950	27,718,308
Interest payable	2,851,906	-	2,851,906
Salaries and benefits payable	7,383,095	-	7,383,095
Long term debt - due within one year	4,191,319	-	4,191,319
Total current liabilities	42,123,678	20,950	42,144,628
Noncurrent Liabilities:			
Long term debt - due in more than one year	45,506,828	-	45,506,828
Total noncurrent liabilities	45,506,828	-	45,506,828
Total liabilities	87,630,506	20,950	87,651,456
Deferred Inflow of Resources:			
Deferred inflow of resources	12,589,742	-	12,589,742
Combined Liabilities and Deferred Inflow of Resources	100,220,248	20,950	100,241,198
Net Position			
Investment in capital assets, net of related debt	38,509,847	-	38,509,847
Restricted for:			
Pension asset	4,437,818	-	4,437,818
Long-term emission-reduction projects	536,617,440	-	536,617,440
Unrestricted	29,264,960	875,849	30,140,809
Total net position	\$ 608,830,065	\$ 875,849	\$ 609,705,914

See accompanying notes to the basic financial statements.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014**

Functions/ Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Position		
	Expenses	Fees and Charges		Operating Grants and Subventions	Long-term special revenue*	Governmental Activities **	Business-Type Activities	Total
		Stationary Sources **	Mobile Sources					
Primary Government:								
Governmental Activities:								
Advance clean air technology	\$ 6,212,087	223,533	5,375,482	596,665	-	\$ (16,407)	\$ -	\$ (16,407)
Ensure compliance with clean air rules	48,813,991	39,387,868	3,684,864	3,158,539	-	(2,582,720)	-	(2,582,720)
Customer service and business assistance	8,332,770	5,863,638	1,900,075	143,926	-	(425,131)	-	(425,131)
Develop programs to achieve clean air	11,147,303	5,320,920	5,322,049	118,521	-	(385,813)	-	(385,813)
Develop rules to achieve clean air	7,514,210	5,958,959	987,143	136,245	-	(431,863)	-	(431,863)
Monitoring air quality	14,969,083	3,521,754	6,287,469	4,904,641	-	(255,219)	-	(255,219)
Timely review of permits	27,821,032	26,460,324	-	683,408	-	(677,300)	-	(677,300)
Policy support	1,204,588	423,488	750,445	-	-	(30,655)	-	(30,655)
Interest on long-term debt	4,102,888	-	-	-	-	(4,102,888)	-	(4,102,888)
Long-term emission reduction projects	154,939,035	-	-	-	154,311,991	(627,044)	-	(627,044)
Total governmental activities	285,056,987	87,160,484	24,307,527	9,741,945	154,311,991	(9,535,040)		(9,535,040)
Business-type Activities:								
CNG fueling station	264,221						(264,221)	(264,221)
Total business-type activities	264,221						(264,221)	(264,221)
Total primary government	\$ 285,321,208	87,160,484	24,307,527	9,741,945	154,311,991	\$ (9,535,040)	\$ (264,221)	\$ (9,799,261)
General Revenues **: 								
Grants and subventions - not restricted to specific stationary source programs					2,889,884	-		2,889,884
Interest					461,444	-		461,444
Penalties/ settlement					17,959,410	-		17,959,410
Subscriptions					3,498	-		3,498
Other					2,255,997	-		2,255,997
CNG fuel sales***					-	393,076		393,076
Total general revenues					23,570,233	393,076		23,963,309
Change in net position					14,035,193	128,855		14,164,048
Net position - July 1, 2013					594,794,872	746,994		595,541,866
Net position - June 30, 2014					\$ 608,830,065	\$ 875,849		\$ 609,705,914

* Long-term special revenue projects consist of pass-through and/or one-time or limited duration funding sources that are restricted for specific programs such as Carl Moyer Program Fund, Clean Fuels Program Fund, Mobile Sources Air Pollution Reduction Fund and the Air Quality Investment Fund.

** General Revenue and excess Stationary Source Fees are used to offset a portion of the Permit Processing shortfall.

*** Reported as gross sales with related expenses under Business-type activities.

See accompanying notes to the basic financial statements.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2014**

<u>Assets and Deferred Outflow of Resources</u>	General Fund	Mobile Sources Air Pollution Reduction Fund	Hydrogen Fueling Infrastructure Network Fund	CMP AB 923 Fund	Prop 1B Goods Movement Fund	Other Governmental Funds	Total
Assets							
Cash and pooled cash	\$ 48,706,438	\$ 57,222,700	\$ 6,445,000	\$ 87,973,737	\$ 102,443,506	\$ 253,577,274	\$ 556,368,655
Investments	10,106,670	10,106,670	-	10,009,960	-	10,009,960	40,233,260
Interest receivable	153,414	160,601	10,029	280,966	246,245	713,211	1,564,466
Due from other governmental agencies	7,152,214	2,638,014	-	4,396,690	699,612	13,061,528	27,948,058
Due from other funds	1,099,794	-	-	1,624,612	-	10,190,949	12,915,355
Accounts receivable, net	2,893,922	-	-	-	-	991,718	3,885,640
Inventories	66,704	-	-	-	-	-	66,704
Total assets	<u>70,179,156</u>	<u>70,127,985</u>	<u>6,455,029</u>	<u>104,285,965</u>	<u>103,389,363</u>	<u>288,544,640</u>	<u>642,982,138</u>
Deferred Outflow of Resources:							
Total deferred outflow of resources	-	-	-	-	-	-	-
Total assets and deferred outflow of resources	<u>70,179,156</u>	<u>70,127,985</u>	<u>6,455,029</u>	<u>104,285,965</u>	<u>103,389,363</u>	<u>288,544,640</u>	<u>642,982,138</u>
Liabilities, Deferred Inflow of Resources and Fund Balances							
Liabilities:							
Accounts payable and accrued liabilities	4,054,228	1,408,118	-	2,188,341	914,700	19,131,971	27,697,358
Salaries and benefits payable	7,383,095	-	-	-	-	-	7,383,095
Due to other funds	372,943	-	6,445,000	-	1,624,612	4,472,800	12,915,355
Total liabilities	<u>11,810,266</u>	<u>1,408,118</u>	<u>6,445,000</u>	<u>2,188,341</u>	<u>2,539,312</u>	<u>23,604,771</u>	<u>47,995,808</u>
Deferred Inflow of Resources:							
Total deferred inflow of resources	<u>12,589,742</u>	-	-	-	-	-	12,589,742
Fund Balances:							
Nonspendable	66,703	-	-	-	-	-	66,703
Restricted	-	68,719,867	10,029	102,097,624	100,850,051	63,956,101	335,633,672
Committed	5,845,485	-	-	-	-	65,757,643	71,603,128
Assigned	12,194,650	-	-	-	-	135,253,835	147,448,485
Unassigned	27,672,310	-	-	-	-	(27,710)	27,644,600
Total fund balances	<u>45,779,148</u>	<u>68,719,867</u>	<u>10,029</u>	<u>102,097,624</u>	<u>100,850,051</u>	<u>264,939,869</u>	<u>582,396,588</u>
Total liabilities, deferred inflow of resources and fund balances	<u>\$ 70,179,156</u>	<u>\$ 70,127,985</u>	<u>\$ 6,455,029</u>	<u>\$ 104,285,965</u>	<u>\$ 103,389,363</u>	<u>\$ 288,544,640</u>	<u>\$ 642,982,138</u>

See accompanying notes to the basic financial statements.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
June 30, 2014**

Total fund balances – total governmental funds	\$ 582,396,588
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Pension assets and related SCAQMD costs resulting from contributions in excess of the annual required contribution are not financial resources and therefore are not reported in the governmental funds.	40,473,683
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet. These capital assets net of accumulated depreciation are reported in the Statement of Net Position as capital assets of SCAQMD as a whole.	38,509,847
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in Governmental Funds Balance Sheet.	(2,851,906)
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 Position.	
Long-term debt	(36,035,864)
General liability	(25,500)
Workers' compensation	(352,796)
Compensated absences	(13,283,987)
Net position of governmental activities	<u>\$608,830,065</u>

See accompanying notes to the basic financial statements.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

<u>Revenues:</u>	General Fund	Mobile Sources Air Pollution Reduction Fund	Hydrogen Fueling Infrastructure Network Fund	CMP AB 923 Fund	Prop 1B Goods Movement Fund	Other Governmental Funds	Total
Emission fees	\$ 20,472,379	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,472,379
Annual renewal fees	44,260,635	-	-	-	-	-	44,260,635
Area Sources	2,819,001	-	-	-	-	-	2,819,001
Permit processing fees	16,945,777	-	-	-	-	-	16,945,777
Mobile sources/clean fuels	20,776,256	15,275,701	-	25,021,749	-	8,615,234	69,688,940
Air Toxics "Hot Spots"	1,623,051	-	-	-	-	331,599	1,954,650
Transportation programs	877,816	-	-	-	-	-	877,816
State subvention	3,949,439	-	-	-	-	-	3,949,439
Federal grant	8,682,390	-	-	-	1,768,158	13,262,755	23,713,303
State grant	2,653,455	-	-	1,500	50,734,487	27,372,797	80,762,239
Interest revenue	461,444	495,856	10,029	670,572	552,982	1,633,601	3,824,484
Lease revenue	133,916	-	-	-	-	-	133,916
Source test/analysis fees	697,133	-	-	-	-	-	697,133
Hearing Board fees	342,508	-	-	-	-	-	342,508
Penalties and settlements	17,959,410	-	-	-	-	-	17,959,410
Subscriptions	3,498	-	-	-	-	-	3,498
Other revenues	2,122,081	-	-	-	-	8,564,971	10,687,052
Total revenues	<u>144,780,189</u>	<u>15,771,557</u>	<u>10,029</u>	<u>25,693,821</u>	<u>53,055,627</u>	<u>59,780,957</u>	<u>299,092,180</u>
<u>Expenditures:</u>							
Current:							
Salaries and employee benefits	101,023,768	-	-	-	-	-	101,023,768
Insurance	1,258,577	-	-	-	-	-	1,258,577
Rent	527,451	-	-	-	-	540	527,991
Supplies	2,647,163	-	-	-	-	-	2,647,163
Contract and special services	9,421,828	10,904,688	-	32,477,177	36,858,456	70,017,200	159,679,349
Maintenance	1,445,271	-	-	-	-	-	1,445,271
Travel and auto	739,784	-	-	-	-	-	739,784
Utilities	1,637,327	-	-	-	-	-	1,637,327
Communications	629,542	-	-	-	-	-	629,542
Uncollectible accounts	1,116,103	-	-	-	-	-	1,116,103
Other expenditures	1,046,734	577,310	-	-	2,615,625	339,323	4,578,992
Capital outlay	2,203,171	-	-	-	-	1,148,716	3,351,887
Debt service:							
Principal	3,099,025	-	-	-	-	-	3,099,025
Interest	4,094,658	-	-	-	-	-	4,094,658
Total expenditures	<u>130,890,402</u>	<u>11,481,998</u>	<u>-</u>	<u>32,477,177</u>	<u>39,474,081</u>	<u>71,505,779</u>	<u>285,829,437</u>
Excess (deficiency) of revenues over (under) expenditures before transfers	<u>13,889,787</u>	<u>4,289,559</u>	<u>10,029</u>	<u>(6,783,356)</u>	<u>13,581,546</u>	<u>(11,724,822)</u>	<u>13,262,743</u>
<u>Other Financing Sources (uses):</u>							
Transfers in	840,766	-	-	-	-	18,813,215	19,653,981
Transfers out	(7,544,317)	-	-	(4,500,000)	-	(7,609,664)	(19,653,981)
Total other financing sources (uses)	<u>(6,703,551)</u>	<u>-</u>	<u>-</u>	<u>(4,500,000)</u>	<u>-</u>	<u>11,203,551</u>	<u>-</u>
Net change in fund balance	<u>7,186,236</u>	<u>4,289,559</u>	<u>10,029</u>	<u>(11,283,356)</u>	<u>13,581,546</u>	<u>(521,271)</u>	<u>13,262,743</u>
Fund balances, July 1, 2013	<u>38,592,912</u>	<u>64,430,308</u>	<u>-</u>	<u>113,380,980</u>	<u>87,268,505</u>	<u>265,461,140</u>	<u>569,133,845</u>
Fund balances, June 30, 2014	<u>\$ 45,779,148</u>	<u>\$ 68,719,867</u>	<u>\$ 10,029</u>	<u>\$ 102,097,624</u>	<u>\$ 100,850,051</u>	<u>\$ 264,939,869</u>	<u>\$ 582,396,588</u>

See accompanying notes to the basic financial statements.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014**

Net change in fund balances – total governmental funds \$13,262,743

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

Governmental funds report capital outlays as expenditures. However, in the Government-wide Statement of Activities and Changes in Net Position, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital outlays recorded in the current period. 3,351,568

Depreciation expense on capital assets is reported in the Government-wide Statement of Activities and Changes in Net Position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in governmental funds. (4,508,858)

Amortization of prepaid pension asset is reported in the Government-wide Statement of Activities and Changes in Net Position, but they do not require the use of current financial resources. Therefore, amortized amount is not reported in governmental funds. (1,693,093)

Repayment of bond principal is an expenditure in the governmental funds. For SCAQMD as a whole, principal payments reduce the liabilities in the Government-wide Statement of Net Position and do not result in an expense in the Statement of Activities and Changes in Net Position. 3,099,025

Accrued interest expense on long-term debt is reported in the Government-wide Statement of Activities and Changes in Net Position, but it does not require the use of current financial resources. Therefore, accrued interest expense is not reported as an expenditure in governmental funds. The following amount represents the change in accrued interest from the prior year. (8,231)

Long-term compensated absences and general liability/workers' compensation claims are reported in the Government-wide Statement of Activities and Changes in Net Position, but they do not require the use of current financial resources. Therefore, they are not reported as expenditures in governmental funds. The following amounts represent the change from the prior year:

Compensated absences 18,348

General liability/workers' compensation claims 513,691

Change in net position of governmental activities \$14,035,193

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014**

		Business-type Activities - Enterprise Funds
<u>Assets</u>		<u>CNG Fueling Station Fund</u>
Current Assets:		
Cash and pooled cash	\$	894,066
Interest receivable		2,733
Total current assets		<u>896,799</u>
Noncurrent Assets:		
Capital assets:		
Equipment		610,200
Less accumulated depreciation		<u>(610,200)</u>
Total capital assets, net of accumulated depreciation		<u>-</u>
Total noncurrent assets		<u>-</u>
Total assets		<u>896,799</u>
 Liabilities		
Current Liabilities:		
Accounts payable and accrued liabilities		<u>20,950</u>
Total liabilities		<u>20,950</u>
 Net Position		
Unrestricted		875,849
Total net position	\$	<u>875,849</u>

See accompanying notes to the basic financial statements.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2014

		Business-type Activities - Enterprise Funds
		<u>CNG Fueling Station Fund</u>
Operating revenues:		
Merchandise sales	\$	345,237
Other operating revenues		47,839
Total operating revenues		<u>393,076</u>
Operating expenses:		
Cost of goods and services		264,221
Total operating expenses		<u>264,221</u>
Operating income		128,855
Total net position, July 1, 2013		<u>746,994</u>
Total net position, June 30, 2014	\$	<u><u>875,849</u></u>

See accompanying notes to the basic financial statements.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2014**

		Business-type Activities - Enterprise Funds
		<u>CNG Fueling Station Fund</u>
<u>Cash Flows from Operating Activities:</u>		
Cash received from merchandise sales	\$	364,109
Cash payment for goods and services		(253,734)
Other operating revenues		46,583
		<u>156,958</u>
Net cash provided by operating activities		<u>156,958</u>
Beginning cash balance, July 1, 2013		<u>737,108</u>
Ending cash balance, June 30, 2014	\$	<u><u>894,066</u></u>

Reconciliation of Operating Income to Net Cash
Provided by Operating Activities:

Operating income	\$	<u>128,855</u>
Adjustments to reconcile operating income to net cash provided by operating activities		
Increase in interest receivable		(1,256)
Decrease in accounts receivable		18,872
Increase in accounts payable and accrued liabilities		10,487
Total adjustments		<u>28,103</u>
Net cash provided by operating activities	\$	<u><u>156,958</u></u>

See accompanying notes to the basic financial statements.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2014**

<u>Assets</u>	<u>Agency Funds</u>	<u>Retirement Benefit Trust Fund</u>
Cash and pooled cash	\$ 122,063	\$ 430,431
Interest receivable	<u>133</u>	<u>1,247</u>
Total assets	<u>\$ 122,196</u>	<u>431,678</u>
<u>Liabilities</u>		
Liabilities:		
Accounts payable and accrued liabilities	<u>\$ 122,196</u>	<u>21,659</u>
Total liabilities	<u>\$ 122,196</u>	<u>21,659</u>
<u>Net Position</u>		
Net position held in trust for retirement benefit		<u>410,019</u>
Total net position		<u>\$ 410,019</u>

See accompanying notes to the basic financial statements.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2014**

	<u>Retirement Benefit Trust Fund</u>
<u>Additions:</u>	
Contribution	\$ 139
Interest revenue	4,330
Total additions	<u>4,469</u>
 <u>Deductions:</u>	
Other expenditures	233,992
Total deductions	<u>233,992</u>
Change in net position	<u>(229,523)</u>
Net position held in trust for retirement benefits, July 1, 2013	<u>639,542</u>
Net position held in trust for retirement benefits, June 30, 2014	<u>\$ 410,019</u>

See accompanying notes to the basic financial statements.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Financial Reporting Entity

The South Coast Air Quality Management District (SCAQMD) was established pursuant to the Lewis Air Quality Management Act on February 1, 1977, commencing at Section 40400 of the Health and Safety Code of the State of California. SCAQMD encompasses all of Orange County and parts of Los Angeles, San Bernardino, and Riverside Counties. SCAQMD 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 SCAQMD's permit system.

As defined by generally accepted accounting principles (GAAP) in the United States of America that are established by the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the primary government and its component units, which are legally separate organizations. The financial statements of SCAQMD are prepared in accordance with GAAP.

The accompanying financial statements present the financial activities of SCAQMD (primary government) and its blended component unit, South Coast Air Quality Management District Building Corporation (Corporation), an entity for which SCAQMD is considered to be financially accountable. Legally separate from SCAQMD and as a tax-exempt entity, the Corporation is reported as a governmental fund.

The Corporation was incorporated as a nonprofit corporation under the laws of the State of California on September 21, 1978. The purpose of the Corporation is to finance the acquisition and improvement of a building complex/headquarters of SCAQMD. SCAQMD Governing Board approves the appointment of the Corporation's Board of Directors. SCAQMD has had significant transactions with the Corporation for the construction and improvement of SCAQMD's headquarters facility. It is legally separate from SCAQMD and a tax-exempt entity under Section 501(c)(4) of the Internal Revenue Code.

Separate financial statements for the Corporation may be obtained from SCAQMD's Finance Office located at 21865 Copley Drive, Diamond Bar, California 91765.

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B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The basic financial statements of SCAQMD are composed of the following:

- Government-wide financial statements
- Governmental fund financial statements
- Notes to the basic financial statements

Government-wide Financial Statements

The government-wide financial statements (Statement of Net Position and Statement of Activities) present summaries of governmental and business-type activities of SCAQMD as a whole, excluding fiduciary activities. These statements are presented using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all of SCAQMD's assets and liabilities including capital assets and long-term liabilities are included in the accompanying Statement of Net Position. 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.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements rather than reporting them as expenditures. Proceeds of long-term debt are also recorded in the government-wide financial statements as a liability, rather than as another financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

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

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 from motor vehicle registrations; 2) operating grants and subventions that are in support of air pollution program activities; and 3) long-term emission reduction projects which include capital grants and contributions which are mostly restricted. Program expenses are subtracted from program revenues to present the net cost of each functional activity. Interest income and other miscellaneous items not properly included among program revenues are reported as general revenues.

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SCAQMD's functional activities are broken down into the following nine categories:

- Advance clean air technology
- Ensure compliance with clean air rules
- Customer service and business assistance
- Develop programs to achieve clean air
- Develop rules to achieve clean air
- Monitoring air quality
- Timely review of permits
- Policy support, and
- Long-term emission reduction projects

When both restricted and unrestricted resources are available for use, it is SCAQMD's policy to use restricted resources first within the restricted activities, then use the unrestricted resources as they are needed.

Fund financial statements for the primary government's governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. The funds designated as major funds are determined by a mathematical calculation consistent with GASB Statement No. 34.

SCAQMD has presented all major funds that met those qualifications. These major funds are Mobile Sources Air Pollution Reduction Fund, Hydrogen Fueling Infrastructure Network Fund, Carl Moyer Program AB 923 Special Revenue Fund, Proposition 1B Funding-Goods Movement Fund, in addition to the General Fund.

A 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 No. 34 reporting.

All governmental funds are accounted for on a spending or current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are generally included in

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the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the current period. They are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, SCAQMD considers revenues to be available if they are collected generally within 90 days after year-end to be available to finance the expenditures accrued for the reporting period. The primary revenue sources which have been treated as susceptible to accrual by SCAQMD are as follows: emissions flat fees, permit fees, air toxics “Hot Spots” fees, and source test/analysis fees from stationary sources; clean fuels revenues from stationary sources; federal and state grants under grants and subventions and interest under general revenues. All other revenue items are recorded when received in cash. Expenditures are recognized in the accounting period in which the related fund liability is incurred, if measurable, except for debt service expenditures, as well as expenditures related to compensated absences, which are recognized when payment is due.

Amounts expended to acquire capital assets are recorded as capital outlay expenditures in the year that resources were expended rather than recording them as fund assets. The proceeds of long-term debt are recorded as other financing sources rather than as fund liability. Amounts paid to reduce long-term indebtedness are reported as debt service expenditures.

Proprietary Fund Financial Statements

Proprietary Fund financial statements include a Statement of Fund Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows. These funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position present increases (revenues) and decreases (expenses) in total net position. Revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of SCAQMD’s enterprise

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fund are sales of CNG fuel. Operating expenses include the cost of sales and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary Fund Financial Statements

Fiduciary Fund financial statements include a Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. These funds represent agency funds which are custodial in nature (assets equal liabilities) and do not involve the recording of revenues and expenses or the measurement of results of operations. The reporting focus is upon net position and changes in net position. These funds are accounted for in the accrual basis of accounting.

C. Fund Types and Major Funds

As noted earlier, the funds designated as major funds are determined in accordance with GASB Statement No. 34.

SCAQMD reports the following major governmental funds:

General Fund – This is the primary operating fund of SCAQMD and is used to record transactions relating to its general business operations. It is also used to account for all revenues and expenditures that are not required to be accounted for in another fund.

Special Revenue Funds – These funds are used to record transactions applicable to specific revenue sources that are legally restricted to expenditures for specific purposes. The following are SCAQMD’s major special revenue funds:

- Mobile Sources Air Pollution Reduction Fund – Used to account for 30% of the revenue received by SCAQMD from the motor vehicle registration fees under the provisions of Sections 44243 and 44244 of the California Health and Safety Code. This money is used to provide grants to fund projects for the purpose of reducing air pollution from motor vehicles within the South Coast Air Basin. Total projects to date amount to over \$353 million and over 11,500 tons of emissions reduced. This special fund was established in fiscal year 1992.
- Hydrogen Fueling Infrastructure Network Fund – Established in fiscal year 2014 to receive state and federal grant revenue earmarked for hydrogen infrastructure to support the expected role out of fuel cell cars in the next few years. In fiscal year 2014, the SCAQMD received an award for \$6.9 million

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from the California Energy Commission (CEC) to upgrade and refurbish existing hydrogen stations in the South Coast Air Basin.

- Carl Moyer Program AB 923 Special Revenue Fund - Established in fiscal year 2008 to provide additional funding for the Carl Moyer Program from an adjustment to the tire fee, and authorizes local air districts to increase motor vehicle registration fees by up to \$2 for programs to reduce air pollution. AB 923 has expanded the Carl Moyer incentive program to include agricultural sources of air pollution as well as buses, cars and on and off-road equipment. The program targets nitrogen oxide hydrocarbon, and particulate matter pollution reductions. In fiscal year 2013-14 \$11.5 million in AB 923 funds were approved to replace and retrofit school buses. Furthermore, about \$17.3 million in AB 923 funds were awarded to Metrolink for repower of locomotives to low-emitting tier 4 engines. In addition, about \$4 million per year in AB 923 funds are used to fund projects as match requirement to the Carl Moyer Program.
- Prop 1B Funding - Goods Movement Fund - This fund was established in fiscal year 2008 to account for voter approved transportation bond dollars. A portion of these were allocated to CARB and passed through to SCAQMD to implement programs that reduce emissions from movement of freight or “goods” along California’s trade corridors. About 1,500 new diesel and LNG drayage trucks were funded at the Ports of Los Angeles and Long Beach for about \$75 million in Proposition 1B-Goods Movement Program funds and \$27 million in other funds that were only used for the LNG trucks. In addition, about 3,000 non-drayage trucks have been funded for about \$140 million in Proposition 1B-Goods Movement Program funds. In fiscal year 2013-14, over \$77.4 million was awarded for replacement of more than 2,200 goods movement trucks.

SCAQMD reports the following major proprietary fund:

- Compressed Natural Gas (CNG) Fueling Station Fund - Established during fiscal year 2002 to administer all activities, transactions, and funding relating to the public and SCAQMD’s use of CNG fueling facilities at SCAQMD’s headquarters. The fueling station helps accommodate the growing number of alternative-fuel vehicle fleets.

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SCAQMD also reports the following fiduciary fund types:

- Agency Funds - Used to account for funds due to others that are not accounted for in the other funds and acts as a temporary custodian.
 - 1) Accounting Agency Fund - Used to account for unidentified payments that require additional research before final disposition.
 - 2) 457 Plan Administration Revenue Sharing Fund - Used to account for funds that, the 457 plan administrator, transfers to SCAQMD as part of a revenue-sharing agreement. After applicable expenses are paid, residual funds are returned to the 457 plan administrator to be distributed among participants based on an approved formula.
- Retirement Benefit Trust Fund - Used to account for funds contributed by SCAQMD and interest earned on its principal for the payment of medical, dental and burial costs upon retirement of SCAQMD employees who are members of the Los Angeles County Employees Retirement Association (LACERA). It operates as a cost-sharing multi-employer defined benefit plan. Note VIII contains more information about SCAQMD's retirement plans.

D. Assets, Liabilities and Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash, Pooled Cash, and Investments

Cash includes amounts to conduct daily operations of SCAQMD in demand deposits with the Los Angeles County Treasurer and various financial institutions. SCAQMD (District) deposits virtually all of its cash with the Treasurer of the County of Los Angeles. The District's deposits, along with funds from other local agencies such as the county government, other school districts, and special districts, make up a pool, which the County Treasurer manages for investment purposes. Earnings from the pooled investments are allocated to participating funds based on average investments in the pool during the allocation period.

All District-directed investments are to diversify SCAQMD's investments and are in compliance with SCAQMD's investment policy and Los Angeles County Treasury investment guidelines. The guidelines limit specific investments to United States Agency securities. The District securities portfolio is held by the County Treasurer. Interest earned on investments is

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recorded as revenue of the fund from which the investment was made. All District investments are stated at fair value based on quoted market prices.

2. Capital Assets and Depreciation

Under GASB Statement No. 34, all capital assets, whether owned by governmental activities or business-type activities are recorded and depreciated in the government-wide financial statements. No long-term capital assets or depreciation are shown in the governmental funds financial statements.

Capital assets, which include land, equipment, vehicles, furniture, buildings and improvements, software and other intangible assets are reported 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 \$5,000 and with an expected useful life of three years or more are capitalized.

The costs of normal maintenance and repairs that do not add to the value of the capital asset or materially extend capital assets lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Assets disposed of or no longer required for its existing use are removed from the records at actual or estimated cost.

Depreciation is charged as an expense against operations, and accumulated depreciation is reported on the respective balance sheet. Property, plant, equipment, vehicles and furniture of SCAQMD are depreciated using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	15-30
Equipment, vehicles and furniture	5-7
Software and Systems	3-5

3. Inventories

Inventories as determined by annual physical counts are valued at cost using the first-in/first-out (FIFO) method. They consist principally of office, computer, cleaning and laboratory supplies. The cost is recorded as an expense as inventory items are consumed.

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4. Compensated Absences

Regular full-time employees accumulate earned but unused vacation time, sick leave, compensatory time, and other leave time. Certain restrictions apply with respect to the accumulation of leave time and its payment at termination. All vacation, sick leave, compensatory time, and other leave time are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignation and retirement.

5. Self-Insurance

SCAQMD is self-insured for general, automobile, and workers' compensation liabilities (See note VII).

6. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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In addition to liabilities the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

8. Net Position and Fund Balance Classifications

Net position represents the difference between assets and deferred outflow of resources, and liabilities, and deferred inflow of resources on the government-wide financial statements. Net position is classified in the following categories:

Net Investment in Capital Assets

This category groups all capital assets, including infrastructure and intangibles, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted Net Position

This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions enabling legislation.

Unrestricted Net Position

This category represents the residual net position of SCAQMD in excess of what can properly be classified in one of the other two categories mentioned above.

Fund Balance Classifications

The governmental fund financial statements present fund balances based on classifications that comprise hierarchy that is based primarily on the extent to which SCAQMD is bound to honor constraints on the specific purposes for which amounts can be spent.

The fund balance classifications used in the governmental fund financial statements are as follows:

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Nonspendable – amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be spent only for specific purposes determined by a formal action of the government's highest level of decision-making authority. The Governing Board, as the highest level of decision-making authority, has the ability to commit fund balances through the adoption of a resolution. These committed amounts cannot be used for any other purpose unless the Governing Board removes or modifies the use through the adoption of a subsequent resolution.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. SCAQMD assigned fund balance represents the remaining amounts reported in governmental funds. The Governing Board retains the authority to assign fund balance.

Unassigned – this classification includes the residual fund balance for the General Fund. It also includes the negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting assigned fund balance amounts.

When both restricted and unrestricted resources are available for use, it is SCAQMD's policy to use restricted resources first and then unrestricted resources as they are needed. When using unrestricted fund balance amounts, SCAQMD's Governing Board approved policy is to use committed amounts first, followed by assigned and then unassigned.

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The following schedule shows the details of the fund balances as of June 30, 2014.

	<u>Major Governmental Funds</u>						<u>Total</u>
	<u>General Fund</u>	<u>Mobile Sources Air Pollution Reduction Fund</u>	<u>Hydrogen Fueling Infrastructure Network Fund</u>	<u>CMP AB 923 Fund</u>	<u>Prop 1B Goods Movement Fund</u>	<u>Other Governmental Funds</u>	
Fund Balance:							
Nonspendable:							
Inventory	\$ 66,703	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 66,703
Total non spendable	<u>66,703</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,703</u>
Restricted:							
Long term emission reduction projects	<u>-</u>	<u>68,719,867</u>	<u>10,029</u>	<u>102,097,624</u>	<u>100,850,051</u>	<u>63,956,101</u>	<u>335,633,672</u>
Total restricted	<u>-</u>	<u>68,719,867</u>	<u>10,029</u>	<u>102,097,624</u>	<u>100,850,051</u>	<u>63,956,101</u>	<u>335,633,672</u>
Committed:							
Advance clean air technology	1,059,866	-	-	-	-	-	1,059,866
Ensure compliance with clean air rules	1,637,888	-	-	-	-	-	1,637,888
Customer service and business assistance	604,327	-	-	-	-	-	604,327
Develop programs to achieve clean air	345,082	-	-	-	-	-	345,082
Develop rules to achieve clean air	254,190	-	-	-	-	-	254,190
Monitoring air quality	1,081,377	-	-	-	-	-	1,081,377
Timely review of permits	474,615	-	-	-	-	-	474,615
Policy support	388,140	-	-	-	-	-	388,140
Long term emission reduction projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>65,757,643</u>	<u>65,757,643</u>
Total committed	<u>5,845,485</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>65,757,643</u>	<u>71,603,128</u>
Assigned:							
Long term emission reduction projects	-	-	-	-	-	135,253,835	135,253,835
For self insurance	2,000,000	-	-	-	-	-	2,000,000
For litigation/enforcement	1,600,000	-	-	-	-	-	1,600,000
For facility refurbishment	578,289	-	-	-	-	-	578,289
For unemployment claims	80,000	-	-	-	-	-	80,000
For enhanced compliance activity	883,018	-	-	-	-	-	883,018
For permit streamlining	288,385	-	-	-	-	-	288,385
For retirement actuarial increases	3,812,462	-	-	-	-	-	3,812,462
For OPEB obligations	<u>2,952,496</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,952,496</u>
Total assigned	<u>12,194,650</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>135,253,835</u>	<u>147,448,485</u>
Unassigned:							
General Purpose	27,672,310	-	-	-	-	-	27,672,310
Long term emission reduction projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(27,710)</u>	<u>(27,710)</u>
Total	<u>27,672,310</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(27,710)</u>	<u>27,644,600</u>
Total fund balances	<u>\$45,779,148</u>	<u>\$68,719,867</u>	<u>\$10,029</u>	<u>\$102,097,624</u>	<u>\$100,850,051</u>	<u>\$264,939,869</u>	<u>\$582,396,588</u>

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E. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Adoption of New GASB Pronouncements

The GASB has issued Statement No. 65, “Items Previously Reported as Assets and Liabilities.”

This statement establishes accounting and financial standards that clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources. The statement recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement is effective for periods beginning after December 15, 2012. SCAQMD adopted the provisions of GASB No. 65 and reclassified liabilities previously reported as unearned revenue to deferred inflows of resources at June 30, 2014.

The GASB has issued Statement No. 66, “Technical Corrections – 2012; an amendment of GASB Statements No. 10 and No. 62.”

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012.

The GASB has issued Statement No. 68, “Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27.”

This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 14, 2014. This Statement will be implemented by SCAQMD in fiscal year ended June 30, 2015.

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The GASB has issued Statement No. 69, “Government Combinations and Disposals of Government Operations.”

The Statement establishes accounting and financial reporting standards for mergers, acquisitions, and transfers of operations (i.e., government combinations). The Statement also provides guidance on how to determine the gain or loss on a disposal of governmental operations. This Statement applies to all state and local governmental entities. The requirements of this Statement should be applied prospectively and are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. This Statement is not applicable to SCAQMD.

II. CASH, POOLED CASH AND INVESTMENTS

The following is a summary of the cash, pooled cash, and investments for the primary government (including fiduciary funds) at June 30, 2014.

	Primary Government
Cash on hand	\$ 418,427
Cash in bank	272,837
Pooled cash	557,123,952
Investments	40,233,260
Cash, pooled cash, and investments	\$ 598,048,476

CASH

At June 30, 2014, the carrying amount of SCAQMD’s bank deposits was \$272,837 and the bank balance was \$284,306. The entire amount was covered by Federal Deposit Insurance Corporation (FDIC). The amount was insured up to \$250,000 by FDIC. Management believes that SCAQMD is not exposed to any significant credit risk related to cash in bank. Cash on hand consists of cash and checks not deposited as of June 30, 2014.

POOLED CASH AND INVESTMENTS

SCAQMD’s pooled cash and investments are held in the Los Angeles County Pooled Surplus Investment Fund Portfolio (PSI), the Los Angeles County Specific Purpose Investment Portfolio (SPI), and the State of California Local Agency Investment Fund (LAIF). Pooled cash and investments are held in accordance with California Government Code, SCAQMD Investment Policy, Los Angeles County Treasurer Investment Policy and LAIF Policies, Goals, and Objectives.

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Los Angeles County Pooled Surplus Investment Fund Portfolio (PSI)

SCAQMD is a voluntary participant in the Los Angeles County Pooled Surplus Investment Fund Portfolio (PSI), an external investment pool managed by the Los Angeles County Treasurer who reports on a monthly basis to its Board of Supervisors. Its Treasury Oversight Committee reviews and monitors its investment policy. The investment policy is governed by applicable California Government Code. Investments held are stated at fair value. The fair value of pooled cash is determined monthly and is based on current market prices.

Los Angeles County Specific Purpose Investment Portfolio (SPI)

The Los Angeles County Specific Purpose Investment Portfolio (SPI) is managed by the Los Angeles County Treasurer and is used to purchase specific investments for SCAQMD. In accordance with California Government Code, SCAQMD adopts an investment policy annually that, among other things, authorizes types and concentrations of investments and maximum investment terms. On June 30, 2014, SPI are reported at fair market value.

The SCAQMD Investment Policy authorize SCAQMD to invest in:

- U.S. Treasuries
- Federal agencies and U.S. government sponsored enterprises
- Los Angeles County Pooled Surplus Investment Portfolio
- State of California Local Agency Investment Fund
- Obligation of State of California or any other local agency within the state - Permitted obligations will include bonds payable solely out of revenues from a revenue producing property owned, controlled or operated by the state or any local agency, or by a department, board, agency or authority of the state or local agency. Obligations of the State of California or other local agencies within the state must be rated at least A by a NRSRO.
- Shares of money market mutual funds – shall be limited to ratings of AAA by two nationally recognized statistical rating organizations (NRSRO) or managed by an investment advisor registered with the Securities Exchange Commission with not less than five years experience and with assets under management in excess of \$500 million and such investment may not represent more than 10% of the total assets in the money market fund.
- Bankers acceptances – with maximum maturities of 180 days, must be issued by national or state-chartered branch or a state licensed branch of a foreign bank. Eligible banker's acceptance should have the highest rankings in the highest letter and number rating as provided for by the NRSRO.
- Negotiable certificates of deposit – with maximum maturities of five (5) years must be issued by state-chartered banks, a federal or state-licensed branch of a foreign bank, savings associations and state or federal credit unions. Negotiable CDs must be rated at least A or its equivalent by at least one NRSRO.

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- Commercial paper – Commercial paper of “prime” quality of the highest ranking or of the highest letter and number rating as provided for by a NRSRO. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph a or paragraph b; and may not represent more than 10% of the outstanding paper of the issuing corporation. Maximum maturities are 270 days.
 - a. The entity meets the following criteria:
 - i. Is organized and operating in the United States as a general corporation.
 - ii. Have total assets in excess of one billion dollars (\$1,000,000,000).
 - iii. Has debt other than commercial paper, if any, that is rated “A” or higher, or equivalent, by a NRSRO.
 - b. The entity meets the following criteria:
 - i. Is organized within the United States as a special purpose corporation, trust, or limited liability company.
 - ii. Has program-wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond.
 - iii. Has commercial paper that is rated “A-1”, or the equivalent, by at least two NRSROs.
- Medium term maturity corporate securities – with maximum maturities of five (5) years shall be limited to a minimum debt rating of A or better by a NRSRO.
- Mortgage securities or asset-backed securities – with maximum maturities of five (5) years shall be rated AAA or its equivalent or better by a nationally recognized rating service and issued by an issuer having AA or better rating by NRSRO for its long-term debt.
- Repurchase agreements – with maximum maturity of 30 days and must be collateralized by the U.S. Treasuries or Agencies with a market value of 102% for collateral marked to market daily, entered into with broker-dealer which is a recognized primary dealer and evidenced by a broker-dealer master purchase agreement signed by County Treasurer and approved by SCAQMD.
- Reverse purchase agreements – are not allowed except as part of investments in the County of Los Angeles Pooled Surplus Investment Portfolio and the State of California Local Agency Investment Fund
- Variable and floating rate securities – with the maximum security of five years are instruments that have a coupon or interest rate that is adjusted periodically due to changes in a base or benchmark rate. Investments in floating rate securities must utilize commercially available U.S. denominated indices such as U.S. Treasury bills of Federal Funds. Investments in floating rate securities whose reset is calculated using more than one of the above indices are not permitted, i.e. dual index notes.

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Variable and Floating Rate Securities that are priced based on a single common index are not considered derivative securities.

- Derivative securities – not allowed as Special Purpose Investments

State of California Local Agency Investment Fund (LAIF)

SCAQMD is a voluntary participant in the State of California Local Agency Investment Fund (LAIF), an external investment pool, that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California.

LAIF is part of the Pooled Money Investment Account (PMIA) and has oversight provided by the Pooled Money Investment Board (PMIB) and an in-house Investment Committee. The PMIB Board members are the State Treasurer, Director of Finance and the State Controller. Additionally, LAIF has oversight by the Local Investment Advisory Board, which consists of five members, as designated by statute. The Chairman is the State Treasurer, who appoints the other four members to two-year terms.

The fair value of SCAQMD's investment in this pool is reported in the accompanying financial statements at amounts based upon SCAQMD's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records of LAIF, which are recorded on an amortized cost basis.

The following table summarizes SCAQMD's cash, pooled cash and investments and maturities at June 30, 2014.

	Fair Value	Investment Maturities		
		<1 Year	1-2 years	2-3 years
Cash:				
On hand	\$ 418,427	\$ -	\$ -	\$ -
In bank	272,837	-	-	-
Total cash	<u>691,264</u>	<u>-</u>	<u>-</u>	<u>-</u>
Pooled cash:				
Los Angeles County				
Pooled Surplus Investment (PSI)	518,130,557	255,438,365	262,692,192	-
Local Agency				
Investment Fund (LAIF)	<u>38,993,395</u>	<u>38,993,395</u>	<u>-</u>	<u>-</u>
Total pooled cash	<u>557,123,952</u>	<u>294,431,760</u>	<u>262,692,192</u>	<u>-</u>
Investment (LA County SPI) :				
U.S. Gov't Sponsored Enterprise	<u>40,233,260</u>	<u>-</u>	<u>-</u>	<u>40,233,260</u>
Total investments	<u>40,233,260</u>	<u>-</u>	<u>-</u>	<u>40,233,260</u>
Total cash, pooled cash & investments	<u>\$ 598,048,476</u>	<u>\$ 294,431,760</u>	<u>\$ 262,692,192</u>	<u>\$ 40,233,260</u>

Interest Rate Risk

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

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limiting its exposure to declines in fair value, the SCAQMD Investment Policy limits its investment portfolio of Specific Purpose Investments (SPI) with the County of Los Angeles to maturities of less than five years at time of purchase and the weighted average maturity of the Specific Purpose Investment portfolio may not exceed three years.

Credit Risk

Credit risk is the risk of default or the inability of an issuer of an investment to fulfill its obligation to the holder of the investment. SCAQMD mitigates its credit risk in the Specific Purpose Investment (SPI) portfolio generally by following its three primary investment objectives, in order of safety, liquidity, and yield. SCAQMD's Investment Policy further requires only permitted investments with specific credit quality requirements. The Los Angeles County Pooled Surplus Investment Portfolio (PSI) and the State of California Local Agency Investment Fund (LAIF) are both unrated as to credit quality. The investments that are represented by Specific Purpose Investments (SPI) are held by the Los Angeles County Treasurer in SCAQMD's name and consist of U.S. Government Sponsored Enterprise investments with credit ratings of AA- (Standard and Poors).

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a investments in a single issuer. SCAQMD's Investment Policy mitigates concentration of credit risk through diversification requirements so that no one type of issuer or issue will have a disproportionate impact on the portfolio. The investments that are represented by Specific Purpose Investments (SPI) consist of U.S. Government Sponsored Enterprise investments.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, SCAQMD 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. Custodial credit risk for investments is the risk that SCAQMD will not be able to recover the value of its investment securities that are in the possession of an outside party. SCAQMD's deposits are fully insured by the Federal Deposit Insurance Corporation (FDIC), pooled cash with the Los Angeles County Pooled Surplus Investment Portfolio (PSI) and the State of California Local Agency Investment Fund (LAIF) are not subject to custodial credit risk, and the investments that are represented by Specific Purpose Investments (SPI) are held by the Los Angeles County Treasurer in the name of SCAQMD.

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III. DUE FROM OTHER GOVERNMENT AGENCIES AND ACCOUNTS RECEIVABLE

Due from other government agencies at June 30, 2014 consists of the following:

Department of Motor Vehicles AB 2766, SB 1928, AB 923	\$15,377,662
Environmental Protection Agency	
Near Road Monitoring	193,894
Section 105 Air Grant	3,292,580
Various Congressional Mandated Programs	21,079
Section 103 PM 2.5 Grant	297,910
NATTS	124,055
Department of Homeland Security Special Monitoring	586,038
Department of Energy	
ZECT (Zero Emission Cargo Transport)	84,929
ARRA PHE Truck Demo	6,939,816
Plug in Hybrid Electric Delivery Program	243,751
California Energy Commission Truck Replacement Grant	86,732
Department of Transportation	<u>699,612</u>
Total	<u>\$27,948,058</u>

Accounts Receivable consists of the following at June 30, 2014:

Air Toxics "Hot Spots", Emission Fees, Permits, Annuals and Source Testing	\$4,941,178
Clean Fuels/Stationary Sources	268,472
Miscellaneous Receivables	<u>605,942</u>
Subtotal	5,815,592
Less: Allowance for Doubtful Accounts	<u>(1,929,952)</u>
Total	<u>\$3,885,640</u>

IV. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Due to/from other funds:

<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	\$ 1,099,794	AB 1318 Mitigation Fees Fund	\$ 388,365
		Air Quality Investment Fund	37,138
		Clean Fuels Program Fund	545,824
		DOE ARRA Plug-In Hybrid Electric Vehicle Fund	14,257
		Tra-Pac School Air Filtration Fund	<u>114,210</u>
	<u>\$ 1,099,794</u>		\$ 1,099,794
Air Toxics Fund	\$ 332,911	General Fund	\$ 332,911
Clean Fuels Program Fund	\$ 9,858,038	General Fund	\$ 40,032
		Advanced Technology, Outreach & Education Fund	3,373,006
		Hydrogen Fueling Infrastructure Network Fund	<u>6,445,000</u>
	<u>\$ 9,858,038</u>		\$ 9,858,038
Carl Moyer Program AB923 Fund	<u>\$ 1,624,612</u>	Prop 1B Goods Movement	<u>\$ 1,624,612</u>
Total Receivables	<u>\$ 12,915,355</u>	Total Payables	<u>\$ 12,915,355</u>

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The outstanding balances between funds result mainly from the time lag between the dates that: (1) interfund reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

<u>Fund Transferred From</u>	<u>Fund Transferred To</u>		
	General Fund	Other Governmental Funds	Total
General Fund	-	\$ 7,544,317	\$ 7,544,317
Carl Moyer AB 923 Fund	-	4,500,000	4,500,000
Other Governmental Funds	<u>840,766</u>	<u>6,768,898</u>	<u>7,609,664</u>
	<u>\$ 840,766</u>	<u>\$ 18,813,215</u>	<u>\$ 19,653,981</u>

SCAQMD's Governing Board approved the following:

- Transfer of \$4,500,000 from the Carl Moyer AB923 Fund to the Voucher Incentive Program (VIP) Fund to fund truck replacement projects.
- Transfer of \$2,410,847 from the General Fund to the Infrastructure Improvement Fund for building improvement projects.
- Transfer of \$5,000,000 from the General Fund to the Debt Service Fund.
- Transfer of \$6,718,898 from the Carl Moyer Fund to the Voucher Incentive Program (VIP) Fund to fund truck replacement projects.
- Transfer of \$63,191 from the Prop 1B Funding – Lower Emission School Bus to the General Fund to reimburse for administrative costs.
- Transfer of \$133,470 from the General Fund to the Emission Reduction and Outreach Fund to recognize revenue for the Air Quality Institute.
- Transfer of \$50,000 from the Air Quality Studies Fund to the Emission Reduction and Outreach Fund to facilitate the continuation of the Air Quality Institute outreach program.
- Transfer of \$275,000 from the BP Arco Settlement Projects Fund to the General Fund for investment in new and updated laboratory and field equipment and data

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management software that would allow for rapid response and near real time monitoring, data processing and reporting of air toxics.

- Transfer of \$114,210 from the Tra Pac School Air Filtration Fund to the General Fund to reimburse for administrative costs.
- Transfer of \$388,365 from the AB1318 Mitigation Fees Fund to the General Fund to reimburse for the administrative costs.

V. CAPITAL ASSETS

In compliance with GASB Statement No. 34 reporting, SCAQMD has reported all capital assets in the Government-wide Statement of Net Position. Capital asset activities for the year ended June 30, 2014 were as follows:

	Balance July 1, 2013	Increase	Decrease	Balance June 30, 2014
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 8,829,792	\$ -	\$ -	\$ 8,829,792
Total capital assets not being depreciated	<u>8,829,792</u>	<u>-</u>	<u>-</u>	<u>8,829,792</u>
Capital Assets being depreciated:				
Buildings and improvements	75,296,555	1,558,288		76,854,843
Intangibles (software)	3,096,853	526,942	-	3,623,795
Equipment, vehicles and furniture	26,363,801	1,266,338	(1,957,867)	25,672,272
Total capital assets being depreciated	<u>104,757,209</u>	<u>3,351,568</u>	<u>(1,957,867)</u>	<u>106,150,910</u>
Governmental Activities:				
Less Accumulated Depreciation for:				
Buildings and improvements	(52,783,375)	(2,555,675)	-	(55,339,050)
Intangibles (software)	(294,571)	(179,067)	-	(473,638)
Equipment, vehicles and furniture	(20,841,918)	(1,774,116)	1,957,867	(20,658,167)
Total accumulated depreciation	<u>(73,919,864)</u>	<u>(4,508,858)</u>	<u>1,957,867</u>	<u>(76,470,855)</u>
Net capital assets being depreciated	<u>30,837,345</u>	<u>(1,157,290)</u>	<u>-</u>	<u>29,680,055</u>
Net capital assets, governmental activities	<u>\$ 39,667,137</u>	<u>\$ (1,157,290)</u>	<u>\$ -</u>	<u>\$ 38,509,847</u>
Business-type Activities:				
Compressed natural gas				
Fueling station	\$ 610,200	\$ -	\$ -	\$ 610,200
Total capital assets being depreciated	<u>610,200</u>	<u>-</u>	<u>-</u>	<u>610,200</u>
Less accumulated depreciation	<u>(610,200)</u>	<u>-</u>	<u>-</u>	<u>(610,200)</u>
Net capital assets, business-type activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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For the year ended June 30, 2014, the depreciation expense of \$4,508,858 was charged to SCAQMD's functions/programs in the governmental activities as follows:

Advance clean air technology	\$ 169,502
Ensure compliance with clean air rules	1,818,587
Customer service and business assistance	328,633
Develop programs to achieve clean air	267,813
Develop rules to achieve clean air	155,497
Monitoring air quality	1,064,729
Timely review of permits	633,234
Policy support	<u>70,863</u>
Total depreciation expense	<u>\$4,508,858</u>

VI. LONG-TERM DEBT

The following is a summary of long-term obligation transactions of SCAQMD for the year ended June 30, 2014:

	Balance <u>July 1, 2013</u>	<u>Addition</u>	<u>Reduction</u>	Balance <u>June 30, 2014</u>	Amounts Due Within <u>One Year</u>	Amounts Due in More Than <u>One Year</u>
Governmental Activities:						
Claims payable:						
General liability	\$ 244,185	\$ 20,500	\$ 239,185	\$ 25,500	\$ 15,500	\$ 10,000
Workers' compensation	647,802	138,554	433,560	352,796	147,350	205,446
Compensated absences	13,302,335	677,501	695,849	13,283,987	869,085	12,414,902
Installment Sale Obligation:						
Pension Obligation Bonds	<u>39,134,889</u>	<u>-</u>	<u>3,099,025</u>	<u>36,035,864</u>	<u>3,159,384</u>	<u>32,876,480</u>
Total	\$ <u>53,329,211</u>	\$ <u>836,555</u>	\$ <u>4,467,619</u>	\$ <u>49,698,147</u>	\$ <u>4,191,319</u>	\$ <u>45,506,828</u>

In prior years, claims payable and compensated absences have been liquidated primarily by the General Fund.

1995 Pension Obligation Bonds

On December 1, 1995, SCAQMD, jointly with the County of San Bernardino, issued bonds to retire the Unfunded Actuarial Accrued Liability (UAAL) due to San Bernardino County Employees' Retirement Association (SBCERA). SCAQMD issued a \$34,261,896 aggregate principal amount to refund its portion of the obligation to SBCERA. The interest rates range from 5.68% to 7.70% with maturity date of August 1, 2021. The purpose of this refunding was to lower the cost to SCAQMD through the issuance of bonds at rates that are lower than those assessed by SBCERA and to restructure its debt service from an ascending to a level-debt-

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service schedule. At the time of refunding these changes were expected to result in estimated total gross debt service savings of \$20,151,420 through June 30, 2022. During the fiscal year ended June 30, 2014, \$824,025 in principal and \$2,240,975 in interest were paid on the bonds. The principal balance outstanding at June 30, 2014 amounted to \$4,685,864.

The annual payment requirements under the 1995 pension bond obligation are as follows:

Year Ending				
June 30		Principal		Interest
				Total
2015	\$	759,384	\$	2,305,616
2016		700,598		2,364,402
2017		646,010		2,418,990
2018		597,798		2,467,202
2019		553,110		2,511,890
2020-2022		1,428,964		7,766,036
Total	\$	<u>4,685,864</u>	\$	<u>19,834,136</u>
			\$	<u>24,520,000</u>

Series 2004 Pension Obligation Bonds

On June 29, 2004, SCAQMD issued and sold taxable pension obligation bonds to retire the Unfunded Actuarial Accrued Liability (UAAL) due to the SBCERA. At the time of issuance, it was estimated that the issuance and sale of \$47,030,000 was expected to result in estimated total gross debt service savings of \$22.4 million through August 1, 2023.

The Series 2004 Pension Obligation Bonds are payable on a parity with the 1995 Pension Obligation Bonds. SCAQMD may, from time to time, enter into supplemental indentures without the consent of the Bond Owners of the 1995 Bonds or Series 2004 Bonds for the purpose of providing for the issuance of additional series of Pension Obligation Bonds or to refund any other evidences of indebtedness of SCAQMD arising pursuant to the Retirement Law. The interest rates range from 5.27% to 5.93% with maturity date of August 1, 2023. During the fiscal year ended June 30, 2014, \$2,275,000 in principal and \$1,853,683 in interest were paid on the bonds. The principal balance outstanding at June 30, 2014 amounted to \$31,350,000.

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The annual payment requirements under pension bond obligation, Series 2004, are as follows:

Year Ending		<u>Principal</u>		<u>Interest</u>		<u>Total</u>
<u>June 30</u>						
2015	\$	2,400,000	\$	1,726,378	\$	4,126,378
2016		2,535,000		1,590,152		4,125,152
2017		2,685,000		1,444,492		4,129,492
2018		2,835,000		1,289,514		4,124,514
2019		3,000,000		1,125,400		4,125,400
2020-2023		<u>17,895,000</u>		<u>2,745,046</u>		<u>20,640,046</u>
Total	\$	<u>31,350,000</u>	\$	<u>9,920,982</u>	\$	<u>41,270,982</u>

Allocation of Interest Expenses

Total interest expenses on long-term debt for the year ended June 30, 2014 amounted to \$4,102,888. These interest expenses on long-term debt are not meaningfully associated with individual functional activities. Hence, this is considered an indirect expense and should be reported in the Statement of Activities as a separate line.

VII. RISK MANAGEMENT

SCAQMD's risk management program is responsible for purchasing insurance when available and cost-effective, self-insuring other exposures to loss when feasible.

SCAQMD carries \$150 million of All Risk property insurance including business income, boiler and machinery (with \$25 million of earthquake and flood coverage), \$10 million for Public Officials and Errors and Omissions liability (including employment practices liability) with the following self insured retentions: \$50,000 for errors and omissions, \$100,000 for employment liability and \$250,000 for bodily injury, property/personal or combination thereof, \$3 million for employee dishonesty and theft, \$10 million for excess general and \$1 million employer's liability losses in excess of self-insured/retained amount of \$250,000 and \$25 million excess workers' compensation for losses over \$750,000. In addition, SCAQMD maintains \$1 million automobile liability/physical damage coverage for hybrid and alternate fuel vehicles under its possession.

As of June 30, 2014, \$25,500 and \$352,796, respectively, had been accrued for general liability claims and workers' compensation.

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An appropriate amount has been recorded in the General Fund's financial statements to the extent that SCAQMD anticipates that these amounts will be paid from current resources. While the ultimate amount of losses incurred through June 30, 2014 is dependent on future development based upon information from the independent claims' administrator and others involved with the administration of the programs, SCAQMD management believes that the aggregate accrual is adequate to cover such losses.

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

The following represents changes in the aggregate liabilities for claims of SCAQMD's general liability and workers' compensation for the years ended June 30, 2013 and 2014:

	<u>General Liability</u>	<u>Workers' Compensation</u>	<u>Totals</u>
Claims payable, July 1, 2012	\$ 330,000	\$ 391,510	\$ 721,510
Current year claims and changes in estimates	23,421	492,431	515,852
Claims payments	<u>(109,236)</u>	<u>(236,139)</u>	<u>(345,375)</u>
Claims payable, June 30, 2013	<u>\$ 244,185</u>	<u>\$ 647,802</u>	<u>\$ 891,987</u>
Claims payable, July 1, 2013	\$ 244,185	\$ 647,802	\$ 891,987
Current year claims and changes in estimates	20,500	138,554	159,054
Claims payments	<u>(239,185)</u>	<u>(433,560)</u>	<u>(672,745)</u>
Claims payable, June 30, 2014	<u>\$ 25,500</u>	<u>\$ 352,796</u>	<u>\$ 378,296</u>

VIII. RETIREMENT PLANS

Substantially all of SCAQMD's employees are members of either the Los Angeles County Employees' Retirement Association (LACERA) or the San Bernardino County Employees' Retirement Association (SBCERA). Benefits are funded by SCAQMD and employee contributions. SCAQMD's contributions for the fiscal year ended June 30, 2014 amounted to \$20,640,334 (\$13,455 to LACERA and \$20,626,879 to SBCERA).

In 1977, SCAQMD employees who were members of the LACERA system were given the option to transfer to the SBCERA system. Some employees decided to stay with LACERA. Most have already left employment and during fiscal year 2014 there was only one active LACERA member.

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Los Angeles County Employees' Retirement Association

SCAQMD contributes to the LACERA, a cost-sharing multi-employer defined benefit plan established under the Los Angeles County Employees' Retirement Law of 1937. This public employee retirement system acts as a common investment and administrative agent for the County of Los Angeles and other participating agencies including SCAQMD. SCAQMD's payroll for the one employee covered by LACERA for the fiscal year ended June 30, 2014 was \$57,844. SCAQMD's contribution for the same period was \$13,455. Copies of LACERA's annual financial report may be obtained from their executive office: 300 N. Lake Avenue, Pasadena, CA 91101.

Three-Year Trend Information for the Plan

Fiscal Year <u>Ended June 30</u>	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>
2014	\$ 13,455	100%
2013	12,489	100%
2012	11,768	100%

San Bernardino County Employees' Retirement Association

Plan Description

SCAQMD contributes to the SBCERA, a cost-sharing multiple-employer defined benefit pension plan operating under the California County Employees Retirement Act of 1937. SBCERA is controlled by its own board, the Board of Retirement. It acts as a fiduciary agent for the accounting and control of employer and employee contributions, and investment income for San Bernardino County and other participating members including SCAQMD. SBCERA issues a separate comprehensive annual financial report. Copies of SBCERA's annual financial report may be obtained from their executive office: 348 W. Hospitality Lane – 3rd Floor, San Bernardino, CA 92415.

All full-time employees become eligible to participate in SBCERA and related benefits, on their first day of regular employment and become fully vested after five years of service. General members are eligible for retirement benefits upon completion of ten years of service and attaining age 50, or 30 years of service regardless of age. For participants before January 1, 2013, retirement benefits are calculated at 2% of final compensation for each completed year of service based on a retirement age of 55. For participants after December 31, 2012, retirement benefits are calculated at 2.5% of final compensation for each completed year of

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service based on a retirement age of 67. The plan also provides disability benefits to members and death benefits to beneficiaries of members.

Funding Policy

Participants before January 1, 2013 are required to contribute a percentage of their annual compensation to the plan based on the participant's age at entry into the plan, while participants after December 31, 2012 are required to contribute a percentage of their annual compensation to the plan based on an actuarially determined amount equal to 50% of the normal cost, currently 7.75%. SCAQMD contributes an amount based on actuarial assumptions that, together with employee contributions, is intended to provide sufficient reserves for payment of all prospective benefits to members. SCAQMD is required to contribute at an actuarially-determined rate, which for the fiscal year ended June 30, 2014, were 31.58% for Management, Confidential and Professional Employee Association (PEA) employees and 33.20% for Office, Clerical, and Maintenance (OCM) employees who started before July 1, 1979, 28.17% for all non-OCM employees who started on or after July 1, 1979, and 31.12% for OCM employees who started on or after July 1, 1979.

During fiscal year ended June 30, 2012, the SCAQMD Governing Board bargained for employees hired after June 30, 2012 to pay their full actuarially determined employee contribution. For such employees, the required employer contribution rate is 25.22%.

Also during fiscal year ended June 30, 2013, the Governor of California signed the Public Employees Pension Reform Act into law, requiring new participants after December 31, 2012 to pay at least 50% of the normal cost of retirement benefits. For such employees, the required employer contribution rate is 22.86%.

Annual Pension Cost

For the fiscal year ended June 30, 2014, SCAQMD's annual pension cost and actual contributions for its 696 employees who are SBCERA members were \$20,626,879 compared with \$20,306,848 the previous year. SCAQMD employee contributions to the plan amounted to \$3,887,193. The required contributions for the fiscal year ended June 30, 2014 were determined as part of the June 30, 2013 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay.

The actuarial value of the Plan's assets was determined using techniques that smooth the effect of short-term volatility in the market value of investments over a five year period (smoothed market value). Components of SBCERA's unfunded actuarial accrued liability (UAAL) prior to June 30, 2002 are amortized as a level

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percentage of payrolls over a twenty-year period. Any new UAAL after June 30, 2002 will be amortized over a twenty-year period effective with that valuation.

Three-Year Trend Information for the Plan

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of APC</u> <u>Contributed</u>
2014	\$ 20,626,879	100%
2013	20,306,848	100%
2012	17,795,644	100%

IX. OTHER POST EMPLOYMENT BENEFITS (OPEB)

SBCERA does not provide any post employment benefits to SCAQMD retirees. LACERA, however, in addition to providing pension benefits, essentially provides a comprehensive health care benefits program to its retirees that include several medical and dental/vision care plans. LACERA administers a cost-sharing multiple employer defined benefit Other Post-Employment Benefit (OPEB) on behalf of Los Angeles County and its participating agencies. SCAQMD is one of the participating agencies.

Starting July 2007, SCAQMD has reimbursed LACERA for the employer portion of health care costs provided to SCAQMD retirees who retired from LACERA. The cost of the LACERA OPEBs is recognized in the Retirement Trust Fund when SCAQMD makes its monthly payment to LACERA based on subsidy allocation as calculated by LACERA. For fiscal year ended June 30, 2014, total payments amounted to \$233,992.

At June 30, 2014, SCAQMD's Retirement Benefit Trust Fund has a balance of \$410,019 to cover the OPEB costs of 68 SCAQMD retirees who retired from LACERA. As of June 30, 2014, there is only one active member.

The OPEB Actuarial Valuation Report in effect as of July 1, 2012 covering the retiree medical, dental/vision and life insurance benefits was issued in conjunction with LACERA actuarial valuation to establish SCAQMD's actuarial liability. The actuarial assumptions used in OPEB actuarial valuations are intended to estimate the future experience of the eligible members for benefit payments and the projected benefit flow and anticipated investment earnings.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014**

The following is a summary of the actuarial assumptions and methods:

Activated Cost Method	Projected Unit Credit Actuarial Cost Method
Amortization Method	Rolling 30-year amortization
Actuarial Assumptions	
Investment Rate of Return	4.35%
Projected Salary Increases	3.85%
Implied Inflation Rate	3.35%
Records and Data	Medical, Dental, and Vision Premiums, Financial Information, and the Age, Service and Income Records for Active and Inactive Members and their Survivors
Growth in Membership	No growth in the Active Membership of LACERA

SCAQMD's annual OPEB cost and the percentage of annual OPEB cost contributed to the plan for fiscal years 2014, 2013 and 2012 were as follows:

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Annual OPEB Cost</u> <u>Required Contribution</u>	<u>Percentage of Annual</u> <u>OPEB Cost Contributed</u>
2014	\$ 233,992	100%
2013	270,567	100%
2012	221,184	100%

The Schedule of Funding Progress below shows the information from the Actuarial Valuation Report as of July 1, 2012. SCAQMD has its Actuarial Valuation through LACERA every two years.

Actuarial Valuation Date	Accrued Liabilities (a)	Value of Assets (b)	Unfunded Liabilities (UL) (a-b)	Funded Ratio (b/a)	Annual Covered Payroll (c)	UL As a % of Payroll ((a-b)/c)
July 1, 2012	\$4,406,255	\$410,019	\$3,996,236	9.3%	\$57,844	6908%

X. DEFERRED COMPENSATION PLAN

SCAQMD 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. All amounts of compensation deferred

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2014

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. SCAQMD's deferred compensation administrator Hartford Life Insurance Co. qualifies as the plan trustee to meet the federal requirements. In accordance with GASB Statement No. 32, SCAQMD no longer reports the plan assets and liabilities in its financial statements. As of June 30, 2014, investments with a fair value of \$130,920,398 are held in trust.

XI. HEALTH REIMBURSEMENT ARRANGEMENT PLAN

On December 4, 2009, SCAQMD's Governing Board approved the establishment of a Health Reimbursement Arrangement (HRA) plan for SCAQMD employees. This allows active employees to save on a tax-free basis for their future post-retirement health care costs. The Hartford serves as SCAQMD's HRA service provider. Currently, both SCAQMD and the SBCERA do not offer health reimbursement program nor post-retirement health care to help the employees afford health care in retirement.

Initially, the program was be made available to non-represented employees with the understanding that it could be expanded to cover represented employees, based on their approval. In compliance with the rules establishing the HRA, each defined group covered by the plan is required to establish its own criteria on what earnings would be contributed. As of June 30, 2014, Executive Officer, General Counsel and Designated Deputies were the eligible employee classifications that were set up and approved by SCAQMD. Contributions are 100% vacation and sick leave payouts at termination and/or compensation payout at termination per existing leave payment policy. Eligibility shall commence upon termination of employment on account of retirement (whether through disability or service).

XII. COMMITMENTS

Guaranteed Loans

The Air Quality Assistance Fund (AQAF) was originally established to comply with state legislation which required SCAQMD to allocate a portion of the funds it receives as penalties and settlements from violators of air pollution regulations and to provide financing assistance to small businesses that require financing in order to comply with SCAQMD requirements. This legislation was repealed on January 1, 1999. In June 2000, the Governing Board authorized staff to continue to use the

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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funds to assist small businesses with an improved program for greater participation. Financing assistance includes guaranteeing or otherwise reducing the financial risks of lenders in providing financial assistance to small businesses. The funds are not used for direct loans to small businesses.

In June 2001, SCAQMD entered into an agreement with the California Pollution Control Financing Authority (CPCFA) to be an “independent contributor” to the California Capital Access Program (CalCAP). SCAQMD transferred \$100,000 to the CPCFA to cover borrower fees on any qualified small business CalCAP loans for air quality-related equipment or processes.

In October 2007, the Governing Board authorized the transfer of \$1 million to the Dry Cleaners Financial Incentives Grant Program to supplement the existing incentive grant programs. This incentive program assists dry cleaners in making early transitions from perchloroethylene (perc) to alternative cleaning technologies. AQAF’s fund balance amounted to \$1,558,246 at fiscal year ended June 30, 2014.

Operating Leases

Rental expense for non-cancelable operating leases was \$204,839 for the year ended June 30, 2014. Future minimum lease payments under non-cancelable operating leases of SCAQMD total as follows:

Year Ending	
<u>June 30</u>	<u>Amount</u>
2015	\$ 197,282
2016	177,547
2017	<u>65,137</u>
Total	\$ <u>439,966</u>

The lease for the office equipment expires in December 2016 while the lease of the South Bay satellite office expires in September 2016.

XIII. PENDING LITIGATION

A number of other lawsuits and claims are pending against SCAQMD for alleged damages to persons and property and for other alleged liabilities arising out of its normal operations. SCAQMD’s management believes that any liability that may arise from the ultimate resolution of such legal actions will not have a material adverse impact on the financial position as of June 30, 2014.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
GENERAL FUND - BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS) SCHEDULE
For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Emission fees	\$ 20,381,603	\$ 20,381,603	\$ 20,472,379	\$ 90,776
Annual renewal fees	43,823,472	43,823,472	44,260,635	437,163
Area Sources	2,040,720	2,040,720	2,819,001	778,281
Permit processing fees	18,199,082	18,199,082	16,945,777	(1,253,305)
Mobile sources / clean fuels	22,469,606	24,027,106	20,776,256	(3,250,850)
Air toxics "Hot Spots"	2,151,776	2,151,776	1,623,051	(528,725)
Transportation programs	954,037	954,037	877,816	(76,221)
State subvention	3,900,000	3,900,000	3,949,439	49,439
Federal grant	6,615,776	10,158,226	8,682,390	(1,475,836)
State grant	-	-	2,653,455	2,653,455
Interest revenue	529,000	529,000	461,444	(67,556)
Lease revenue	140,152	140,152	133,916	(6,236)
Source test/analysis fees	709,150	709,150	697,133	(12,017)
Hearing Board fees	217,337	217,337	342,508	125,171
Penalties/settlements	5,000,000	13,329,651	17,959,410	4,629,759
Other revenue	2,071,217	2,690,977	2,125,578	(565,399)
Total revenues	\$ 129,202,928	\$ 143,252,289	\$ 144,780,188	\$ 1,527,899
Expenditures:				
Current:				
Salaries and employee benefits	\$ 103,992,299	\$ 103,659,844	\$ 101,023,768	2,636,076
Insurance	1,097,400	1,237,604	1,238,111	(507)
Rent	424,780	714,067	596,997	117,070
Supplies	2,443,780	3,378,892	2,777,690	601,202
Contract and special services	7,121,050	10,081,985	8,776,761	1,305,224
Maintenance	1,456,619	1,896,543	1,456,475	440,068
Travel and auto	696,502	901,030	739,784	161,246
Utilities	1,591,881	1,651,098	1,637,327	13,771
Communications	620,226	683,226	629,542	53,684
Uncollectible accounts	-	-	1,116,103	(1,116,103)
Other expenditures	1,004,850	1,227,812	1,020,306	207,506
Capital outlays	1,537,500	3,032,250	2,695,286	336,964
Debt service:				
Principal	3,121,383	3,121,383	3,099,025	22,358
Interest	4,094,658	4,094,658	4,094,658	-
Total expenditures	\$ 129,202,928	\$ 135,680,392	\$ 130,901,833	\$ 4,778,559
Excess of revenues over expenditures	\$ -	\$ 7,571,897	\$ 13,878,355	\$ 6,306,458
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 840,766	\$ 840,766
Transfers out	-	(7,544,317)	(7,544,317)	-
Total other financing sources/uses	\$ -	\$ (7,544,317)	\$ (6,703,551)	\$ 840,766
Net change in budgetary fund balances	\$ -	\$ 27,580	\$ 7,174,804	\$ 7,147,224

See accompanying notes to required supplementary information and independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2014**

NOTE 1 – BUDGETS AND BUDGETARY ACCOUNTING

SCAQMD has a comprehensive annual budget process which establishes goals and objectives and monitors expenditures associated with meeting those goals and objectives.

Up to and including the budget adoption hearing by SCAQMD's Governing Board, the public and the business community have several opportunities to participate in the budget process. These opportunities include: Budget Advisory Committee meetings made up of business and environmental representatives, a public workshop, a Governing Board workshop and two public hearings.

Following input from the public, Budget Advisory Committee, and Governing Board, the draft budget for fiscal year 2013-14 was prepared and subsequently adopted at the May 2013 meeting of the Governing Board. The fiscal year 2013-14 Adopted Budget and the final fee schedules became effective on July 1, 2013.

SCAQMD's annual budget is adopted for the General Fund at the Major Object levels of Salaries & Employee Benefits, Services & Supplies, Capital Outlays, and Building Remodeling. The Governing Board has delegated expenditure authority to the Executive Officer for all budgeted expenditures of \$75,000 or less within a major object. All appropriations to the budget and transfers between major objects must be approved by the Governing Board. Transfers within a major object are delegated to the Executive Officer. Monthly expenditure reports are issued to each Office. The Governing Board receives detailed semi-annual reports regarding contract activity, budget transfers, and Board appropriations.

SCAQMD presents a comparison of annual budget to actual results for the General Fund. The budgeted expenditure amounts represent the adopted budget adjusted for Governing Board approved supplemental appropriations. The budgeted revenue amounts represent the adopted budget modified for Governing Board approved adjustments which were based upon new or additional revenue sources. Supplemental expenditure appropriations of \$6,477,464 and revenue adjustments of \$14,049,361 were approved by the Governing Board in fiscal year 2013-14.

NOTE 2 – GENERAL FUND BUDGETARY BASIS RECONCILIATION

The General Fund Budgetary Basis under Required Supplementary Information presents comparisons of the legally adopted budget with actual data on a budgetary basis. Accounting principles applied for purposes of developing expenditures data on a budgetary basis differ from those used to present financial statements in conformity with Generally Accepted Accounting Principles (GAAP). The basis of budgeting that differs from GAAP is modified accrual basis plus encumbrances. The following is a reconciliation of differences for the fiscal year ended June 30, 2014:

Expenditures and encumbrances (budgetary basis), June 30, 2014	\$130,901,833
Add: payments on encumbrances open at July 1, 2013	3,722,433
Less: encumbrances open at June 30, 2014	<u>(3,733,864)</u>
Expenditures (GAAP basis), June 30, 2014	<u>\$130,890,402</u>

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

NOTE 3 – USE OF FUND BALANCE TO BALANCE BUDGET

When the fiscal year 2013-14 budget was adopted the Governing Board approved a balanced budget that did not require the use of prior-year revenue from Unassigned Fund Balance. While mid-year adjustments appropriated \$130,000 from Unassigned Fund Balance, the Final budget was balanced and included a positive net change in budgetary fund balance of \$27,580.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
OTHER SUPPLEMENTARY INFORMATION
June 30, 2014**

Non-major Governmental Funds

Special Revenue Funds:

- Air Quality Studies Fund - Used to account for contributions made by outside organizations to fund various air quality studies. An independent Planning Review Panel recommends the types of studies to be undertaken and the Executive Officer approves all studies prior to funding. The purpose of the studies is to quantify the cost effectiveness of air pollution control measures.
- Air Toxics Fund - Used to account for fees received from industrial toxic air emitters. These funds are spent on planning and performing health risk evaluations for the purpose of developing a toxic emissions inventory for the South Coast Air Basin.
- Advanced Technology, Outreach and Education Fund - Used to account for monies contributed by companies in lieu of paying fines for violating SCAQMD rules. Contributed amounts must be used to pay costs associated with SCAQMD-sponsored research and development in cleaner burning fuels and other advanced technologies and public outreach and education related to advanced technology and air pollution and its impacts.
- Air Quality Assistance Fund - Used to account for funds set aside for the purpose of underwriting, guaranteeing, or otherwise participating in the provision of financial assistance to small businesses as required by Section 40448.7 of the California Health and Safety Code. (This legislation was repealed by its own terms January 1, 1999). In June 2000, the Governing Board authorized staff to revise the program to increase participation of small businesses. Certain revisions, including participation in the California Capital Access Program (CalCAP) to assist small businesses, were implemented in June 2001.
- Air Quality Improvement Fund – Used to account for 40% of the revenue received by the SCAQMD from motor vehicle registration fees under the provisions of Sections 44243 and 44244 of the California Health and Safety Code. This money is distributed on a quarterly basis to cities and counties within the South Coast Air Basin to implement programs to reduce air pollution from motor vehicles.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
OTHER SUPPLEMENTARY INFORMATION
June 30, 2014**

- Clean Fuels Conference Fund - Used to account for monies received to fund all Clean Fuels related conferences. These conferences are held to facilitate the development of hydrogen-powered technologies, including motor vehicles, refueling infrastructure, and stationary applications.

- Air Quality Investment Fund – To account for revenue from employers with 250 or more employees at a worksite who are subject to Rule 2202. This revenue is used to purchase emissions reductions credits to meet the required target. To date, \$47.4 million in projects have been awarded to purchase over 33,970 tons of emission reductions. During fiscal year 2013, one contract was awarded in the amount of \$269,925.
 - RECLAIM AQIP - Established in fiscal year 2001 to separately account for the generation of NO_x (Oxides of Nitrogen) credits at stationary and mobile sources for use by certain small or new RECLAIM (Regional Clean Air Incentives Market) participants. AQIP stands for Air Quality Investment Program.

 - RECLAIM and Executive Order Mitigation - Established in fiscal year 2001 to account for mitigation fee payments made by power generators in lieu of emission offsets. Proceeds are used to generate RECLAIM Trading Credits (RTCs) to offset excess emissions.

 - Rule 1121 Mitigation Fee Program - Established in fiscal year 2004 to issue program announcements for projects under the Rule 1121 Mitigation Fee Program. Under Rule 1121 - Control of Nitrogen Oxides (NO_x) from Residential Type, Natural Gas Fired Water Heaters, emission mitigation fees are collected from water heater manufacturers to fund stationary and mobile source emission reduction projects targeted at offsetting NO_x emission.

- Clean Fuels Program Fund - Established as a special revenue fund in fiscal year 2000 to account for contract activities and revenues of the Clean Fuels Program. These are activities associated with implementing Clean Fuels stationary source and mobile source research, development, demonstration and deployment projects approved by the Governing Board. Since 1988, the Clean Fuels Program has provided funds for 1,186 projects totaling \$188 million.

- Carl Moyer Program Fund – Established in fiscal year 1999 to account for activities related to the administration of state funds set aside for the replacement of diesel-powered vehicles with cleaner-technology vehicles. It has funded over 9,000 vehicles and about 30 infrastructure/charging stations, totaling \$356 million. It

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
OTHER SUPPLEMENTARY INFORMATION
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provides incentive funds for the replacement of diesel-fueled on- and off-road vehicles such as refuse haulers, heavy duty trucks, transit and school buses, construction equipment, and marine vessels.

- Lower-Emission School Bus Fund – Established in fiscal year 2001 to administer state funds set aside in the South Coast Air Basin for the replacement and retrofit of high-emitting diesel-fueled school buses. Between fiscal years 2000 and 2008, \$85 million of Lower Emissions School Bus funds were spent on the replacement of school buses, and the retrofit of newer diesel buses with PM traps. In total, nearly 500 old buses were replaced by brand new, primarily CNG school buses, and nearly 2,700 newer diesel school buses were retrofitted with PM traps. In addition, Lower Emissions School Bus Program provided funds to help school districts to install retrofit trap devices on 11 stationary back-up generators on or near school property.
- Zero Emission Vehicle Incentive Program - Established in fiscal year 2001 to administer the State funds set aside for the implementation of the Zero Emission Vehicle (ZEV) Incentive Program.
- AES Settlement Projects Fund - Established in fiscal year 2001 for the purpose of accounting for the one-time penalty settlement with AES Corporation for air pollution violations.
- Rule 1309.1 Priority Reserve Fund - Established in fiscal year 2001 to account for mitigation fees paid for Particulate Matter ≤ 10 microns (PM₁₀) credits. Due to the state energy crisis in 2001, Rule 1309.1 was amended to allow new electric generating facilities temporary access to SCAQMD's Priority Reserve Account to offset their PM₁₀ emission increases provided that they meet specific criteria and pay appropriate mitigation fees.
- CARB ERC Bank Fund - Established in fiscal year 2001 to account for the proceeds from the issuance of the Emission Reduction Credits (ERCs) to natural gas turbine power plant peaker units. CARB established the ERC Bank for peaker power plants that need emission offsets to add new or expanded capacity. Proceeds from the issuance of these ERCs will fund emission reduction programs where the new or expanded facility is located.
- LADWP Settlement Fund - Established in fiscal year 2001 for the purpose of accounting for the monies received from the Los Angeles Department of Water and Power as part of the settlement agreement.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
OTHER SUPPLEMENTARY INFORMATION
June 30, 2014**

- State-Emissions Mitigation Fund - Established during fiscal year 2002 to account for the funds received from California Air Resources Board (CARB) to fund CARB selected projects on emission reductions within the South Coast Air Basin. This is in response to the Governor's statewide program to mitigate excess emissions from peaker power generation units to alleviate the power crisis in California.
- Natural Gas Vehicle Partnership Fund - Established during fiscal year 2002 for creation of the Natural Gas Vehicle Partnership to facilitate the advancement of natural gas vehicle technology and deployment. The contributions received from participating members are accounted for in this fund as well as the expenditures for activities and projects selected by the Partnership.
- State Backup Generators (BUG) Program Fund - Established in fiscal year 2003 to account for the funds received from CARB's Diesel-Fueled Electrical Backup Generator Emissions Mitigation Program. This program funds emission related projects as part of an ongoing effort to expeditiously reduce public exposure to air toxics and other pollutants.
- Asthma and Brain Cancer Research Fund - Established in fiscal year 2003 to assist in funding research projects relating to asthma and outdoor air quality and the potential link between air pollution and brain cancer.
- Dry Cleaners Financial Incentives Grant Program - Established in fiscal year 2003 to provide financial incentives to dry cleaners to purchase non-toxic alternative dry cleaning equipment.
- Rule 1173 Mitigation Fee Fund - Established in fiscal year 2004 to account for Rule 1173 mitigation fee payments to be used in funding air quality projects which directly benefit the community surrounding the facility. Amendments in December 2002 to Rule 1173 for Refineries and Chemical Plants established a mitigation fee payment provision relating to the release of Volatile Organic Compound (VOC) from an atmospheric Pressure Relief Device (PRD).
- Communities for Better Environment (CBE)/Our Children's Earth (OCE) Settlement Agreement Fund - Established in FY 2004 as part of the settlement agreement to fund P_{M10} (Particulate Matter ≤ 10 microns) and/or N_{Ox} (Oxides of Nitrogen) reduction projects in disproportionately impacted areas.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
OTHER SUPPLEMENTARY INFORMATION
June 30, 2014**

- BP ARCO Settlement Projects Fund - Established in fiscal year 2005 to account for the \$25 million civil penalties received in 2005 as part of the settlement with BP ARCO for air pollution violations.
- Health Effects Research Fund - The Health Effects Research Fund was established in fiscal year 2008 to receive 20% of all penalty/settlement monies in excess of \$4 million recognized annually in SCAQMD's General Fund beginning in fiscal year 2009, subject to annual Board approval.
- CEQA Green House Gas Mitigation Fund - This fund was established in fiscal year 2009 under Rule 2702 for Green House Gas (GHG) emission reductions. It received \$1.5 million from Chevron Products Company to offset Green House Gas emission as part of its Product Reliability and Optimization (PRO+) Project Mitigation Monitoring Plan.
- (DOE ARRA) Plug-In Hybrid Vehicles Fund – Established in fiscal year 2010 to account for the revenue and expenditures of a project to develop a fleet of demonstration plug-in hybrid electric vehicles funded under the American Recovery and Reinvestment Act of 2009 which is coordinated through the Department of Energy.
- (DOE ARRA) LNG Corridor Expansion Fund - Established in fiscal year 2010 to account for the revenue and expenditure of a project funded under the American Recovery and Reinvestment Act of 2009 and coordinated through the Department of Energy to provide additional LNG refueling capacity for heavy-duty truck fleets operating along the Ontario-Las Vegas corridor and to support the deployment of additional LNG heavy-duty vehicles along the corridor.
- TraPac School Air Filtration Fund - This fund was established in fiscal year 2011 and received \$6,000,000 from City of Los Angeles towards installation and maintenance of air filtration systems for schools in the Wilmington area that were impacted by the expansion of the TraPac Container Terminal Project.
- Emission Reduction and Outreach Fund - This fund was established in fiscal year 2010 due to a \$1,000,000 Supplemental Environmental Project Settlement. These funds are used to enhance compliance of emission reduction policies by providing source education and consumer education.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
OTHER SUPPLEMENTARY INFORMATION
June 30, 2014**

- Rule 1118 Mitigation Fund - Established in fiscal year 2010 to account for mitigation fees from petroleum refineries that exceed sulfur dioxide emission thresholds from flares and future Rule 1118 mitigation fees and to track the projects funded through these fees.
- Hydrogen Fueling Station Special Revenue Fund - Established in fiscal year 2011 to recognize co-funding from the Department of Energy-National Renewable Energy Laboratory, CARB and CEC, for the maintenance and operation of the City of Burbank hydrogen fueling station and for maintenance and data management services for the hydrogen fueling station at SCAQMD headquarters.
- HEROS II Special Revenue Fund - Established in fiscal year 2011, this fund will be used to track funds received and expenditures for the High Emitters Repair or Scrap (HEROS) II Program. This program addresses implementation of voluntary programs to reduce emissions from high-emitting light- and medium-duty vehicles in the South Coast Air Basin. Gross-polluting vehicles make up about 10 percent of the South Coast Air Basin's passenger vehicle fleet, and yet they are responsible for more than 50 percent of the air pollution from that fleet. SCAQMD has a long history implementing programs to reduce mobile source related emissions, including programs that encourage the use of low-emission vehicles for purposes of achieving state and federal ambient air quality standards.
- EL Monte Park Project Settlement Fund - Established in fiscal year 2011 for the purpose of accounting for the monies received from Gregg Industries bankruptcy estate as part of a settlement agreement to finance the construction of park improvements in the City of El Monte.
- AB 1318 Mitigation Fees Fund - Created in fiscal year 2011 to account for revenue of \$53.3 million from a mitigation fee payment for the transfer of emission credits under AB 1318.
- Voucher Incentive Program Fund (VIP) - Established in fiscal year 2012 due to transfer of funds from the Carl Moyer Multidistrict funds originally recorded in Carl Moyer Program Fund, to separately administer the On-Road Heavy-Duty Vehicle Voucher Incentive Program.
- DOE PEV Infrastructure Planning Special Revenue Fund - Established in fiscal year 2012 to account for U.S. Department of Energy (DOE) grant for Plug-In Electric

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
OTHER SUPPLEMENTARY INFORMATION
June 30, 2014**

Vehicle (PEV) Infrastructure planning under the DOE Clean Cities Program and for development and dissemination of a PEV readiness toolkit.

- Advanced Technology Goods Movement Fund - Established in fiscal year 2012 to administer funds received through an agreement with Port of Los Angeles and Port of Long Beach to fund projects consistent with the development and demonstration of zero emissions goods movement technologies, including the demonstration of Linear Synchronous Motor (LSM) technology to move cargo containers and the development of two discrete hybrid electric drive systems for heavy-duty vehicles.
- Rule 1470 Risk Reduction Fund – Established in fiscal year 2012 to help fund control equipment costs for public agencies, such as cities, counties, and schools, required to install control equipment on new emergency standby engines in order to comply with Rule 1470.
- Rule 1420.1 Special Revenue Fund – Established in fiscal year 2014 to account for monies received from Exide Technologies and Quemetco to finance the Multi-Metals continuous emission monitoring system (CEMS) and continuous Multi-Metals Ambient Air Monitoring Demonstration Programs.
- Prop 1B Funding – Lower Emission School Bus – Established in fiscal year 2010 to account for the cost of replacing and retrofitting all the public school buses of the districts. CARB approved the allocation of \$71.2 million to SCAQMD. This fund has been used to purchase 467 Level 3 PM traps (Prop 1B funds only), and replace 470 pre-1987 school buses (Prop 1B and AB923 funds) with primarily new CNG school buses.
- Infrastructure Improvement Fund – Established in fiscal year 2013 to separately account for large-scale and/or multi-year infrastructure improvement projects.

Debt Service Fund - Established in 2009 to replace the terminated Guaranteed Investment Contract with the Municipal Bond Insurance Association (MBIA, Inc.) due to changes in financial markets. This is used for the defeasance of a portion of SCAQMD's debt service on Pension Obligation Bonds.

Component Unit - SCAQMD Building Corporation – was established in fiscal year 1978 for the acquisition and improvement of SCAQMD headquarters. The SCAQMD Building Corporation is a legally separate entity, but for financial statement purposes, it is shown as a blended component unit in the governmental funds.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2014**

<u>Assets</u>	<u>Special Revenue</u>					
	<u>Air Quality Studies Fund</u>	<u>Air Toxics Fund</u>	<u>Advanced Technology Outreach & Education Fund</u>	<u>Air Quality Assistance Fund</u>	<u>Air Quality Improvement Fund</u>	<u>Clean Fuels Conference Fund</u>
Cash and pooled cash	\$ 15,999	\$ 3,728,981	\$ 3,556,925	\$ 1,555,606	\$ 1,823,321	\$ 103,777
Investments	-	-	-	-	-	-
Interest receivable	63	11,574	10,060	2,640	6,862	-
Due from other governmental agencies	-	-	1,356	-	3,517,352	-
Due from other funds	-	332,911	-	-	-	-
Accounts receivable, net	-	286,237	80,000	-	-	-
Total assets	\$ 16,062	\$ 4,359,703	\$ 3,648,341	\$ 1,558,246	\$ 5,347,535	\$ 103,777
 <u>Liabilities and Fund Balances</u>						
Liabilities:						
Accounts payable and accrued liabilities	\$ -	\$ 337,489	\$ 66,358	\$ -	\$ 5,375,245	\$ -
Due to other funds	-	-	3,373,006	-	-	-
Total liabilities	-	337,489	3,439,364	-	5,375,245	-
 Fund Balances:						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	208,977	-	-	-
Committed	-	-	-	-	-	-
Assigned	16,062	4,022,214	-	1,558,246	-	103,777
Unassigned	-	-	-	-	(27,710)	-
Total fund balances	16,062	4,022,214	208,977	1,558,246	(27,710)	103,777
Total liabilities and fund balances	\$ 16,062	\$ 4,359,703	\$ 3,648,341	\$ 1,558,246	\$ 5,347,535	\$ 103,777

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2014**

<u>Assets</u>	Special Revenue				
	Air Quality Investment Fund	Clean Fuels Program Fund	Carl Moyer Program Fund	Lower-Emission School Bus Fund	Zero Emission Vehicle Incentive Fund
Cash and pooled cash	\$ 24,393,053	\$ 40,430,743	\$ 40,001,838	\$ 9,038,055	\$ 651,442
Investments	-	-	-	-	-
Interest receivable	69,099	80,935	126,998	25,606	1,841
Due from other governmental agencies	-	2,274,324	-	-	-
Due from other funds	-	9,858,038	-	-	-
Accounts receivable, net	20,495	582,337	-	-	-
Total assets	\$ 24,482,647	\$ 53,226,377	\$ 40,128,836	\$ 9,063,661	\$ 653,283
 <u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 65,876	\$ 472,252	\$ 4,142,482	\$ -	-
Due to other funds	37,138	545,824	-	-	-
Total liabilities	103,014	1,018,076	4,142,482	-	-
 Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	-	-	35,986,354	9,063,661	653,283
Committed	3,171,780	12,792,140	-	-	-
Assigned	21,207,853	39,416,161	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	24,379,633	52,208,301	35,986,354	9,063,661	653,283
Total liabilities and fund balances	\$ 24,482,647	\$ 53,226,377	\$ 40,128,836	\$ 9,063,661	\$ 653,283

Continued

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2014**

<u>Assets</u>	<u>Special Revenue</u>				
	<u>AES Settlement Projects Fund</u>	<u>Rule 1309.1 Priority Reserve Fund</u>	<u>CARB ERC Bank Fund</u>	<u>LADWP Settlement Fund</u>	<u>State-Emission Mitigation Fund</u>
Cash and pooled cash	\$ 1,390,486	\$ 11,697,037	\$ 580,334	\$ 386,732	\$ 4,347,098
Investments	-	-	-	-	-
Interest receivable	4,127	35,035	1,640	1,093	12,285
Due from other governmental agencies	-	-	-	-	-
Due from other funds	-	-	-	-	-
Accounts receivable, net	-	-	-	-	-
Total assets	\$ <u>1,394,613</u>	\$ <u>11,732,072</u>	\$ <u>581,974</u>	\$ <u>387,825</u>	\$ <u>4,359,383</u>
 <u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ 223,210	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
Total liabilities	-	223,210	-	-	-
 Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	4,359,383
Committed	104,614	2,610,090	-	-	-
Assigned	1,289,999	8,898,772	581,974	387,825	-
Unassigned	-	-	-	-	-
Total fund balances	<u>1,394,613</u>	<u>11,508,862</u>	<u>581,974</u>	<u>387,825</u>	<u>4,359,383</u>
Total liabilities and fund balances	\$ <u>1,394,613</u>	\$ <u>11,732,072</u>	\$ <u>581,974</u>	\$ <u>387,825</u>	\$ <u>4,359,383</u>

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2014**

<u>Assets</u>	Special Revenue				
	Natural Gas Vehicle Partner Fund	State BUG Program Fund	Asthma & Brain Cancer Research Fund	Dry Cleaners Financial Incentives Grant Program Fund	Rule 1173 Mitigation Fee Fund
Cash and pooled cash	\$ 409,233	\$ 345,188	\$ 97,800	\$ 651,049	\$ 2,632,171
Investments	-	-	-	-	-
Interest receivable	1,104	976	277	1,842	7,479
Due from other governmental agencies	-	-	-	-	-
Due from other funds	-	-	-	-	-
Accounts receivable, net	22,500	-	-	-	-
Total assets	\$ 432,837	\$ 346,164	\$ 98,077	\$ 652,891	\$ 2,639,650
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	-
Due to other funds	-	-	-	-	-
Total liabilities	-	-	-	-	-
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	-	346,164	-	-	-
Committed	70,140	-	-	-	300,000
Assigned	362,697	-	98,077	652,891	2,339,650
Unassigned	-	-	-	-	-
Total fund balances	432,837	346,164	98,077	652,891	2,639,650
Total liabilities and fund balances	\$ 432,837	\$ 346,164	\$ 98,077	\$ 652,891	\$ 2,639,650

Continued

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2014**

<u>Assets</u>	<u>Special Revenue</u>				
	<u>CBE / OCE Settlement Agreement Fund</u>	<u>BP ARCO Settlements Project Fund</u>	<u>Health Effects Research Fund</u>	<u>CEQA Green House Gas Mitigation Fund</u>	<u>DOE-ARRA Plug-in Hybrid Electric Vehicles Fund</u>
Cash and pooled cash	\$ 223,320	\$ 18,364,386	\$ 421,179	\$ 349,177	\$ 41,620
Investments	-	-	-	-	-
Interest receivable	-	52,458	1,195	1,510	4,860
Due from other governmental agencies	-	-	-	-	6,939,816
Due from other funds	-	-	-	-	-
Accounts receivable, net	-	-	-	-	-
Total assets	\$ 223,320	\$ 18,416,844	\$ 422,374	\$ 350,687	\$ 6,986,296
 <u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	6,925,559
Due to other funds	-	-	-	-	14,257
Total liabilities	-	-	-	-	6,939,816
 Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	46,480
Committed	-	-	150,000	233,315	-
Assigned	223,320	18,416,844	272,374	117,372	-
Unassigned	-	-	-	-	-
Total fund balances	223,320	18,416,844	422,374	350,687	46,480
Total liabilities and fund balances	\$ 223,320	\$ 18,416,844	\$ 422,374	\$ 350,687	\$ 6,986,296

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2014**

<u>Assets</u>	<u>Special Revenue</u>				
	DOE-ARRA LNG Corridor Expansion Fund	TraPac School Air Filtration Fund	Emission Reduction and Outreach Fund	Rule 1118 Mitigation Fund	Hydrogen Fueling Station Fund
Cash and pooled cash	\$ 914	\$ 4,035,742	\$ 247,397	\$ 10,787,731	\$ 167,005
Investments	-	-	-	-	-
Interest receivable	12	12,656	478	13,005	589
Due from other governmental agencies	-	-	-	-	-
Due from other funds	-	-	-	-	-
Accounts receivable, net	-	-	-	-	-
Total assets	\$ 926	\$ 4,048,398	\$ 247,875	\$ 10,800,736	\$ 167,594
 <u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ 81,459
Due to other funds	-	114,210	-	-	-
Total liabilities	-	114,210	-	-	81,459
 Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	926	3,934,188	-	-	86,135
Committed	-	-	113,470	-	-
Assigned	-	-	134,405	10,800,736	-
Unassigned	-	-	-	-	-
Total fund balances	926	3,934,188	247,875	10,800,736	86,135
Total liabilities and fund balances	\$ 926	\$ 4,048,398	\$ 247,875	\$ 10,800,736	\$ 167,594

Continued

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2014**

<u>Assets</u>	Special Revenue				
	HEROS II Fund	El Monte Park Project Settlement Fund	AB 1318 Mitigation Fees Fund	Voucher Incentive Program VIP Fund	DOE PEV Infrastructure Fund
Cash and pooled cash	\$ 2,556,828	\$ 1,066,831	\$ 37,100,647	\$ 1,681,859	\$ -
Investments	-	-	10,009,960	-	-
Interest receivable	7,425	3,118	144,977	5,223	60
Due from other governmental agencies	-	-	-	-	-
Due from other funds	-	-	-	-	-
Accounts receivable, net	-	-	-	-	-
Total assets	\$ 2,564,253	\$ 1,069,949	\$ 47,255,584	\$ 1,687,082	\$ 60
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ 94,000	\$ 559,362	\$ 110,000	\$ -
Due to other funds	-	-	388,365	-	-
Total liabilities	-	94,000	947,727	110,000	-
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	2,564,253	-	-	1,577,082	60
Committed	-	955,635	42,566,580	-	-
Assigned	-	20,314	3,741,277	-	-
Unassigned	-	-	-	-	-
Total fund balances	2,564,253	975,949	46,307,857	1,577,082	60
Total liabilities and fund balances	\$ 2,564,253	\$ 1,069,949	\$ 47,255,584	\$ 1,687,082	\$ 60

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2014**

<u>Assets</u>	Special Revenue			
	Advanced Technology Goods Movement Fund	Rule 1470 Risk Reduction Fund	Rule 1420.1 Special Revenue Fund	Prop 1B Lower Emission School Bus Fund
	Fund	Fund	Fund	Fund
Cash and pooled cash	\$ 16,671,044	\$ 2,524,420	\$ 127,010	\$ 359
Investments	-	-	-	-
Interest receivable	47,533	7,113	171	1,615
Due from other governmental agencies	328,680	-	-	-
Due from other funds	-	-	-	-
Accounts receivable, net	-	-	-	-
Total assets	\$ 17,047,257	\$ 2,531,533	\$ 127,181	\$ 1,974
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 678,679	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Total liabilities	678,679	-	-	-
Fund Balances:				
Nonspendable	-	-	-	-
Restricted	-	-	127,181	1,974
Committed	2,641,642	-	-	-
Assigned	13,726,936	2,531,533	-	-
Unassigned	-	-	-	-
Total fund balances	16,368,578	2,531,533	127,181	1,974
Total liabilities and fund balances	\$ 17,047,257	\$ 2,531,533	\$ 127,181	\$ 1,974

Continued

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2014**

<u>Assets</u>	<u>Special Revenue</u>		<u>Component Unit SCAQMD Building Corporation</u>	<u>Total</u>
	<u>Infrastructure Improvement Fund</u>	<u>Debt Service Fund</u>		
Cash and pooled cash	\$ 4,169,358	\$ 5,000,000	\$ 203,579	\$ 253,577,274
Investments	-	-	-	10,009,960
Interest receivable	7,677	-	-	713,211
Due from other governmental agencies	-	-	-	13,061,528
Due from other funds	-	-	-	10,190,949
Accounts receivable, net	-	-	149	991,718
	-	-	149	991,718
Total assets	\$ 4,177,035	\$ 5,000,000	\$ 203,728	\$ 288,544,640
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 19,131,971
Due to other funds	-	-	-	4,472,800
	-	-	-	4,472,800
Total liabilities	-	-	-	23,604,771
Fund Balances:				
Nonspendable	-	-	-	-
Restricted	-	5,000,000	-	63,956,101
Committed	48,237	-	-	65,757,643
Assigned	4,128,798	-	203,728	135,253,835
Unassigned	-	-	-	(27,710)
	-	-	-	(27,710)
Total fund balances	4,177,035	5,000,000	203,728	264,939,869
Total liabilities and fund balances	\$ 4,177,035	\$ 5,000,000	\$ 203,728	\$ 288,544,640

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014**

	Special Revenue					
	Air Quality Studies Fund	Air Toxics Fund	Advanced Technology Outreach & Education Fund	Air Quality Assistance Fund	Air Quality Improvement Fund	Clean Fuels Conference Fund
Revenues:						
Emission fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Mobile sources/clean fuels	-	-	-	-	-	-
Air Toxics "Hot Spots"	-	331,599	-	-	-	-
Federal grant	-	-	1,067,508	-	-	-
State grant	-	-	-	-	-	-
Interest revenue	234	25,997	22,306	6,756	13,394	-
Penalties and settlements	-	-	-	-	-	-
Other revenues	-	4,271	65,000	-	-	-
Total revenues	234	361,867	1,154,814	6,756	13,394	-
Expenditures:						
Salaries and employee benefits	-	-	-	-	-	-
Insurance	-	-	-	-	-	-
Rent	-	-	540	-	-	-
Supplies	-	-	-	-	-	-
Contract and special services	-	7,492	1,292,168	-	65,090	399
Maintenance	-	-	-	-	-	-
Travel and auto	-	-	-	-	-	-
Utilities	-	-	-	-	-	-
Communications	-	-	-	-	-	-
Uncollectible accounts	-	-	-	-	-	-
Other expenditures	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt Service						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	-	7,492	1,292,708	-	65,090	399
Excess (deficiency) of revenues over (under) expenditures before transfers	234	354,375	(137,894)	6,756	(51,696)	(399)
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers out	(50,000)	-	-	-	-	-
Total other financing sources (uses)	(50,000)	-	-	-	-	-
Net change in fund balances	(49,766)	354,375	(137,894)	6,756	(51,696)	(399)
Fund balances, July 1, 2013	65,828	3,667,839	346,871	1,551,490	23,986	104,176
Fund balances, June 30, 2014	\$ 16,062	\$ 4,022,214	\$ 208,977	\$ 1,558,246	\$ (27,710)	\$ 103,777

Continued

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014**

	Special Revenue				
	Air Quality Investment Fund	Clean Fuels Program Fund	Carl Moyer Program Fund	Lower-Emission School Bus Fund	Zero Emission Vehicle Incentive Fund
Revenues:					
Emission fees	\$ -	\$ -	\$ -	\$ -	\$ -
Mobile sources/clean fuels	-	8,615,234	-	-	-
Air Toxics "Hot Spots"	-	-	-	-	-
Federal grant	-	413,000	940,925	-	-
State grant	209,586	83,750	22,079,464	-	-
Interest revenue	154,701	204,486	268,806	56,979	4,089
Penalties and settlements	-	-	-	-	-
Other revenues	680,499	338,201	-	-	-
Total revenues	1,044,786	9,654,671	23,289,195	56,979	4,089
Expenditures:					
Salaries and employee benefits	-	-	-	-	-
Insurance	-	-	-	-	-
Rent	-	-	-	-	-
Supplies	-	-	-	-	-
Contract and special services	1,435,189	3,856,258	21,966,921	59,738	-
Maintenance	-	-	-	-	-
Travel and auto	-	-	-	-	-
Utilities	-	-	-	-	-
Communications	-	-	-	-	-
Uncollectible accounts	-	-	-	-	-
Other expenditures	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	1,435,189	3,856,258	21,966,921	59,738	-
Excess (deficiency) of revenues over (under) expenditures before transfers	<u>(390,403)</u>	<u>5,798,413</u>	<u>1,322,274</u>	<u>(2,759)</u>	<u>4,089</u>
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	(6,718,898)	-	-
Total other financing sources (uses)	-	-	(6,718,898)	-	-
Net change in fund balances	<u>(390,403)</u>	<u>5,798,413</u>	<u>(5,396,624)</u>	<u>(2,759)</u>	<u>4,089</u>
Fund balances, July 1, 2013	<u>24,770,036</u>	<u>46,409,888</u>	<u>41,382,978</u>	<u>9,066,420</u>	<u>649,194</u>
Fund balances, June 30, 2014	<u>\$ 24,379,633</u>	<u>\$ 52,208,301</u>	<u>\$ 35,986,354</u>	<u>\$ 9,063,661</u>	<u>\$ 653,283</u>

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 NON-MAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2014**

	Special Revenue				
	AES Settlement Projects Fund	Rule 1309.1 Priority Reserve Fund	CARB ERC Bank Fund	LADWP Settlement Fund	State-Emissions Mitigation Fund
Revenues:					
Emission fees	\$ -	\$ -	\$ -	\$ -	\$ -
Mobile sources/clean fuels	-	-	-	-	-
Air Toxics "Hot Spots"	-	-	-	-	-
Federal grant	-	-	-	-	-
State grant	-	-	-	-	-
Interest revenue	9,776	80,936	3,643	2,428	27,289
Penalties and settlements	-	-	-	-	-
Other revenues	-	-	-	-	-
Total revenues	9,776	80,936	3,643	2,428	27,289
Expenditures:					
Salaries and employee benefits	-	-	-	-	-
Insurance	-	-	-	-	-
Rent	-	-	-	-	-
Supplies	-	-	-	-	-
Contract and special services	319,901	2,173,710	-	-	-
Maintenance	-	-	-	-	-
Travel and auto	-	-	-	-	-
Utilities	-	-	-	-	-
Communications	-	-	-	-	-
Uncollectible accounts	-	-	-	-	-
Other expenditures	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	319,901	2,173,710	-	-	-
Excess (deficiency) of revenues over (under) expenditures before transfers	(310,125)	(2,092,774)	3,643	2,428	27,289
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balances	(310,125)	(2,092,774)	3,643	2,428	27,289
Fund balances, July 1, 2013	1,704,738	13,601,636	578,331	385,397	4,332,094
Fund balances, June 30, 2014	\$ 1,394,613	\$ 11,508,862	\$ 581,974	\$ 387,825	\$ 4,359,383

Continued

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 NON-MAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2014**

	Special Revenue				
	Natural Gas Vehicle Partner Fund	State BUG Program Fund	Asthma & Brain Cancer Research Fund	Dry Cleaners Financial Incentives Grant Program Fund	Rule 1173 Mitigation Fee Fund
Revenues:					
Emission fees	\$ -	\$ -	\$ -	\$ -	\$ -
Mobile sources/clean fuels	-	-	-	-	-
Air Toxics "Hot Spots"	-	-	-	-	-
Federal grant	-	-	-	-	-
State grant	-	-	-	-	-
Interest revenue	2,361	2,167	614	4,110	16,698
Penalties and settlements	-	-	-	-	-
Other revenues	100,000	-	-	-	-
Total revenues	102,361	2,167	614	4,110	16,698
Expenditures:					
Salaries and employee benefits	-	-	-	-	-
Insurance	-	-	-	-	-
Rent	-	-	-	-	-
Supplies	-	-	-	-	-
Contract and special services	12,500	-	-	10,000	50,000
Maintenance	-	-	-	-	-
Travel and auto	-	-	-	-	-
Utilities	-	-	-	-	-
Communications	-	-	-	-	-
Uncollectible accounts	-	-	-	-	-
Other expenditures	558	-	-	-	-
Capital outlay	-	-	-	-	-
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	13,058	-	-	10,000	50,000
Excess (deficiency) of revenues over (under) expenditures before transfers	89,303	2,167	614	(5,890)	(33,302)
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balances	89,303	2,167	614	(5,890)	(33,302)
Fund balances, July 1, 2013	343,534	343,997	97,463	658,781	2,672,952
Fund balances, June 30, 2014	\$ 432,837	\$ 346,164	\$ 98,077	\$ 652,891	\$ 2,639,650

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014**

	Special Revenue				
	CBE/OCE Settlement Agreement Fund	BP ARCO Settlements Project Fund	Health Effects Research Fund	CEQA Green House Gas Mitigation Fund	DOE-ARRA Plug-in Hybrid Electric Vehicles Fund
Revenues:					
Emission fees	\$ -	\$ -	\$ -	\$ -	\$ -
Mobile sources/clean fuels	-	-	-	-	-
Air Toxics "Hot Spots"	-	-	-	-	-
Federal grant	-	-	-	-	9,688,832
State grant	-	-	-	-	4,999,997
Interest revenue	-	116,793	2,644	4,399	14,814
Penalties and settlements	-	-	-	-	-
Other revenues	-	-	-	-	-
Total revenues	-	116,793	2,644	4,399	14,703,643
Expenditures:					
Salaries and employee benefits	-	-	-	-	-
Insurance	-	-	-	-	-
Rent	-	-	-	-	-
Supplies	-	-	-	-	-
Contract and special services	-	-	-	539,682	14,689,007
Maintenance	-	-	-	-	-
Travel and auto	-	-	-	-	-
Utilities	-	-	-	-	-
Communications	-	-	-	-	-
Uncollectible accounts	-	-	-	-	-
Other expenditures	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	-	-	-	539,682	14,689,007
Excess (deficiency) of revenues over (under) expenditures before transfers	-	116,793	2,644	(535,283)	14,636
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	-	(275,000)	-	-	-
Total other financing sources (uses)	-	(275,000)	-	-	-
Net change in fund balances	-	(158,207)	2,644	(535,283)	14,636
Fund balances, July 1, 2013	223,320	18,575,051	419,730	885,970	31,844
Fund balances, June 30, 2014	\$ 223,320	\$ 18,416,844	\$ 422,374	\$ 350,687	\$ 46,480

Continued

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014**

	Special Revenue				
	DOE-ARRA LNG Corridor Expansion Fund	TraPac School Air Filtration Fund	Emission Reduction and Outreach Fund	Rule 1118 Mitigation Fund	Hydrogen Fueling Station Fund
Revenues:					
Emission fees	\$ -	\$ -	\$ -	\$ -	\$ -
Mobile sources/clean fuels	-	-	-	-	-
Air Toxics "Hot Spots"	-	-	-	-	-
Federal grant	101,058	-	-	-	-
State grant	-	-	-	-	-
Interest revenue	22	31,156	824	25,217	1,478
Penalties and settlements	-	-	-	-	-
Other revenues	-	-	-	7,250,000	-
Total revenues	101,080	31,156	824	7,275,217	1,478
Expenditures:					
Salaries and employee benefits	-	-	-	-	-
Insurance	-	-	-	-	-
Rent	-	-	-	-	-
Supplies	-	-	-	-	-
Contract and special services	101,057	1,643,744	20,000	-	193,127
Maintenance	-	-	-	-	-
Travel and auto	-	-	-	-	-
Utilities	-	-	-	-	-
Communications	-	-	-	-	-
Uncollectible accounts	-	-	-	-	-
Other expenditures	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	101,057	1,643,744	20,000	-	193,127
Excess (deficiency) of revenues over (under) expenditures before transfers	23	(1,612,588)	(19,176)	7,275,217	(191,649)
Other financing sources (uses)					
Transfers in	-	-	183,470	-	-
Transfers out	-	(114,210)	-	-	-
Total other financing sources (uses)	-	(114,210)	183,470	-	-
Net change in fund balances	23	(1,726,798)	164,294	7,275,217	(191,649)
Fund balances, July 1, 2013	903	5,660,986	83,581	3,525,519	277,784
Fund balances, June 30, 2014	\$ 926	\$ 3,934,188	\$ 247,875	\$ 10,800,736	\$ 86,135

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014**

	Special Revenue				
	HEROS II Fund	El Monte Park Project Settlement Fund	AB 1318 Mitigation Fees Fund	Voucher Incentive Program VIP Fund	DOE PEV Infrastructure Fund
Revenues:					
Emission fees	\$ -	\$ -	\$ -	\$ -	\$ -
Mobile sources/clean fuels	-	-	-	-	-
Air Toxics "Hot Spots"	-	-	-	-	-
Federal grant	-	-	-	-	-
State grant	-	-	-	-	-
Interest revenue	17,246	6,974	351,476	10,227	-
Penalties and settlements	-	-	-	-	-
Other revenues	-	-	-	-	-
Total revenues	17,246	6,974	351,476	10,227	-
Expenditures:					
Salaries and employee benefits	-	-	-	-	-
Insurance	-	-	-	-	-
Rent	-	-	-	-	-
Supplies	-	-	-	-	-
Contract and special services	72,940	144,365	7,832,901	10,885,000	-
Maintenance	-	-	-	-	-
Travel and auto	-	-	-	-	-
Utilities	-	-	-	-	-
Communications	-	-	-	-	-
Uncollectible accounts	-	-	-	-	-
Other expenditures	312,105	-	-	-	8,309
Capital outlay	-	-	-	-	-
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	385,045	144,365	7,832,901	10,885,000	8,309
Excess (deficiency) of revenues over (under) expenditures before transfers	(367,799)	(137,391)	(7,481,425)	(10,874,773)	(8,309)
Other financing sources (uses)					
Transfers in	-	-	-	11,218,898	-
Transfers out	-	-	(388,365)	-	-
Total other financing sources (uses)	-	-	(388,365)	11,218,898	-
Net change in fund balances	(367,799)	(137,391)	(7,869,790)	344,125	(8,309)
Fund balances, July 1, 2013	2,932,052	1,113,340	54,177,647	1,232,957	8,369
Fund balances, June 30, 2014	\$ 2,564,253	\$ 975,949	\$ 46,307,857	\$ 1,577,082	\$ 60

Continued

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 NON-MAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2014**

	Special Revenue			
	Advanced Technology Goods Movement Fund	Rule 1470 Risk Reduction Fund	Rule 1420.1 Special Revenue Fund	Prop 1B Lower Emission School Bus Fund
Revenues:				
Emission fees	\$ -	\$ -	\$ -	\$ -
Mobile sources/clean fuels	-	-	-	-
Air Toxics "Hot Spots"	-	-	-	-
Federal grant	1,051,432	-	-	-
State grant	-	-	-	-
Interest revenue	106,654	15,848	181	3,630
Penalties and settlements	-	-	-	-
Other revenues	-	-	127,000	-
Total revenues	1,158,086	15,848	127,181	3,630
Expenditures:				
Salaries and employee benefits	-	-	-	-
Insurance	-	-	-	-
Rent	-	-	-	-
Supplies	-	-	-	-
Contract and special services	2,125,256	-	-	520,755
Maintenance	-	-	-	-
Travel and auto	-	-	-	-
Utilities	-	-	-	-
Communications	-	-	-	-
Uncollectible accounts	-	-	-	-
Other expenditures	-	-	-	-
Capital outlay	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	2,125,256	-	-	520,755
Excess (deficiency) of revenues over (under) expenditures before transfers	(967,170)	15,848	127,181	(517,125)
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	(63,191)
Total other financing sources (uses)	-	-	-	(63,191)
Net change in fund balances	(967,170)	15,848	127,181	(580,316)
Fund balances, July 1, 2013	17,335,748	2,515,685	-	582,290
Fund balances, June 30, 2014	\$ 16,368,578	\$ 2,531,533	\$ 127,181	\$ 1,974

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014**

	<u>Special Revenue</u>			<u>Total</u>
	<u>Infrastructure Improvement Fund</u>	<u>Debt Service Fund</u>	<u>Component Unit SCAQMD Building Corporation</u>	
Revenues:				
Emission fees	\$ -	\$ -	\$ -	\$ -
Mobile sources/clean fuels	-	-	-	8,615,234
Air Toxics "Hot Spots"	-	-	-	331,599
Federal grant	-	-	-	13,262,755
State grant	-	-	-	27,372,797
Interest revenue	16,248	-	-	1,633,601
Penalties and settlements	-	-	-	-
Other revenues	-	-	-	8,564,971
	<u>16,248</u>	<u>-</u>	<u>-</u>	<u>59,780,957</u>
Total revenues				
Expenditures:				
Salaries and employee benefits	-	-	-	-
Insurance	-	-	-	-
Rent	-	-	-	540
Supplies	-	-	-	-
Contract and special services	-	-	-	70,017,200
Maintenance	-	-	-	-
Travel and auto	-	-	-	-
Utilities	-	-	-	-
Communications	-	-	-	-
Uncollectible accounts	-	-	-	-
Other expenditures	-	9,601	8,750	339,323
Capital outlay	1,148,716	-	-	1,148,716
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>1,148,716</u>	<u>9,601</u>	<u>8,750</u>	<u>71,505,779</u>
Excess (deficiency) of revenues over (under) expenditures before transfers	<u>(1,132,468)</u>	<u>(9,601)</u>	<u>(8,750)</u>	<u>(11,724,822)</u>
Other financing sources (uses)				
Transfers in	2,410,847	5,000,000	-	18,813,215
Transfers out	-	-	-	(7,609,664)
	<u>2,410,847</u>	<u>5,000,000</u>	<u>-</u>	<u>11,253,551</u>
Total other financing sources (uses)				
Net change in fund balances	<u>1,278,379</u>	<u>4,990,399</u>	<u>(8,750)</u>	<u>(521,271)</u>
Fund balances, July 1, 2013	<u>2,898,656</u>	<u>9,601</u>	<u>212,478</u>	<u>265,461,140</u>
Fund balances, June 30, 2014	<u>\$ 4,177,035</u>	<u>\$ 5,000,000</u>	<u>\$ 203,728</u>	<u>\$ 264,939,869</u>

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
For the Year Ended June 30, 2014**

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2014</u>
<u>Accounting agency fund</u>				
<u>Assets</u>				
Cash and pooled cash	\$ 105,749	\$ 353,509	\$ 352,225	\$ 107,033
Total assets	<u>\$ 105,749</u>	<u>\$ 353,509</u>	<u>\$ 352,225</u>	<u>\$ 107,033</u>
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 105,749	\$ 1,139,989	\$ 1,138,705	\$ 107,033
Total liabilities	<u>\$ 105,749</u>	<u>\$ 1,139,989</u>	<u>\$ 1,138,705</u>	<u>\$ 107,033</u>
 <u>457 Plan Admin Revenue Sharing Fund</u>				
<u>Assets</u>				
Cash and pooled cash	\$ 29,553	\$ 60,340	\$ 74,863	\$ 15,030
Interest receivable	85	134	86	133
Total assets	<u>\$ 29,638</u>	<u>\$ 60,474</u>	<u>\$ 74,949</u>	<u>\$ 15,163</u>
<u>Liabilities</u>				
Accounts payable and accrued liabilities	29,638	\$ 82,888	\$ 97,363	\$ 15,163
Total liabilities	<u>\$ 29,638</u>	<u>\$ 82,888</u>	<u>\$ 97,363</u>	<u>\$ 15,163</u>
 <u>Total all agency funds</u>				
<u>Assets</u>				
Cash and pooled cash	\$ 135,302	\$ 413,849	\$ 427,088	\$ 122,063
Interest receivable	85	134	86	133
Total assets	<u>\$ 135,387</u>	<u>\$ 413,983</u>	<u>\$ 427,174</u>	<u>\$ 122,196</u>
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 135,387	\$ 1,222,877	\$ 1,236,068	\$ 122,196
Total liabilities	<u>\$ 135,387</u>	<u>\$ 1,222,877</u>	<u>\$ 1,236,068</u>	<u>\$ 122,196</u>

See independent auditor's report.

STATISTICAL SECTION

This part of SCAQMD's comprehensive annual financial report represents detailed information as a context for understanding what the information in the financial statements, note disclosure, and required supplementary information says about SCAQMD's overall financial health.

Contents

Financial Trends

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

Revenue Capacity

These schedules contain information to help the reader understand the concentration of SCAQMD's largest emission-based fee payers.

Debt Capacity

This schedule presents information to help the reader assess the affordability of SCAQMD's current levels of outstanding debt. Please see footnote under Schedule 7.

Demographic and Economic Information

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

Operating Information

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

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

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
Schedule 1
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental Activities:										
Investment in capital assets, net of related debt	\$ 6,048,899	\$ 7,712,415	\$ 10,938,387	\$ 12,744,539	\$ 16,757,042	\$ 19,695,092	\$ 22,777,709	\$ 25,696,728	\$ 39,667,137	\$ 38,509,847
Restricted for pension assets	-	736,200	1,926,145	3,089,145	(10,334,764)	-	-	1,361,315	3,031,890	4,437,818
Restricted for debt service	-	-	19,541,377	17,381,723	-	-	-	-	-	-
Restricted for specific projects/programs	223,952,969	253,867,453	280,754,862	291,676,023	334,362,120	411,358,339	465,789,699	527,549,463	530,540,932	536,617,440
Unrestricted	11,135,334	24,019,696	8,392,205	20,042,724	47,061,292	50,318,195	34,536,706	29,529,812	21,554,913	29,264,960
Total governmental activities net position	\$ 241,137,202	\$ 286,335,764	\$ 321,552,976	\$ 344,934,154	\$ 387,845,690	\$ 481,371,626	\$ 523,104,114	\$ 584,137,318	\$ 594,794,872	\$ 608,830,065
Business-type Activities:										
Investment in capital assets, net of related debt	\$ 400,375	\$ 313,177	\$ 226,006	\$ 138,835	\$ 51,664	\$ 4,052	\$ -	\$ -	\$ -	\$ -
Unrestricted	81,160	72,947	77,947	144,388	191,356	242,921	370,087	525,078	746,994	875,849
Total business-type activities net position	\$ 481,535	\$ 386,124	\$ 303,953	\$ 283,223	\$ 243,020	\$ 246,973	\$ 370,087	\$ 525,078	\$ 746,994	\$ 875,849
Primary Government:										
Investment in capital assets, net of related debt	\$ 6,449,274	\$ 8,025,592	\$ 11,164,393	\$ 12,883,374	\$ 16,808,706	\$ 19,699,144	\$ 22,777,709	\$ 25,696,728	\$ 39,667,137	\$ 38,509,847
Restricted for pension asset	-	736,200	1,926,145	3,089,145	(10,334,764)	-	-	1,361,315	3,031,890	4,437,818
Restricted for debt service	-	-	19,541,377	17,381,723	-	-	-	-	-	-
Restricted for grants and other special uses	223,952,969	253,867,453	280,754,862	291,676,023	334,362,120	411,358,339	465,789,699	527,549,463	530,540,932	536,617,440
Unrestricted	11,216,494	24,092,643	8,470,152	20,187,112	47,252,648	50,561,116	34,906,793	30,054,890	22,301,907	30,140,809
Total primary government net position	\$ 241,618,737	\$ 286,721,888	\$ 321,856,929	\$ 345,217,377	\$ 388,088,710	\$ 481,618,599	\$ 523,474,201	\$ 584,662,396	\$ 595,541,866	\$ 609,705,914

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

Schedule 2

Changes in Net Position – Last Ten Fiscal Years

(accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental Activities:										
Advance clean air technology	\$ 5,011,874	\$ 5,808,530	\$ 7,067,528	\$ 7,113,642	\$ 7,111,931	\$ 6,512,144	\$ 6,398,859	\$ 6,672,977	\$ 6,857,959	\$ 6,212,087
Ensure compliance with clean air rules	37,666,189	36,727,226	42,699,519	39,463,040	43,823,112	46,154,574	46,877,017	47,026,449	47,417,956	48,813,991
Customer service	10,532,066	11,592,984	8,687,842	6,696,664	7,441,806	7,682,897	7,578,813	7,729,015	8,169,587	8,332,770
Develop programs to achieve clean air	7,106,133	7,811,791	8,721,816	7,969,413	10,216,378	10,861,040	11,780,948	12,130,832	12,317,470	11,147,303
Develop rules to achieve clean air	8,130,305	8,046,177	7,350,795	8,390,762	8,433,410	8,436,415	8,826,846	7,286,149	7,269,414	7,514,210
Monitoring air quality	11,591,430	11,794,227	12,229,451	12,866,270	14,067,041	14,239,509	15,093,093	15,930,225	14,265,601	14,969,083
Timely review of permits	21,403,924	23,191,423	24,508,757	24,580,945	26,205,282	28,530,507	28,045,891	27,241,449	28,621,527	27,821,032
Policy support	2,954,538	2,948,274	3,442,207	3,630,367	4,782,531	1,760,038	1,792,208	1,483,613	1,306,054	1,204,588
Interest on long-term debt	-	-	-	4,614,842	4,325,460	3,871,465	3,277,933	4,691,658	4,605,963	4,102,888
Long-term emission reduction projects	59,525,817	64,308,902	62,831,313	93,109,973	104,277,915	150,362,508	161,904,680	137,800,260	155,998,253	154,939,035
Total govern't activities expenses	<u>\$ 163,922,276</u>	<u>\$ 172,229,535</u>	<u>\$ 177,539,228</u>	<u>\$ 208,435,918</u>	<u>\$ 230,684,866</u>	<u>\$ 278,411,097</u>	<u>\$ 291,576,288</u>	<u>\$ 267,992,627</u>	<u>\$ 286,829,784</u>	<u>\$ 285,056,987</u>
Business-type Activities:										
Clean Air Store	\$ 662	\$ 3,653	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
CNG fueling station	165,135	198,788	225,604	218,048	210,120	165,557	150,418	135,805	189,518	264,221
Total business-type activities expenses	<u>165,797</u>	<u>202,441</u>	<u>225,604</u>	<u>218,048</u>	<u>210,120</u>	<u>165,557</u>	<u>150,418</u>	<u>135,805</u>	<u>189,518</u>	<u>264,221</u>
Total primary government expenses	<u>\$ 164,088,073</u>	<u>\$ 172,431,976</u>	<u>\$ 177,764,832</u>	<u>\$ 208,653,966</u>	<u>\$ 230,894,986</u>	<u>\$ 278,576,654</u>	<u>\$ 291,726,706</u>	<u>\$ 268,128,432</u>	<u>\$ 287,019,302</u>	<u>\$ 285,321,208</u>
Program Revenues										
Governmental Activities:										
Fees and Charges										
Stationary sources	\$ 64,925,373	\$ 68,792,294	\$ 75,200,254	\$ 82,825,774	\$ 92,703,725	\$ 81,097,647	\$ 81,291,028	\$ 82,624,489	\$ 85,439,616	\$ 87,160,484
Mobile sources	14,716,865	20,991,833	23,966,240	22,170,323	24,128,436	23,728,238	22,512,790	23,384,894	23,535,070	24,307,527
Operating grants and subventions	8,100,573	8,035,387	8,946,832	8,858,458	8,782,322	8,379,757	8,867,069	8,486,563	8,754,443	9,741,945
Long-term project grants	87,747,227	94,223,386	92,925,386	105,383,068	133,185,494	243,802,246	207,555,510	204,845,838	164,555,289	154,311,991
Total governmental activities prog. revenues	<u>\$ 175,490,038</u>	<u>\$ 192,042,900</u>	<u>\$ 201,038,712</u>	<u>\$ 219,237,623</u>	<u>\$ 258,799,977</u>	<u>\$ 357,007,888</u>	<u>\$ 320,226,397</u>	<u>\$ 319,341,784</u>	<u>\$ 282,284,418</u>	<u>\$ 275,521,947</u>

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

Schedule 2

Changes in Net Position – Last Ten Fiscal Years (accrual basis of accounting) (continued)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Business-type Activities:										
Clean Air Store/CNG fueling station	\$ 97,424	\$ 123,625	\$ 143,433	\$ 197,318	\$ 169,917	\$ 169,510	\$ 273,531	\$ 290,796	\$ 411,434	\$ 393,076
Total business-type activities prog. revenues	97,424	123,625	143,433	197,318	169,917	169,510	273,531	290,796	411,434	393,076
Total primary government prog. revenues	<u>\$ 175,587,462</u>	<u>\$ 192,166,525</u>	<u>\$ 201,182,145</u>	<u>\$ 219,434,941</u>	<u>\$ 258,969,894</u>	<u>\$ 357,177,398</u>	<u>\$ 320,499,928</u>	<u>\$ 319,632,580</u>	<u>\$ 282,695,852</u>	<u>\$ 275,915,023</u>
Net (Expense) Revenue										
Governmental activities	\$ 11,567,762	\$ 19,813,365	\$ 23,499,484	\$ 10,801,705	\$ 28,115,112	\$ 78,596,791	\$ 28,650,109	\$ 51,349,157	\$ (4,545,366)	\$ (9,535,040)
Business-type activities	(68,373)	(78,816)	(82,171)	(20,730)	(40,203)	3,953	123,113	154,991	221,916	128,855
Total primary govnt net (expenses) revenue	<u>\$ 11,499,389</u>	<u>\$ 19,734,549</u>	<u>\$ 23,417,313</u>	<u>\$ 10,780,975</u>	<u>\$ 28,074,909</u>	<u>\$ 78,600,744</u>	<u>\$ 28,773,222</u>	<u>\$ 51,504,148</u>	<u>\$ (4,323,450)</u>	<u>\$ (9,406,185)</u>
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Grants and subventions - restricted to non-spec. stationary source prog.	\$ 2,964,713	\$ 2,962,539	\$ 2,962,418	\$ 2,943,638	\$ 2,934,513	\$ 2,926,440	\$ 2,918,779	\$ 2,890,117	\$ 2,889,099	\$ 2,889,884
Mobile sources - restricted to non-spec. mobile source prog.	6,282,933	-	-	-	-	-	-	-	-	-
Interest	1,273,901	2,887,395	4,012,295	3,950,198	1,962,431	976,434	832,444	529,031	343,206	461,444
Lease revenue	338,961	364,326	365,559	366,924	379,440	371,104	-	-	-	-
Penalties/settlement	11,295,895	16,074,370	13,211,151	5,190,492	9,469,694	10,346,122	7,348,657	4,906,391	11,562,529	17,959,410
Subscriptions	29,512	19,214	22,315	11,378	15,519	10,363	7,760	6,095	1,630	3,498
Other	2,992,685	545,430	847,899	116,842	34,828	298,683	1,631,518	1,352,418	406,456	2,255,997
Transfers	-	16,595	(9,703,906)	-	-	-	-	-	-	-
Total governmental activities	<u>\$ 25,178,600</u>	<u>\$ 22,869,869</u>	<u>\$ 11,717,731</u>	<u>\$ 12,579,472</u>	<u>\$ 14,796,424</u>	<u>\$ 14,929,145</u>	<u>\$ 12,739,158</u>	<u>\$ 9,684,052</u>	<u>\$ 15,202,920</u>	<u>\$ 23,570,233</u>
Business-type Activities										
Interest	-	-	-	-	-	-	-	-	-	-
Transfers	\$ -	\$ (16,595)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total business-type activities	-	(16,595)	-	-	-	-	-	-	-	-
Total primary government revenue	<u>\$ 25,178,600</u>	<u>\$ 22,853,274</u>	<u>\$ (7,823,649)</u>	<u>\$ 12,579,472</u>	<u>\$ 14,796,424</u>	<u>\$ 14,929,145</u>	<u>\$ 12,739,158</u>	<u>\$ 9,684,052</u>	<u>\$ 15,202,920</u>	<u>\$ 23,570,233</u>
Change in Net Position										
Governmental activities	\$ 36,746,362	\$ 42,683,233	\$ 35,217,215	\$ 23,381,177	\$ 42,911,536	\$ 93,525,936	\$ 41,389,267	\$ 61,033,209	\$ 10,657,554	\$ 14,035,193
Business-type activities	(68,373)	(95,411)	(82,171)	(20,730)	(40,203)	3,953	123,113	154,991	221,916	128,855
Total primary government	<u>\$ 36,677,989</u>	<u>\$ 42,587,822</u>	<u>\$ 35,135,044</u>	<u>\$ 23,360,447</u>	<u>\$ 42,871,333</u>	<u>\$ 93,529,889</u>	<u>\$ 41,512,380</u>	<u>\$ 61,188,200</u>	<u>\$ 10,879,470</u>	<u>\$ 14,164,048</u>

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
 Schedule 3
 Fund Balances of Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

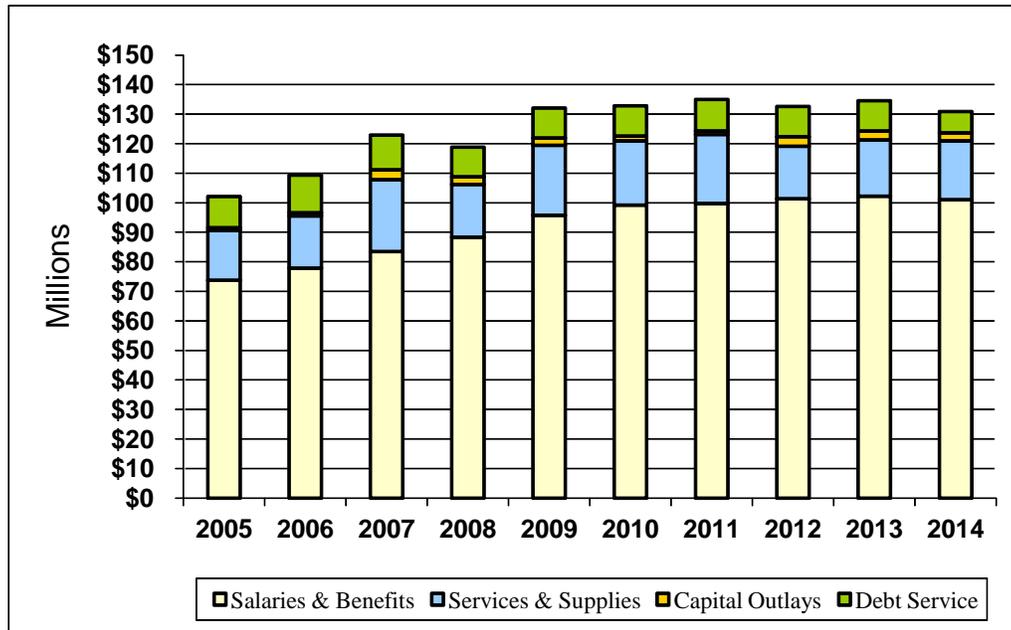
	2005	2006	2007	2008	2009	2010	2011*	2012	2013	2014
General Fund										
Reserved	\$ 4,778,503	\$ 4,841,814	\$ 6,892,073	\$ 7,369,361	\$ 7,318,433	\$ 7,575,462	\$ -	\$ -	\$ -	\$ -
Unreserved	45,023,178	56,475,321	37,287,900	46,073,449	56,309,536	52,814,783	-	-	-	-
Nonspendable	-	-	-	-	-	-	50,315	73,043	71,968	66,703
Committed	-	-	-	-	-	-	8,928,629	6,594,167	6,552,287	5,845,485
Assigned	-	-	-	-	-	-	17,763,384	15,390,753	12,194,651	12,194,650
Unassigned	-	-	-	-	-	-	25,858,045	24,689,814	19,774,006	27,672,310
Total general fund	<u>\$ 49,801,681</u>	<u>\$ 61,317,135</u>	<u>\$ 44,179,973</u>	<u>\$ 53,442,810</u>	<u>\$ 63,627,969</u>	<u>\$ 60,390,245</u>	<u>\$ 52,600,373</u>	<u>\$ 46,747,777</u>	<u>\$ 38,592,912</u>	<u>\$ 45,779,148</u>
All Other Governmental Funds										
Reserved for encumbrances	\$ 78,570,628	\$ 91,723,747	\$ 129,812,105	\$ 131,473,169	\$ 130,688,267	\$ 186,009,142	\$ -	\$ -	\$ -	\$ -
Reserved for debt service	-	-	19,541,377	17,381,723	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	145,382,341	162,143,706	150,942,757	160,202,854	203,673,852	237,563,798	-	-	-	-
Restricted	-	-	-	-	-	-	26,138,656	191,730,455	331,962,118	335,633,672
Committed	-	-	-	-	-	-	174,297,108	127,200,107	29,141,240	65,757,643
Assigned	-	-	-	-	-	-	272,132,633	210,588,937	169,437,574	135,253,835
Unassigned	-	-	-	-	-	-	(6,778,697)	(1,970,036)	-	(27,710)
Total all other governmental fund:	<u>\$ 223,952,969</u>	<u>\$ 253,867,453</u>	<u>\$ 300,296,239</u>	<u>\$ 309,057,746</u>	<u>\$ 334,362,119</u>	<u>\$ 423,572,940</u>	<u>\$ 465,789,700</u>	<u>\$ 527,549,463</u>	<u>\$ 530,540,932</u>	<u>\$ 536,617,440</u>

*Effective fiscal year 2010-11, fund balances are presented to conform with GASB No. 54.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
Schedule 4
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues:										
Emission fees	\$ 19,434,549	\$ 33,582,422	\$ 21,771,497	\$ 23,100,073	\$ 24,826,356	\$ 19,663,671	\$ 21,371,061	\$ 19,714,882	\$ 20,540,391	\$ 20,472,379
Annual renewal fees	28,876,817	30,991,226	34,610,682	38,970,949	43,285,892	41,191,933	41,342,340	42,189,557	43,056,220	44,260,635
Area Sources	-	-	-	-	1,226,651	1,445,715	2,503,791	2,808,927	2,132,263	2,819,001
Permit processing fees	14,114,680	14,765,144	16,120,262	18,105,901	20,396,188	16,316,076	16,007,058	15,658,916	17,210,640	16,945,777
Mobile sources / Clean fuels	65,197,128	82,389,525	67,582,066	69,028,689	66,087,019	65,843,960	63,704,363	69,689,913	67,441,546	69,688,940
Air Toxics "Hot Spots"	1,614,851	1,186,492	1,897,395	1,981,259	2,026,249	1,977,074	1,824,327	1,833,488	1,917,252	1,954,650
Transportation program	869,554	895,194	1,145,806	914,870	894,440	836,557	885,263	848,829	927,824	877,816
State subvention	4,024,268	4,022,094	4,021,970	4,003,263	3,994,067	3,986,029	3,978,200	3,949,672	3,948,646	3,949,439
Federal grant	6,988,187	5,876,040	8,067,682	7,828,903	12,544,767	13,620,752	15,543,549	27,508,859	19,468,654	23,713,303
State grant	11,253,989	6,514,346	25,340,534	39,677,362	74,017,124	165,001,635	87,403,616	128,099,308	101,432,241	80,762,239
Interest revenue	5,444,958	12,087,846	17,485,429	16,899,125	10,448,326	6,224,115	6,556,895	4,962,021	3,677,620	3,824,484
Lease revenue	338,961	364,326	365,559	366,924	379,440	371,104	380,431	281,284	140,739	133,916
Source test/analysis fees	321,526	401,487	528,653	491,080	579,607	486,075	636,822	759,784	790,824	697,133
Hearing Board fees	251,212	655,553	469,041	411,537	436,385	327,344	201,864	221,709	277,544	342,508
Penalties and settlements	36,295,895	16,074,370	13,281,151	5,190,492	9,469,694	11,346,122	7,348,657	6,006,391	11,642,529	17,959,410
Subscriptions	29,512	19,214	22,315	11,378	15,519	10,363	7,760	6,095	1,630	3,498
RECLAIM & executive order mitigation	772,526	842,214	4,919,852	-	-	-	-	-	-	-
Other revenues	6,945,716	4,228,680	4,830,452	4,835,290	2,968,677	23,288,416	63,269,554	4,486,199	2,880,775	10,687,052
Total revenues	\$ 202,774,329	\$ 214,896,173	\$ 222,460,346	\$ 231,817,095	\$ 273,596,401	\$ 371,936,941	\$ 332,965,551	\$ 329,025,834	\$ 297,487,338	\$ 299,092,180
Expenditures:										
Salaries and employee benefits	\$ 73,791,627	\$ 77,858,212	\$ 83,488,915	\$ 88,320,801	\$ 95,793,414	\$ 99,192,010	\$ 99,773,382	\$ 101,364,885	\$ 102,289,888	\$ 101,023,768
Insurance	1,044,518	1,193,345	1,265,932	1,255,842	1,228,273	1,024,939	1,039,020	882,871	1,078,546	1,258,577
Rent	783,674	776,438	472,023	486,487	524,712	535,733	589,248	532,089	620,723	527,991
Supplies	2,235,088	2,274,844	2,890,495	3,365,065	3,035,346	2,997,815	2,600,630	2,371,901	2,894,275	2,647,163
Contract and special services	73,961,781	72,936,559	75,431,666	99,753,587	114,897,344	160,153,501	171,344,881	145,316,505	162,672,155	159,679,349
Maintenance	995,624	1,120,620	1,101,589	1,814,293	1,423,541	1,152,411	1,273,060	1,183,238	1,425,557	1,445,271
Travel and auto	433,606	478,091	606,658	622,446	746,705	694,696	707,050	791,042	753,860	739,784
Utilities	1,414,156	1,680,754	1,685,742	1,599,055	1,713,817	1,483,855	1,495,435	1,342,945	1,405,249	1,637,327
Communications	491,337	463,665	489,779	493,285	560,274	598,674	598,958	587,930	580,569	629,542
Uncollectible accounts	210,871	(38,037)	4,788	649,425	683,945	753,072	891,794	953,792	454,094	1,116,103
Other expenditures	(815,944)	933,008	1,441,100	1,063,386	691,833	1,303,225	2,767,725	2,544,090	2,179,367	4,578,992
Capital outlay	1,010,373	1,130,264	2,749,059	1,388,559	3,670,377	2,835,795	2,170,102	2,051,740	3,261,458	3,351,887
Debt service:										
Principal	6,350,000	7,510,000	7,870,000	8,270,000	8,695,000	9,165,000	10,090,000	10,250,000	18,177,007	3,099,025
Interest	4,286,541	5,165,067	3,967,067	4,710,521	4,442,290	4,073,116	3,540,602	2,945,639	4,857,985	4,094,658
Total expenditures	\$ 166,193,252	\$ 173,482,830	\$ 183,464,813	\$ 213,792,752	\$ 238,106,871	\$ 285,963,843	\$ 298,881,886	\$ 273,118,666	\$ 302,650,733	\$ 285,829,437
Excess (deficiency) of revenues over (under) expenditures	36,581,077	41,413,343	38,995,533	18,024,343	35,489,530	85,973,097	34,083,665	55,907,168	(5,163,395)	13,262,743
Other financing sources (uses):										
Transfer in	291,950	105,095	4,387,758	23,973,905	25,907,899	4,362,357	17,056,936	8,670,107	38,364,134	19,653,981
Transfer out	(291,950)	(88,500)	(4,091,664)	(23,973,905)	(25,907,899)	(4,362,357)	(17,056,936)	(8,670,107)	(38,364,134)	(19,653,981)
Special and extraordinary	-	-	(10,000,000)	-	-	-	-	-	-	-
Total other financing sources (uses)	-	16,595	(9,703,906)	-						
Net change in fund balances	\$ 36,581,077	\$ 41,429,938	\$ 29,291,627	\$ 18,024,343	\$ 35,489,530	\$ 85,973,097	\$ 34,083,665	\$ 55,907,168	\$ (5,163,395)	\$ 13,262,743
Debt service as a percentage of noncapital ex	6.4%	7.4%	6.6%	6.1%	5.6%	4.7%	4.6%	4.9%	7.7%	2.5%

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
 Schedule 5
 Expenditures by Major Object
 General Fund (Budgetary Basis)
 Last Ten Fiscal Years



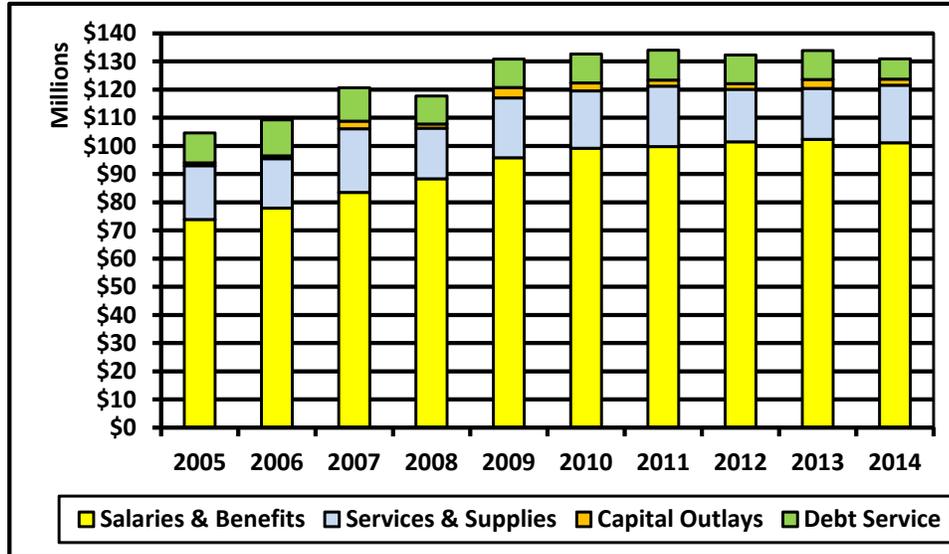
Year	Salaries & Benefits	Services & Supplies	Capital Outlays	Debt Service	Total Expenditures
2005	73,791,627	16,803,682	949,713	10,636,541	102,181,563
2006	77,858,212	17,719,906	1,100,222	12,675,067	109,353,407
2007	83,488,915	24,400,215	3,273,369	11,837,067	122,999,566
2008	88,320,801	17,937,120	2,579,407	9,980,521	118,817,849
2009	95,793,414	23,732,428	2,409,605	10,137,290	132,072,737
2010	99,192,009	21,806,505	1,592,415	10,238,116	132,829,044
2011	99,773,382	23,397,710	1,198,178	10,630,602	134,999,872
2012	101,364,885	17,799,716	3,261,876	10,195,639	132,622,116
2013	102,289,888	19,052,813	3,053,754	10,219,978	134,616,433
2014	101,023,768	19,989,096	2,695,286	7,193,683	130,901,833

See Notes Associated with Financial Charts page 104.

Source:

South Coast Air Quality Management District Audited Financial Statements

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
 Schedule 6
 Expenditures by Major Object
 General Fund (GAAP Basis)
 Last Ten Fiscal Years



Year	Salaries & Benefits	Services & Supplies	Capital Outlays	Debt Service	Total Expenditures
2005	73,791,627	19,191,298	942,278	10,636,541	104,561,744
2006	77,858,212	17,564,242	1,076,407	12,675,067	109,173,928
2007	83,488,915	22,558,459	2,749,059	11,837,067	120,633,500
2008	88,320,801	17,992,898	1,388,559	9,980,521	117,682,779
2009	95,793,414	21,227,874	3,670,377	10,137,290	130,828,955
2010	99,192,009	20,335,515	2,835,795	10,238,116	132,601,435
2011	99,773,382	21,403,118	2,170,102	10,630,602	133,977,204
2012	101,364,885	18,706,143	2,051,740	10,195,639	132,318,407
2013	102,289,888	18,066,145	3,261,458	10,219,978	133,837,469
2014	101,023,768	20,469,780	2,203,171	7,193,683	130,890,402

See Notes Associated with Financial Charts page 104.

Source:

South Coast Air Quality Management District Audited Financial Statements

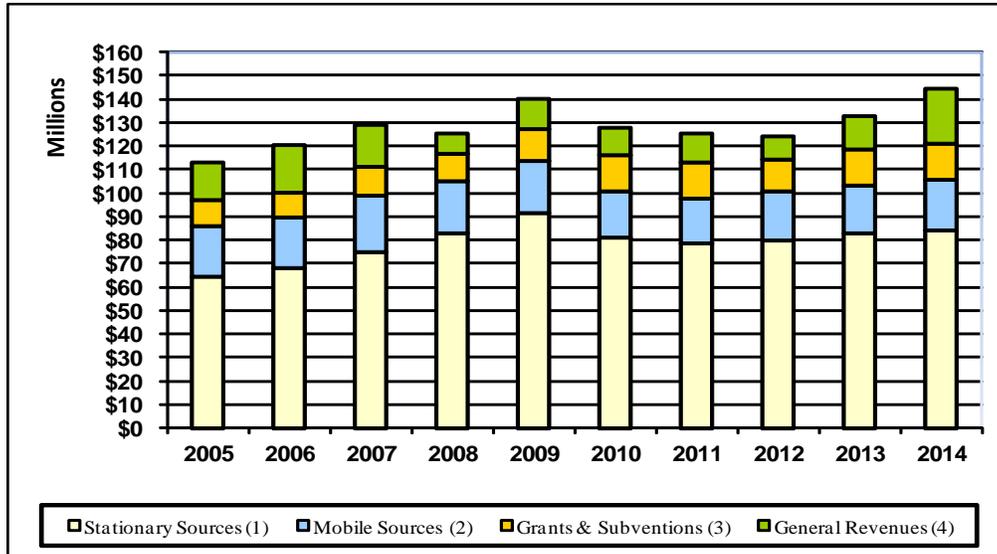
SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
Schedule 7
Debt Capacity
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year	Governmental Activities		Total Primary Government	Percentage of Total Revenues (*)	Number of Customers	Per Customer
	Installment Sale Revenue Bonds	Pension Obligation Bonds				
2005	\$ 48,735	\$ 70,426	\$ 119,161	105.53%	27	4
2006	44,195	67,457	111,652	92.52%	27	4
2007	39,630	64,152	103,782	80.39%	29	4
2008	35,035	60,477	95,512	76.05%	28	3
2009	30,410	56,407	86,817	61.83%	28	3
2010	25,745	51,907	77,652	60.60%	28	3
2011	20,370	47,192	67,562	53.87%	28	2
2012	15,130	42,182	57,312	46.15%	28	2
2013	-	39,135	39,135	29.48%	28	1
2014	-	36,036	36,036	24.89%	27	1

The South Coast Air Quality Management District is a regional government and is not authorized to issue long-term debt (General Obligation Bonds). The Installment Sale Revenue Bonds were issued by the South Coast Air Quality Management District Building Corporation (a component unit), secured by annual lease payments from the South Coast Air Quality Management District. The Pension Obligation Bonds are refunding bonds of outstanding debt owed the San Bernardino County Employees' Retirement Association. The South Coast Air Quality Management District has no long-term debt limits.

(*) These percentages are calculated using Total Revenues, Schedule 8.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
 Schedule 8
 Revenues by Major Source
 General Fund
 Last Ten Fiscal Years



Year	Stationary Sources (1)	Mobile Sources (2)	Grants & Subventions (3)	General Revenues (4)	Total Revenues
2005	64,613,635	21,311,536	11,065,286	15,930,954	112,921,411
2006	68,483,189	21,256,610	10,680,461	20,252,527	120,672,787
2007	75,200,253	23,966,240	11,909,248	18,017,839	129,093,580
2008	82,800,004	22,170,322	11,802,166	8,821,192	125,593,684
2009	91,472,243	22,166,119	13,679,151	13,093,394	140,410,907
2010	81,097,647	19,994,596	15,039,879	12,002,573	128,134,695
2011	78,787,371	19,109,043	15,189,462	12,324,164	125,410,040
2012	79,815,562	21,149,810	13,611,764	9,602,853	124,179,989
2013	83,307,359	20,324,940	14,853,666	14,446,084	132,932,049
2014	84,341,483	21,654,072	15,285,284	23,499,350	144,780,189

(1) Includes Emissions, Annual Operating, Permit, Air Toxics "Hot Spots," Source Test/Analysis, and Hearing Board fees

(2) Includes AB2766 Mobile Source, Clean Fuels, and Transportation Programs revenues

(3) Includes State Subventions, State Grants and Federal Grants

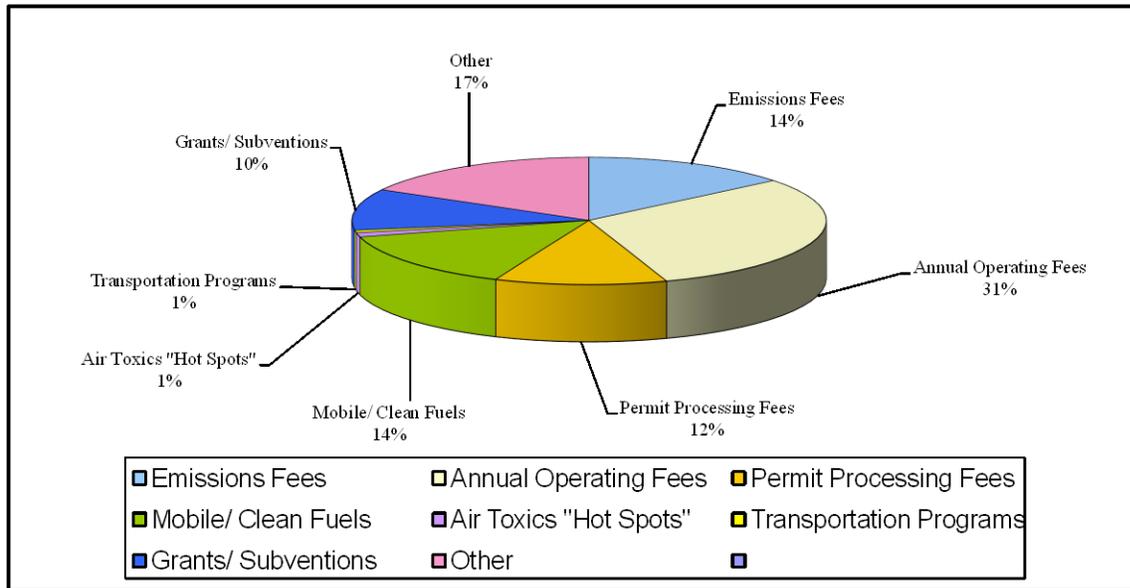
(4) Includes Area Sources, Penalties & Settlements, Interest, Lease Revenue, Other Revenue and Subscriptions

See Notes Associated with Financial Charts page 105.

Source:

South Coast Air Quality Management District Audited Financial Statements

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
Schedule 9
Revenues by Fee Source
General Fund
Last Ten Fiscal Years



Fee Source Revenue									
Year	Emissions Fees	Annual Operating Fees	Permit Processing Fees	Mobile/ Clean Fuels	Air Toxics "Hot Spots"	Transportation Programs	Grants/ Subventions	Other	Total
2005	19,434,549	28,876,817	14,114,680	20,441,982	1,614,851	869,554	11,065,286	16,503,692	112,921,411
2006	20,229,322	30,991,226	14,765,144	20,361,416	1,440,457	895,194	10,680,461	21,309,567	120,672,787
2007	21,771,497	34,610,682	16,120,262	22,820,434	1,700,118	1,145,806	11,909,248	19,015,533	129,093,580
2008	23,100,073	38,970,949	18,105,901	21,255,452	1,720,464	914,870	11,802,166	9,723,809	125,593,684
2009	24,826,356	43,285,892	20,396,188	21,271,679	1,947,813	894,440	13,679,151	14,109,387	140,410,906
2010	19,663,671	41,191,933	16,316,076	19,158,039	1,666,699	836,557	15,039,879	14,261,841	128,134,695
2011	19,246,061	41,342,340	16,007,058	18,223,780	1,353,226	885,263	15,189,462	13,162,850	125,410,040
2012	19,714,882	42,189,557	15,658,916	20,300,981	1,270,714	848,829	13,611,764	10,584,346	124,179,989
2013	20,540,391	43,056,220	17,210,640	19,397,116	1,431,740	927,824	14,853,666	15,514,452	132,932,049
2014	20,472,379	44,260,635	16,945,777	20,776,256	1,623,051	877,816	15,285,284	24,538,991	144,780,189

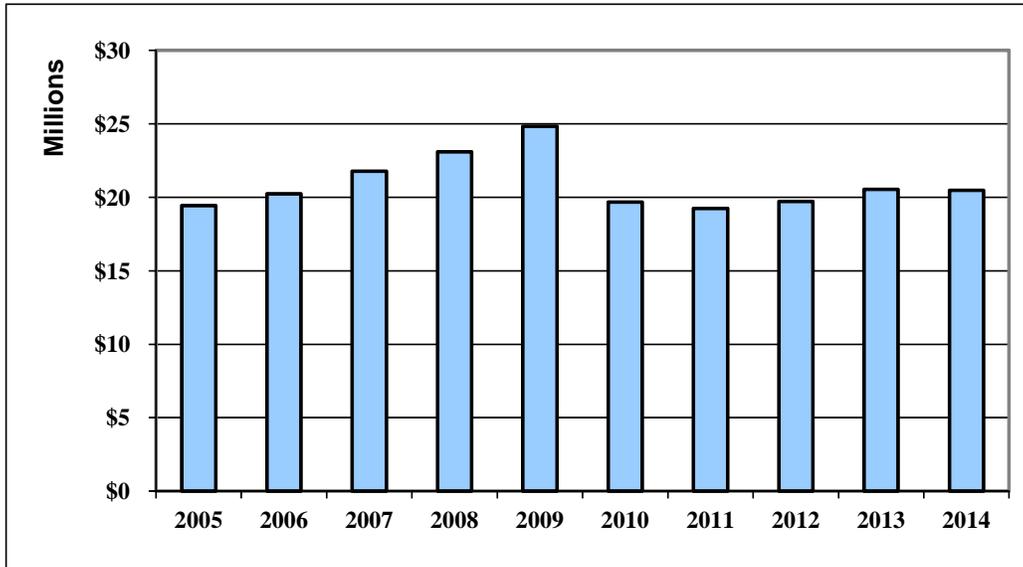
* Other includes Area Sources, Penalties and Settlements, Interest, Source Test/Analysis Fees, Lease Revenue, Hearing Board, Other Revenue and Subscriptions.

See Notes Associated with Financial Charts page 105.

Source:

South Coast Air Quality Management District Audited Financial Statements

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
 Schedule 10
 Emission Fee Revenues
 Last Ten Fiscal Years



Year	Emission Fees
2005	19,434,549
2006	20,229,322
2007	21,771,497
2008	23,100,073
2009	24,826,356
2010	19,663,671
2011	19,246,061
2012	19,714,882
2013	20,540,391
2014	20,472,379

See Notes Associated with Financial Charts page 106.

Source: South Coast Air Quality Management District Audited Financial Statements

Notes Associated with Financial Charts

Schedule 5 - Expenditures by Major Object (General Fund Budgetary Basis)

- The decrease in 2014 expenditures from 2013 is mainly due to a significant reduction in debt. As of June 2013, the 2002 Series Installment Sale Bonds were legally defeased.
- The increase in 2013 expenditures from 2012 is mainly due to the rising retirement and medical insurance costs.
- The decrease in 2012 expenditures is due to a significant reduction in Services and Supplies.
- The increase in 2011 expenditures from 2010 is mainly due to the increase in expenditures for Contract and Special Services.
- The increase in 2010 Salaries & Benefits expenditures from 2009 is mainly due to the hiring of vacant FTEs and rising retirement costs.
- The increase in 2009 expenditures from 2008 is mainly due to the hiring of vacant FTEs and rising retirement costs.
- The decrease in 2008 expenditures from the 2007 level is primarily due to a significant reduction in litigation costs.
- In 2007 the increase in Contract and Special Services of approximately \$5M is primarily due to expenditures related to railroad litigation.
- In 2007 the increase in Capitals Outlay of approximately \$2M is due mainly due to large purchases of air monitoring equipment.
- 2006 was the first year that both principal and interest expenditures were paid for 2004 Pension Obligation Bonds (POBs) issued late in FY 2003-04. (No principal was due for 2004 POBs in 2005).
- The increase in Salaries and Employee Benefits expenditures from 2005 to 2006 relates to labor contract adjustments implemented in 2006.

Schedule 6 - Expenditures by Major Object (General Fund GAAP Basis)

- The decrease in 2014 expenditures from 2013 is mainly due to a significant reduction in debt. As of June 2013, the 2002 Series Installment Sale Bonds were legally defeased.
- The increase in 2013 expenditures from 2012 is mainly due to the rising retirement and medical insurance costs. In addition, Capital Outlays expenditures increased due to the large purchase of CNG vehicles and the replacement of some boilers and associated equipments.
- The decrease in 2012 expenditures is due to a significant reduction in Services and Supplies.
- The increase in 2011 expenditures from 2010 is mainly due to the increase in Contract and Special Services.
- The increase in 2010 expenditures from 2009 is mainly due to the hiring of vacant FTEs and rising retirement costs. In addition, Capital Outlays expenditures decreased due to asset retirements.
- The increase in 2009 expenditures from 2008 is mainly due to the hiring of vacant FTEs and rising retirement costs. In addition, Capital Outlays expenditures increased due to payments on prior year encumbrances.
- The decrease in 2008 expenditures from the 2007 level is primarily due to a significant reduction in litigation costs.
- In 2007 the increase in Contract and Special Services of approximately \$4.5M is primarily due to expenditures related to railroad litigation.
- In 2007 the increase in Capital Outlay of approximately \$1.7M is due mainly due to large purchases of air monitoring equipment.
- 2006 was the first year that both principal and interest expenditures were paid for 2004 Pension Obligation Bonds (POBs) issued late in FY 2003-04. (No principal was due for 2004 POBs in 2005).
- The increase in Salaries and Employee Benefits expenditures from 2005 to 2006 relates to labor contract adjustments implemented in 2006.

Schedule 8 - Revenues by Major Source (General Fund)

- Revenues increased significantly in 2014 because the SCAQMD received several large penalties/settlements from facilities that were found to be not in compliance with SCAQMD rules and regulations
- Revenues increased significantly in 2013 because the SCAQMD received several large penalties/settlements from facilities that were found to be not in compliance with SCAQMD rules and regulations.
- The decrease in 2012 revenue is due to the decrease in Penalties & Settlements in General Revenues, and the reduction in Grants & Subventions.
- In 2011 the decrease in the Stationary Sources and Mobile Sources revenues are mainly due to the decrease in all the fee source revenues.
- The decrease in 2010 revenue is attributable to the economic downturn and declining emissions; however, the overall decline is mitigated by several large, unanticipated one time penalties/settlements.
- The increase in 2009 General Revenue reflects the fact that the number and magnitude of penalties and settlements can vary from year to year.
- The decrease in 2008 revenue from 2007 is mainly due to declining Penalties and Settlements revenues offset by a 10% increase in Emissions Fees, Annual Operating Fees, and Permit Processing Fees.
- The increase in the Stationary Sources type revenue is primarily due to a 10% increase in annual operating permit renewal fee in 2007. In addition, RECLAIM device-based annual renewal fees were billed in 2007 for the first time.
- Although SCAQMD collected approximately \$13 million in Penalties and Settlements in 2007 this was less compared to approximately \$16 million collected in 2006 hence the decrease in General Revenue in 2007.
- The increase in Stationary Sources Revenue in 2006 relates to the fee increase for Annual Operating Fees that took effect on July 1, 2005.
- General revenues increased in 2006 because the South Coast SCAQMD received several one-time large penalties/settlements from facilities that were found to be not in compliance with SCAQMD rules and regulations.

Schedule 9 - Revenues by Fee Source (General Fund)

- Revenues increased significantly in 2014 because the SCAQMD received several large penalties/settlements from facilities that were found to be not in compliance with SCAQMD rules and regulations
- Other revenues increased significantly in 2013 because the SCAQMD received several large penalties/settlements from facilities that were found to be not in compliance with SCAQMD rules and regulations.
- The decrease in 2012 revenue is due to the decrease in Penalties & Settlements in General Revenues, and the reduction in Grants & Subventions.
- The decrease in 2011 revenue from 2010 is mainly due to the decreases in Mobile Source revenue and Penalties and Settlements revenue.
- In 2010, all fee source revenues declined. The increase in Grants/Subventions revenue is attributable to a full year of administrative cost reimbursement for Prop 1B.
- In 2009, Annual Operating Fees and Permit Fees increased by 10% in 2009.
- The decrease in 2008 revenue from 2007 is mainly due to declining Penalties and Settlements revenues offset by a 10% increase in Emissions Fees, Annual Operating Fees, and Permit Processing Fees.
- The increase in Annual Operating Fees is primarily due to a 10% increase in the annual operating permit renewal fee in 2007. In addition, RECLAIM device-based annual renewal fees were billed in 2007 for the first time.
- Other revenues increased in 2006 because the South Coast SCAQMD received several one-time large penalties/settlements from facilities that were found to be not in compliance with SCAQMD rules and regulations.

- Annual Operating Fees increased in 2006 due to the fee increase that took effect on July 1, 2005.

Schedule 10 – Emission Fee Revenues

- The small increase in 2013 is due to a fee increase that was effective July 1, 2012.
- In 2010, Emission Fees decreased as a result of reduced emissions at major refineries and large facilities.
- The 2009 Emission Fees increased due to a 10% fee increase; offset by continued declining emissions.
- There was an increase in Emission Fees revenue in 2008 related to a 10% fee increase. However, the impact on the revenue is lower than the 10% due to a general decline in emissions.
- The trend shows a continued reduction in emission fee revenues due to lower emissions as a result of additional emission controls placed on the Basin's emitters.
- There was an increase in Emission Fees in 2007 due to a 10% increase in rate. However, the impact on the revenue is less due to a general decrease in emissions.
- The small increase in 2006 is due to a fee increase that was effective July 1, 2005.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
Schedule 11
Revenue Capacity
Largest Payers of Emission-Based Fees at a Single Location
Current Year and Ten Years Ago

Payer	FY 2013-2014			FY 2003-2004		
	Payment	Rank	% of Total Emission Fee	Payment	Rank	% of Total Emission Fee
Exxon Mobil Corporation (Formerly Mobil Oil Corporation)	\$2,316,297	1	11.3%	\$1,631,818	3	8.4%
Chevron Products	1,549,533	2	7.6%	2,049,946	1	10.5%
Tesoro Refining and Marketing (Formerly Equilon Enterprises LLC, Shell Oil)	1,214,950	3	5.9%	1,017,418	4	5.2%
Tesoro Refining and Marketing	1,140,175	4	5.6%			
Phillips 66 (Formerly Conoco Phillips)	1,115,396	5	5.4%	1,012,073	5	5.2%
Tesoro (Formerly BP West Coast Products)*	927,863	6	4.5%	1,674,247	2	8.6%
Phillips 66 (Formerly ConocoPhillips Company)	594,816	7	2.9%	669,728	7	3.4%
Ultramar Incorporated	527,682	8	2.6%	700,402	6	3.6%
City of Long Beach, SERRF Project	246,688	9	1.2%	168,308	15	0.9%
Tesoro (Formerly BP West Coast Products/ARCO CQC Kiln)*	226,800	10	1.1%	228,181	9	1.2%
LA County Sanitation District	218,635	11	1.1%			
Anheuser-Busch Incorporated	197,798	12	1.0%			
Southern California Edison	190,620	13	0.9%			
Desert View Power	164,526	14	0.8%			
Tin Inc., Temple Inland	162,420	15	0.8%			
Southern California Gas Company	150,355	16	0.7%			
Beta Offshore	135,057	17	0.7%			
Tesoro Refining and Marketing LLC	134,539	18	0.7%			
Dart Container Corp of California	134,143	19	0.7%	149,177	18	0.8%
California Steel Industries Incorporated	120,629	20	0.6%			
Cal Portland Cement Company				428,513	8	2.2%
TABC, Incorporated				222,526	10	1.1%
City of Los Angeles, Haynes Station				217,006	11	1.1%
AES Alamos LLC				198,595	12	1.0%
Tomkins Industries - Lasco Products				194,446	13	1.0%
Rhodia Incorporated				182,083	14	0.9%
Kinder Morgan Liquids Terminals, LLC				165,915	16	0.8%
Southern California Edison Company				159,744	17	0.8%
Owens-Brockway Glass Container, Inc.				132,005	19	0.7%
Inland Paperboard and Packaging Inc				130,478	20	0.7%
Total Paid by Largest Payers at a Single Location	<u>\$ 11,468,922</u>		56.0%	<u>\$ 11,332,609</u>		58.1%
Total Emissions Based Fees Paid by All Emitters	<u>\$ 20,472,379</u>			<u>\$ 19,497,850</u>		

*Located at separate sites.

KEY AIR QUALITY AND DEMOGRAPHIC INFORMATION REGARDING THE REGION INCLUDED IN THE SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

The South Coast Air Quality Management District includes all of Orange County and parts of Los Angeles, Riverside and San Bernardino Counties. The section below provides a brief description of each county.

Measuring 4,084 square miles, *Los Angeles County* is one of the nation's largest counties. It is the most populated county in the state of California and contains the most populated city in the state, the City of Los Angeles. Before World War II, Los Angeles County was one of the nation's foremost agricultural producers. As agricultural production declined, the economy has evolved into diverse areas that include trade, transportation, and utilities, government, educational and health services, professional and business services, and manufacturing. Tourism and entertainment as well as international trade also play a vital role in the county's economy. The county is home to the twin seaports of Los Angeles and Long Beach, together the nation's largest, as well as the single largest fixed source of air pollution in the region. The two ports are responsible for more smog-forming nitrogen oxide emissions than 6 million cars.

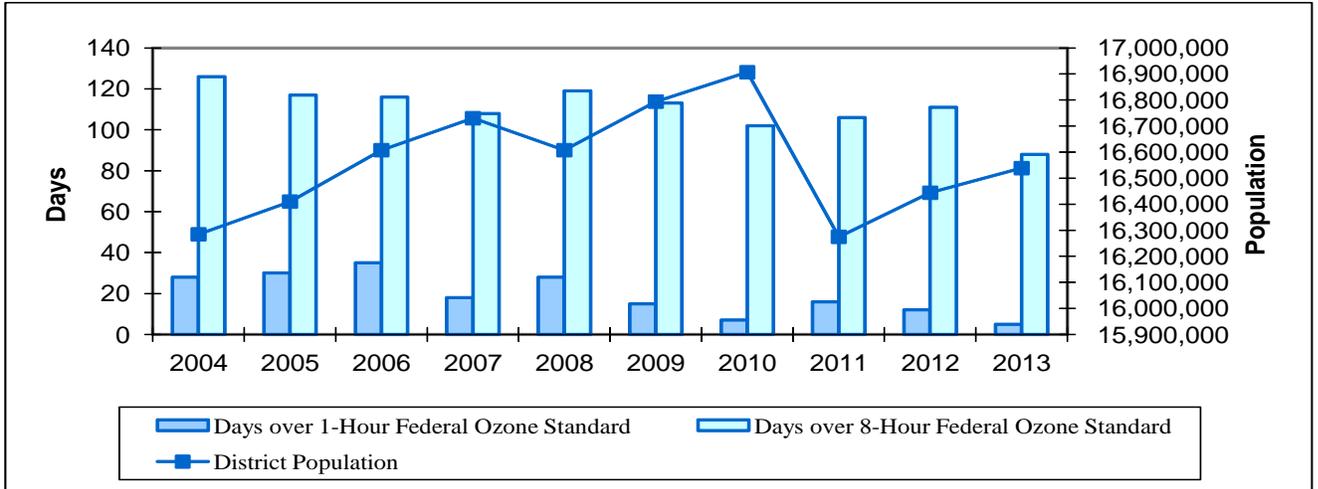
Orange County is the second most populated county in the state and lies south of Los Angeles County. When created in 1889, Orange County was named for its abundance of orange groves and thriving agricultural industry. Today, the largest industry employers are trade, transportation, and utilities, professional and business services, and manufacturing.

The varied topography of *Riverside County* is characterized by fertile river valleys to rolling plains and foothills to deserts below sea level and mountain peaks above 10,000 feet. Recent years have brought dramatic population growth to Riverside County. The population of Riverside County did not see a significant increase in population from fiscal year 2011 to fiscal year 2012. The county's early years were linked to the agriculture industry, but commerce, construction, manufacturing, transportation, and tourism have contributed to the county's substantial growth. The County is also a major distribution center for Southern California and the Pacific Rim.

Roughly 90 percent of *San Bernardino County* is desert and the remaining portion consists of the San Bernardino Valley and San Bernardino Mountains. San Bernardino County and Riverside County are collectively known as the Inland Empire. San Bernardino ranks as the fourth-highest populated county in California and is projected to be home to more than 2.5 million residents by 2020, an increase of 18% over current figures. The economy is led by services, government, retail trade, and manufacturing industries. Additionally, the county consistently ranks in the top fifteen agricultural-producing counties in the state.

All four counties within the South Coast Air Quality Management District's jurisdiction have experienced significant population growth in the last few years. The following charts illustrate air pollution, demographic, employment, and motor vehicle information relating to the South Coast Air Quality Management District region.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
 Schedule 12
 South Coast Air Basin Smog Trend
 Last Ten Calendar Years



Year	Days over 1-Hour Federal Ozone Standard	Days over 8-Hour Federal Ozone Standard	District Population
2004	28	126	16,284,400
2005	30	117	16,409,969
2006	35	116	16,607,472
2007	18	108	16,730,092
2008	28	119	16,607,472
2009	15	113	16,793,784
2010	7	102	16,906,456
2011	16	106	16,274,797
2012	12	111	16,444,162
2013	5	88	16,538,490

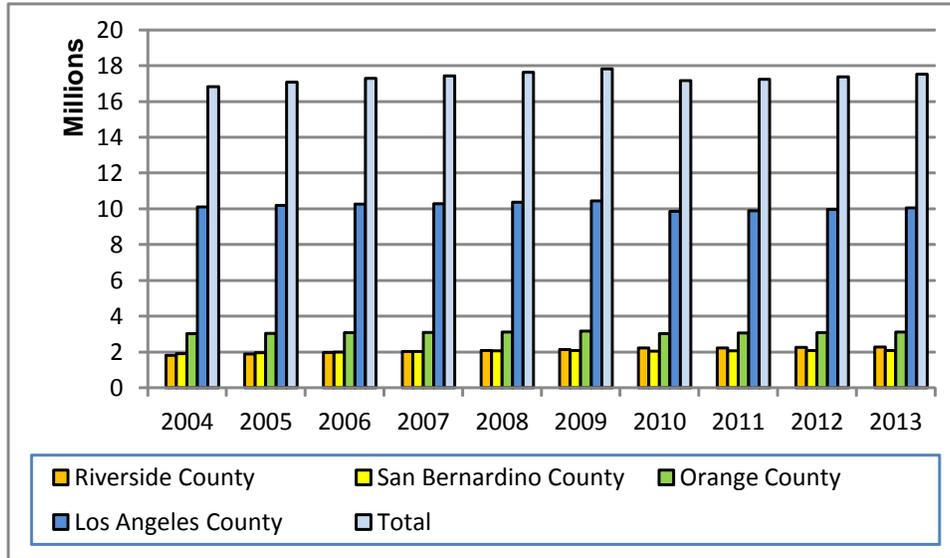
Notes:

- The average number of days exceeding the federal ozone standard in the Basin decreased by 54% between the three-year period of 1976-78 and 2011-13.
- Favorable weather conditions and continued implementation of the air pollution control strategy contributed to the significant decrease in Days over the 1-Hour Ozone Standard in the recent decades.
- In 1997, the federal government implemented the 8-hour ozone National Ambient Air Quality Standard. The standard was revised in 2008 from 0.08 ppm to 0.075 ppm.

Source:

South Coast Air Quality Management District (www.aqmd.gov); State Subvention Guidance Package

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
 Schedule 13
 Four-County Area Population
 Last Ten Calendar Years

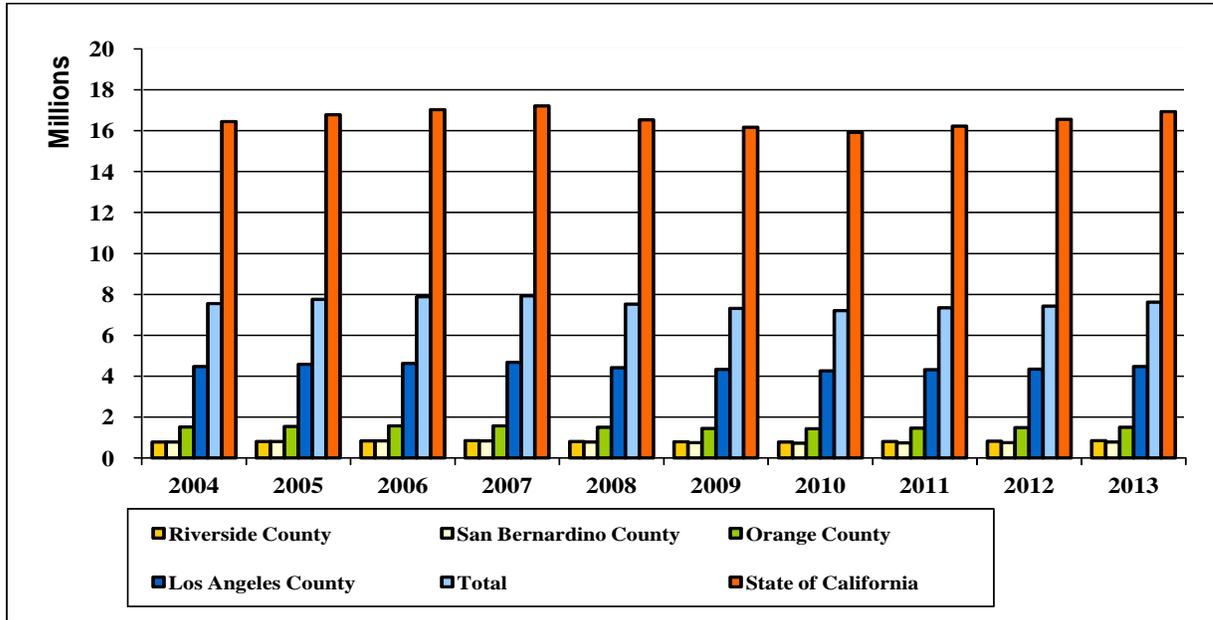


Year	Riverside County	San Bernardino County	Orange County	Los Angeles County	Total	% Increase
2004	1,805,500	1,896,200	3,021,600	10,101,500	16,824,800	1.77%
2005	1,885,600	1,948,500	3,050,400	10,191,100	17,075,600	1.49%
2006	1,966,600	1,994,000	3,071,900	10,258,000	17,290,500	1.26%
2007	2,034,840	2,026,325	3,089,707	10,275,914	17,426,786	0.79%
2008	2,088,322	2,055,766	3,121,251	10,363,850	17,629,189	1.16%
2009	2,139,535	2,073,149	3,166,461	10,441,080	17,820,225	1.08%
2010	2,217,778	2,052,397	3,029,859	9,858,989	17,159,023	-3.71%
2011	2,227,577	2,063,919	3,055,792	9,884,632	17,231,920	0.42%
2012	2,255,059	2,076,274	3,081,804	9,958,091	17,371,228	0.81%
2013	2,279,967	2,085,669	3,113,991	10,041,797	17,521,424	0.86%

SCAQMD encompasses all of Orange County and parts of the Los Angeles, Riverside, and San Bernardino Counties, representing over 17.5 million residents.

Source:
 California Department of Finance - Demographic Research Unit

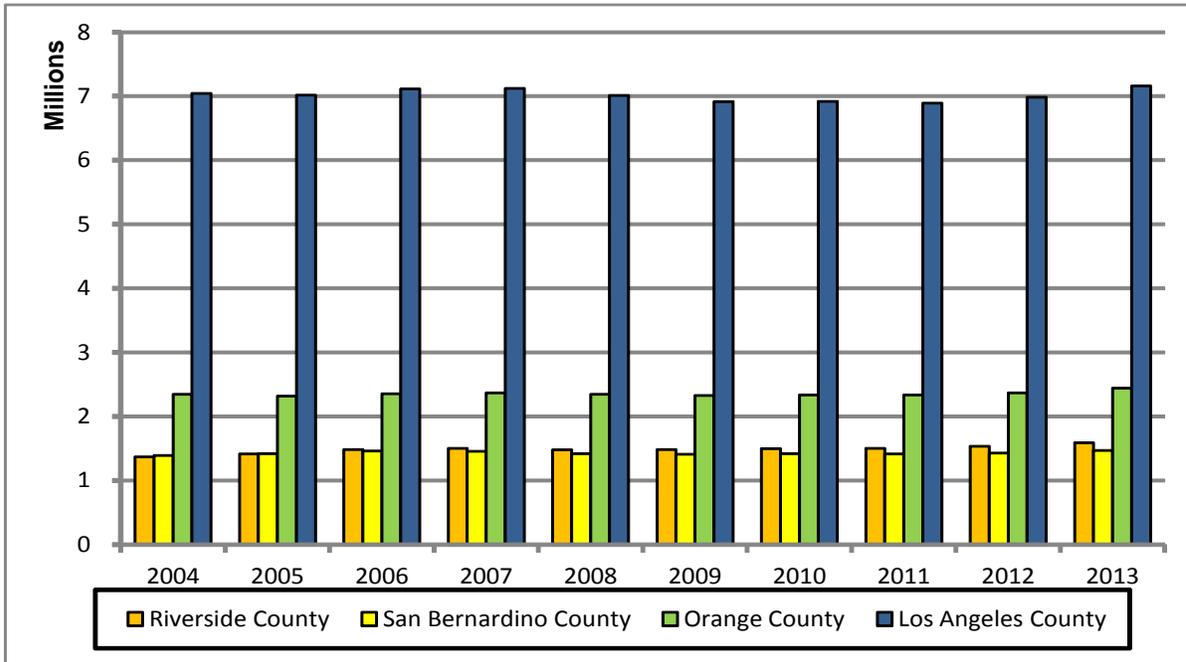
SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
 Schedule 14
 Los Angeles, Orange, Riverside, San Bernardino
 Counties, and State of California Civilian Employment
 Last Ten Calendar Years



Year	Riverside County	San Bernardino County	Orange County	Los Angeles County	Total	State of California
2004	775,900	788,700	1,516,400	4,477,900	7,558,900	16,444,500
2005	816,500	816,800	1,544,800	4,581,100	7,759,200	16,782,300
2006	842,000	842,300	1,568,300	4,631,600	7,884,200	17,029,300
2007	853,800	835,100	1,568,800	4,675,300	7,933,000	17,208,900
2008	813,800	781,400	1,507,300	4,422,900	7,525,400	16,531,700
2009	790,000	751,600	1,451,000	4,328,600	7,321,200	16,163,900
2010	779,500	733,800	1,429,700	4,262,300	7,205,300	15,916,300
2011	810,600	747,100	1,464,400	4,318,900	7,341,000	16,226,600
2012	828,800	758,000	1,496,000	4,345,700	7,428,500	16,560,300
2013	855,300	778,100	1,510,600	4,470,700	7,614,700	16,933,300

Source:
 State of California: Employment Development Department

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
 Schedule 15
 Vehicle Registrations (Automobiles & Trucks)
 For Four County Area
 Last Ten Calendar Years



Year	Riverside County	San Bernardino County	Orange County	Los Angeles County	Total District
2004	1,365,087	1,391,982	2,346,741	7,044,975	12,148,785
2005	1,411,893	1,417,323	2,317,229	7,014,718	12,161,163
2006	1,482,716	1,458,344	2,352,832	7,111,211	12,405,103
2007	1,498,957	1,453,252	2,367,673	7,121,385	12,441,267
2008	1,476,725	1,418,934	2,345,325	7,012,263	12,253,247
2009	1,480,616	1,410,411	2,327,428	6,913,586	12,132,041
2010	1,497,595	1,417,354	2,337,837	6,920,671	12,173,457
2011	1,502,571	1,412,652	2,336,315	6,892,687	12,144,225
2012	1,532,040	1,428,725	2,367,745	6,984,730	12,313,240
2013	1,587,494	1,470,974	2,440,330	7,159,182	12,657,980

* AQMD encompasses all of Orange County, and parts of Los Angeles, Riverside, and San Bernardino Counties.

Source:

California Department of Motor Vehicles - Estimated Fee Paid Vehicle Registrations by County

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
Schedule 16
Full-time Equivalent SCAQMD Employees by Function/Program
Last Ten Fiscal Years

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
FUNCTION:										
Executive Office	11	11	10	10	9	10	10	10	9	10
Clerk of the Boards	6	6	6	6	5	6	6	6	6	6
District Counsel	10	10	10	11	13	13	12	11	11	12
District Prosecutor	22	21	20	19	19	19	20	21	18	19
Finance	45	43	43	44	44	45	43	42	41	44
Administrative & Human Resources	34	34	35	36	37	36	34	32	32	31
Information Management	45	45	48	50	49	48	49	48	47	47
Planning, Rule Development & Area Sources	110	108	109	102	108	105	103	96	88	85
Legislative and Public Affairs	34	36	35	37	42	42	40	39	40	38
Science & Technology	132	136	145	151	160	156	146	143	144	144
Engineering & Compliance	284	293	289	304	310	299	300	286	273	261
Total	<u>733</u>	<u>743</u>	<u>750</u>	<u>770</u>	<u>796</u>	<u>779</u>	<u>763</u>	<u>734</u>	<u>709</u>	<u>697</u>

Source: Administrative and Human Resources (vacancy and item control reports)

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
Schedule 17
Operating Indicators by Function
Last Nine Fiscal Years

<u>Program Category</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Advance Clean Air Technology									
Contracts awarded	180	304	295	292	530	526	556	938	523
Total Funding awarded	\$ 79,893,504	\$ 133,603,750	\$ 91,309,725	\$ 89,421,125	\$ 180,669,515	\$ 131,399,287	\$ 82,536,619	\$ 207,181,573	216,085,526
Ensure Compliance with Clean Air Rules									
Inspections	35,161	35,039	33,742	40,558	33,735	33,560	34,191	32,535	29,501
Notices of Violations	1,759	1,407	1,321	1,908	1,530	1,254	1,211	965	956
Hearing Board Orders for Abatement	61	49	30	36	35	47	93	51	46
Hearing Board Appeals	12	12	22	19	20	2	7	3	7
Customer Service									
Public Information Requests	4,956	4,651	3,528	4,962	3,821	3,410	3,543	3,460	4,505
Community/Public Meetings attended	118	182	145	198	202	190	274	294	264
Small Business Assistance Contacts	1,812	2,289	2,680	2,662	2,578	2,497	2,574	2,266	1,850
Develop Programs to Achieve Clean Air									
Transportation Plans processed	1,426	1,502	1,534	1,412	1,372	1,385	1,392	1,371	1,333
Emission Inventory Updates	229	284	439	586	703	521	530	408	460
Develop Rules to Achieve Clean Air									
Rules Developed	35	24	29	32	15	40	8	20	24
Monitoring Air Quality									
Samples Analyzed by the Laboratory	37,889	14,683	31,530	25,400	29,685	28,915	29,520	32,520	29,340
Source Testing Analyses/Evaluations/Reviews	598	830	794	718	740	1,030	952	1,035	968
Timely Review of Permits									
Applications Processed	9,747	9,481	9,599	11,564	9,627	13,044	12,225	14,153	13,217
Applications Received-Small Business	-	-	-	627	694	798	732	615	514
Applications Received-All Others	9,222	8,261	9,297	10,954	10,941	10,769	11,682	11,709	11,156
Policy Support									
News releases	48	44	51	76	69	64	57	61	62
Media Calls	n/a	643	684	334	313	252	520	1,131	774
Media Inquiries Completed	268	604	684	334	313	252	520	1,131	774

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
 Schedule 18
 Capital Assets Statistics by Function/Program
 Last Five Fiscal Years

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>Function/Program</u>					
Ensure Compliance with Clean Air Rules					
Number of vehicles assigned to field inspection	125	127	121	121	112
Monitoring Air Quality					
Number of air monitoring stations	43	43	42	40	42
Number of air monitoring instruments installed in the air monitoring stations to measure air quality	283	283	249	292	260

South Coast Air Quality Management District

Demographic and Miscellaneous Statistics

<u>Established:</u>	February 1, 1977
<u>Area Covered:</u>	10,743 Square Miles
<u>Counties Included in District:</u>	All of Orange County and parts of Los Angeles, Riverside, and San Bernardino Counties
<u>Population:</u>	16,538,490 (In 2013)
<u>Average Unemployment Rate:</u>	Los Angeles County (9.9%), Orange (6.2%), Riverside (10.3%), and San Bernardino (10.1%) counties (In 2013)
<u>Transportation:</u>	Two transcontinental railroads – Burlington Northern Santa Fe and the Union Pacific Six Commercial Airports – Los Angeles International, Burbank, Long Beach, Ontario International, Orange County, and Palm Springs Freeways – Three major interstate freeways including four bypass routes, U.S. 101, and nine State freeway routes Two major adjoining ports – Port of Long Beach and Port of Los Angeles
<u>Visitor Destinations:</u>	Disneyland, Knott’s Berry Farm, Magic Mountain, motion picture and television studios and the Rose Bowl
<u>Number of Registered Vehicles Within SCAQMD Jurisdiction:</u>	12,657,980 (In 2013)
<u>Average Daily Miles Traveled Per Vehicle:</u>	30 (CY 2013 data)
<u>Examples of Stationary Sources of Air Pollution Regulated:</u>	Oil Refineries, power plants, paint spray booths, incinerators, manufacturing facilities, dry cleaners, and service stations.
<u>Number of Sources:</u>	27,298 operating locations with 74,603 permits.
<u>Number of Air Monitoring Stations:</u>	42
<u>Full-time Authorized Positions:</u>	797
<u>Adopted FY 2013-14 Budget:</u>	\$132,220,074
<u>Key Federal, State, and Local Air Agencies:</u>	EPA Region IX (Environmental Protection Agency), CARB (California Air Resources Board), CAPCOA (California Air Pollution Control Officer’s Association), NACAA (National Association of Clean Air Agencies), ALAPCO (Association of Local Air Pollution Control Officials). There are 35 local air pollution control districts in California.

Key Historical Dates in Southland Smog Control

- **1945** City of Los Angeles establishes Bureau of Smoke Control.
- **1947** Governor Earl Warren signs AB 1, allowing county air pollution control districts (APCD). L.A. County establishes APCD requiring permits for all major industries.
- **1950** Orange County APCD established.
- **1955** Highest ozone level ever recorded in Southland - .68 parts per million.
- **1955** Los Angeles APCD launches Smog Emergency Warning System.
- **1956** Los Angeles establishes first air quality monitoring network of 15 stations.
- **1957** San Bernardino and Riverside County APCDs formed.
- **1963** First Federal Clean Air Act enacted.
- **1967** California Air Resources Board (CARB) created. Federal Air Quality Act allows California to set and enforce more stringent auto standards than the rest of the nation.
- **1969** First state ambient air quality standards enacted.
- **1970** U.S. Environmental Protection Agency created. In 1970 the Federal Clean Air Act becomes a cornerstone of modern air pollution control.
- **1977 South Coast Air Quality Management District formed through merger of Los Angeles, Orange, Riverside, and San Bernardino APCDs.**
- **1984** California's Smog Check program takes effect.
- **1987** SCAQMD establishes ridesharing requirements for region's employers.
- **1988** California Clean Air Act adopted. Last Stage 2 episode recorded.
- **1989** SCAQMD adopts first Air Quality Management Plan (AQMP) to show attainment of clean air standards.
- **1990** Federal Clean Air Act Amendments require new programs for smog, toxics and protection of the Earth's ozone layer.
- **1993** RECLAIM (REgional CLean Air Incentives Market) emissions trading program adopted.
- **1997** SCAQMD adopts Environmental Justice Initiatives.
- **2000** SCAQMD adopts Air Toxics Control Plan and first series of Clean Fleet Rules.
- **2001** SCAQMD implements the State's Lower Emission School Bus Program.
- **2002** SCAQMD adopts phase-out of toxic chemical at dry cleaners.
- **2005** The Southland achieves federal carbon monoxide standards.
- **2006** SCAQMD approves \$36M to clean up port pollution.
- **2007** The Southland experiences one of the cleanest smog seasons on record.
- **2008** SCAQMD website added an interactive map, providing advisories, air quality data and forecasts.
- **2009** Release of the nation's first fully featured Smartphone application for a wide range of air quality information.
- **2011** SCAQMD Premiered its first signature documentary film "The Right to Breathe,"



**South Coast
Air Quality Management District**

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