



BOARD OF DIRECTORS
BUDGET AND FINANCE COMMITTEE MEETING

BAY AREA
AIR QUALITY
MANAGEMENT
DISTRICT

COMMITTEE MEMBERS

CAROLE GROOM – CHAIR
MARGARET ABE-KOGA
CINDY CHAVEZ
RAFAEL MANDELMAN
MARK ROSS
BRAD WAGENKNECHT

JOHN BAUTERS – VICE CHAIR
DAVID CANEPA
DAVID HUDSON
KAREN MITCHOFF
ROD SINKS

WEDNESDAY
FEBRUARY 27, 2019
9:30 A.M.

1ST FLOOR BOARD ROOM
375 BEALE STREET
SAN FRANCISCO, CA 94105

AGENDA

1. CALL TO ORDER - ROLL CALL

PLEDGE OF ALLEGIANCE

PUBLIC MEETING PROCEDURE

The Committee Chair shall call the meeting to order and the Clerk of the Boards shall take roll of the Committee members. The Committee Chair shall lead the Pledge of Allegiance.

This meeting will be webcast. To see the webcast, please visit www.baaqmd.gov/bodagendas at the time of the meeting. Closed captioning may contain errors and omissions, and are not certified for their content or form.

Public Comment on Agenda Items *The public may comment on each item on the agenda as the item is taken up. Public Comment Cards for items on the agenda must be submitted in person to the Clerk of the Boards at the location of the meeting and prior to the Board taking up the particular item. Where an item was moved from the Consent Calendar to an Action item, no speaker who has already spoken on that item will be entitled to speak to that item again.*

2. **PUBLIC COMMENT ON NON-AGENDA MATTERS**

Public Comment on Non-Agenda Items, Pursuant to Government Code Section 54954.3 *For the first round of public comment on non-agenda matters at the beginning of the agenda, ten persons selected by a drawing by the Clerk of the Boards from among the Public Comment Cards indicating they wish to speak on matters not on the agenda for the meeting will have two minutes each to address the Board on matters not on the agenda. For this first round of public comments on non-agenda matters, all Public Comment Cards must be submitted in person to the Clerk of the Board at the location of the meeting and prior to commencement of the meeting.*

Staff/Phone (415) 749-

3. **APPROVAL OF THE MINUTES OF JANUARY 23, 2019**

Clerk of the Boards/5073

The Committee will consider approving the attached draft minutes of the Budget and Finance Committee meeting of January 23, 2019.

4. **AIR DISTRICT FINANCIAL AUDIT REPORT FOR FISCAL YEAR ENDING (FYE) 2018**

J. McKay/4629

jmckay@baaqmd.gov

The Committee will receive an update on the Air District's financial audit report for Fiscal Year Ending (FYE) 2018.

5. **SECOND QUARTER FINANCIAL REPORT – FISCAL YEAR ENDING (FYE) 2019**

J. McKay/4629

jmckay@baaqmd.gov

The Committee will receive an update on the Air District's financial results for the second quarter of Fiscal Year Ending (FYE) 2019.

6. **AIR DISTRICT ECONOMIC OUTLOOK**

J. McKay/4629

jmckay@baaqmd.gov

The Committee will receive an overview of the Air District's Economic Outlook including information on historical economic trends, key assumptions and policies for future economic growth of the region.

7. **CONTINUED DISCUSSION ON AIR DISTRICT'S FINANCIAL PLAN**

J. McKay/4629

jmckay@baaqmd.gov

The Committee will continue a discussion on the Air District's financial plan including discussion on the funding strategy and investment options for unfunded liabilities, budget considerations for the Fiscal Year (FY) 2019-2020 and the five-year general fund forecast of various Air District revenue sources.

8. **PUBLIC COMMENT ON NON-AGENDA MATTERS**

Speakers who did not have the opportunity to address the Board in the first round of comments on non-agenda matters will be allowed two minutes each to address the Board on non-agenda matters.

9. **COMMITTEE MEMBER COMMENTS**

Any member of the Board, or its staff, on his or her own initiative or in response to questions posed by the public, may: ask a question for clarification, make a brief announcement or report on his or her own activities, provide a reference to staff regarding factual information, request staff to report back at a subsequent meeting concerning any matter or take action to direct staff to place a matter of business on a future agenda. (Gov't Code § 54954.2)

10. **TIME AND PLACE OF NEXT MEETING**

Friday, March 22, 2019, Bay Area Air Quality Management District Office, 375 Beale Street, San Francisco, California 94105 at 9:30 a.m.

11. **ADJOURNMENT**

The Committee meeting shall be adjourned by the Committee Chair.

CONTACT:

MANAGER, EXECUTIVE OPERATIONS
375 BEALE STREET, SAN FRANCISCO, CA 94105
vjohnson@baaqmd.gov

(415) 749-4941
FAX: (415) 928-8560
BAAQMD homepage:
www.baaqmd.gov

- To submit written comments on an agenda item in advance of the meeting. Please note that all correspondence must be addressed to the “Members of the Budget and Finance Committee” and received at least 24 hours prior, excluding weekends and holidays, in order to be presented at that Committee meeting. Any correspondence received after that time will be presented to the Committee at the following meeting.
- To request, in advance of the meeting, to be placed on the list to testify on an agenda item.
- Any writing relating to an open session item on this Agenda that is distributed to all, or a majority of all, members of the body to which this Agenda relates shall be made available at the District’s offices at 375 Beale Street, Suite 600, San Francisco, CA 94105, at the time such writing is made available to all, or a majority of all, members of that body.

Accessibility and Non-Discrimination Policy

The Bay Area Air Quality Management District (Air District) does not discriminate on the basis of race, national origin, ethnic group identification, ancestry, religion, age, sex, sexual orientation, gender identity, gender expression, color, genetic information, medical condition, or mental or physical disability, or any other attribute or belief protected by law.

It is the Air District’s policy to provide fair and equal access to the benefits of a program or activity administered by Air District. The Air District will not tolerate discrimination against any person(s) seeking to participate in, or receive the benefits of, any program or activity offered or conducted by the Air District. Members of the public who believe they or others were unlawfully denied full and equal access to an Air District program or activity may file a discrimination complaint under this policy. This non-discrimination policy also applies to other people or entities affiliated with Air District, including contractors or grantees that the Air District utilizes to provide benefits and services to members of the public.

Auxiliary aids and services including, for example, qualified interpreters and/or listening devices, to individuals who are deaf or hard of hearing, and to other individuals as necessary to ensure effective communication or an equal opportunity to participate fully in the benefits, activities, programs and services will be provided by the Air District in a timely manner and in such a way as to protect the privacy and independence of the individual. Please contact the Non-Discrimination Coordinator identified below at least three days in advance of a meeting so that arrangements can be made accordingly.

If you believe discrimination has occurred with respect to an Air District program or activity, you may contact the Non-Discrimination Coordinator identified below or visit our website at www.baaqmd.gov/accessibility to learn how and where to file a complaint of discrimination.

Questions regarding this Policy should be directed to the Air District’s Non-Discrimination Coordinator, Rex Sanders, at (415) 749-4951 or by email at rsanders@baaqmd.gov

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Memorandum

To: Chairperson Carole Groom and Members
of the Budget and Finance Committee

From: Jack P. Broadbent
Executive Officer/APCO

Date: February 13, 2019

Re: Approval of the Minutes of January 23, 2019

RECOMMENDED ACTION

Approve the attached draft minutes of the Budget and Finance Committee (Committee) meeting of January 23, 2019.

DISCUSSION

Attached for your review and approval are the draft minutes of the Committee meeting of January 23, 2019.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Marcy Hiratzka
Reviewed by: Vanessa Johnson

Attachment 3A: Draft Minutes of the Committee Meeting of January 23, 2019

AGENDA: 3A – ATTACHMENT

Draft Minutes – Budget and Finance Committee Meeting of January 23, 2019

Bay Area Air Quality Management District
375 Beale Street, Suite 600
San Francisco, California 94105
(415) 749-5073

Video Conference Location

Santa Clara County Government Center
Clerk's Conference Room, 10th Floor, East Wing
70 W. Hedding Street
San Jose, CA 95110

DRAFT MINUTES

Summary of Board of Directors
Budget and Finance Committee Meeting
Wednesday, January 23, 2019

1. CALL TO ORDER – ROLL CALL

Budget and Finance Committee (Committee) Chairperson, Carole Groom, called the meeting to order at 9:31 a.m. Director Chavez was participating via videoconference from the Santa Clara County Government Center.

Present: Committee Chairperson Carole Groom; Vice Chair Karen Mitchoff; and Directors Margaret Abe-Koga, Cindy Chavez, Katie Rice, Mark Ross, and Brad Wagenknecht.

Absent: Director David Canepa, Pauline Russo Cutter, Liz Kniss, and Doug Kim.

Also Present: Board Member David Hudson (non-voting)

2. PUBLIC COMMENT ON NON-AGENDA ITEMS, PURSUANT TO GOVERNMENT CODE SECTION 54954.3

No requests received.

3. APPROVAL OF THE MINUTES OF APRIL 25, 2018

Public Comments

No requests received.

Committee Comments

None.

Committee Action

Vice Chair Mitchoff made a motion, seconded by Director Wagenknecht, to **approve** the Minutes of April 25, 2018; and the motion **carried** by the following vote of the Committee:

AYES: Chavez, Groom, Mitchoff, Rice, and Wagenknecht.
NOES: None.
ABSTAIN: None.
ABSENT: Abe-Koga, Canepa, Cutter, Kim, Kniss, and Ross.

4. FOURTH QUARTER FINANCIAL REPORT – FISCAL YEAR ENDING (FYE) 2018

NOTED PRESENT: Director Abe-Koga was noted present at 9:33 a.m.

Stephanie Osaze, Finance Manager, gave the staff presentation *Fourth Quarter Financial Report – FYE 2018*, including: overview; General Fund revenues and expenditures; revenue and expenditure comparison - prior year versus current year; investments; fund balance and unfunded liabilities; purchasing reporting requirements; and FYE 2018 vendor payments.

Public Comments

No requests received.

Committee Comments

The Committee and staff discussed the nature of employee union dues as a vendor payment, and the pass-through payment structure utilized by the Air District; the carry-over of encumbrances of operational services and supplies from one fiscal year to another; the comparison of projected ending fund balances for FYE 2018 and FYE 2019; how wildfires and economic downturns have affected or may affect the property tax revenue that the Air District receives from the nine Bay Area counties; and the number of payments in FYE 2018 that were made to vendors whose services were retained by the Air District through a Request for Projects (RFP) process, and the expiration dates of those contracts.

Committee Action

None; receive and file.

NOTED PRESENT: Director Ross was noted present at 9:46 a.m.

5. FIRST QUARTER FINANCIAL REPORT – FYE 2019

Ms. Osaze gave the staff presentation *First Quarter Financial Report – FYE 2019*, including: overview; General Fund revenues and expenditures; revenue expenditure comparison - previous year vs current year; investments; fund balance and unfunded liabilities; purchasing reporting requirements; and FYE 2019 vendor payments.

Public Comments

No requests received.

Committee Comments

The Committee and staff discussed the manner in which encumbrances from prior-year (Air District) budgets are carried over to the current-year budget; and the request that a review of the Air District’s RFP procedure be included on the Committee’s next meeting agenda.

Committee Action

None; receive and file.

6. AIR DISTRICT FINANCIAL PLAN OVERVIEW

Dr. Jeff McKay, Chief Financial Officer, gave the staff presentation *Air District Financial Plan Overview*, including: overview; historical financial condition and trends; reserves; actual reserves and policy; historical revenues and expenditures; cost recovery overview and fee increases; current financial outlook and reserves; reserve designations; economic outlook; key economic factors; Bay Area’s economic performance compared to California and United States from 2001-2017; financial forecast; forecast summary; five-year financial forecast: key revenue assumptions; Bay Area population growth rates compared with California and the United States from 2010-2017; comparison of the Bay Area real estate market to the United States average; unfunded liabilities: other post-employment benefits (OPEB) and pension retirements; and next steps.

Public Comments

No requests received.

Committee Comments

The Committee and staff discussed the Air District’s assumption that it’s staffing will not increase over the next five years (beyond additional staffing positions that the Air District requested of the Board in 2018); the history of the Air District’s cost recovery rate percentage and factors that cause it to fluctuate; reserve projections over the next few years, and the manner in which the Air District designates its reserves; upcoming contract negotiations with the Air District’s Employee Association; the California Public Employees’ Retirement System (CalPERS) discount rate, and why the Air District projects an increase in retirement pension over the next five years; the Air District’s Cost Recovery Policy adopted in 2012, which set a target for the overall recovery of regulatory program activity costs to 85 percent, and the request to agendize this topic for further discussion in the future; how (county) property tax revenue can affect the Air District’s budget; how the Air District’s Cost Recovery Policy has contributed to the increase in permit fees; the request to agendize the consideration of an OPEB funding policy of greater than 90 percent at a future meeting; the request to agendize the Air District’s staffing

rate as it relates to consistent revenues versus grant revenues; and the request to agendaize the discussion of the benefits of funding OPEB sooner versus later.

Committee Action

None; receive and file.

7. PUBLIC COMMENT ON NON-AGENDA MATTERS

No requests received.

8. COMMITTEE MEMBER COMMENTS / OTHER BUSINESS

None.

9. TIME AND PLACE OF NEXT MEETING

Wednesday, February 27, 2019, Bay Area Air Quality Management District Office, 375 Beale Street, San Francisco, CA 94105 at 9:30 a.m.

10. ADJOURNMENT

The meeting adjourned at 10:41 a.m.

Marcy Hiratzka
Clerk of the Boards

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Memorandum

To: Chairperson Carole Groom and Members
of the Budget and Finance Committee

From: Jack P. Broadbent
Executive Officer/APCO

Date: February 13, 2019

Re: Air District Financial Audit Report for Fiscal Year Ending (FYE) 2018

RECOMMENDED ACTION

None; receive and file.

BACKGROUND

Pursuant to the Section II.2.1 of the Administrative Code, the Air District is required to have an annual independent financial audit. The Independent Auditors, Simpson & Simpson, LLP completed the Financial Audit Report of the District's Financial Statements for the Fiscal Year Ending (FYE) 2018. The Independent Auditors also completed the Financial Audit Report of the Office of Management and Budget (OMB) Circular A-133 for the FYE 2018.

DISCUSSION

The Air District's independent auditors completed their audit of the District's financial records and activities for the year ended June 30, 2018 and issued an "unqualified opinion" or clean opinion on the financial statements. Attached are the audit reports being presented along with a brief summary:

1. Basic Financial Statements

The statements are prepared in conformity with generally accepted accounting principles. The purpose of the statements is to convey financial information to external customers/users. The statements report the Air District's annual operations and demonstrate financial compliance with legal requirements. The report on the basic financial statements is unqualified with no reportable conditions, no instances of non-compliance, and no financial statement findings noted.

2. Office of Management and Budget (OMB) Circular A-133

This report addresses the auditors' consideration of the Air District's internal control over financial reporting, and results of auditor's tests of the Air District's compliance with provisions of laws, regulations, contract and grant agreements, and other areas in accordance with *Government Auditing Standards*. As noted on page 9 of the Schedule of Audit Findings and Questioned Costs, there were no federal compliance findings or financial statement findings.

A member of the independent audit firm, Simpson & Simpson LLP, will be at the meeting to present audited reports to the Committee.

BUDGET CONSIDERATION/FINANCIAL IMPACT

None. Funding for the Auditors' report is included in the FYE 2019 Budget.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Stephanie Osaze
Reviewed by: Jeffrey McKay

Attachment 4A: Basic Financial Statements with Independent Auditor's Report for the Year Ended June 30, 2018

Attachment 4B: OMB Circular A-133 Report (Single Audit) for Year Ended June 30, 2018

**BAY AREA AIR QUALITY
MANAGEMENT DISTRICT
Basic Financial Statements
With Independent Auditor's Report
For the Year Ended June 30, 2018**



BAY AREA AIR QUALITY MANAGEMENT DISTRICT
 Basic Financial Statements
 For the Year Ended June 30, 2018

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SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

The Board of Directors of
Bay Area Air Quality Management District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and each major fund of the **Bay Area Air Quality Management District** (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the Bay Area Air Quality Management District as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Emphasis of Matter

As discussed in Note 1(n) to the basic financial statements, on July 1, 2017 the District adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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 on pages 3 through 12 and the required supplementary information on pages 48 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The supplementary information on page 55 is the responsibility of management and was 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Los Angeles, California
February 13, 2019

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2018
(Unaudited)

This discussion and analysis of the Bay Area Air Quality Management District (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the accompanying basic financial statements and notes.

A. Financial Highlights

- At the close of the fiscal year 2017-2018, the District's net position is \$172,286,438. Total net position includes \$38.8 million for net investment in capital assets, \$144.5 million for restricted net position and a negative \$15.1 million for unrestricted net position.
- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the fiscal year 2017-18, increasing the District's overall (net position) by \$27.8 million or 19.2%.
- Fiscal Year Ended June 30, 2018 was the first year that the District reported its net OPEB liability per Government Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Other Post Retirement Benefits.
- The District's governmental funds reported a fund balance of \$218,260,269. The entire fund balance of the Special Revenue Fund in the amount of \$143,294,064 is reserved for air quality grants and projects. The \$74,966,205 General Fund balance consists of \$33,059,370 representing the assigned fund balance, \$5,320,244 restricted, \$1,860,802 committed or nonspendable and the remaining balance of \$34,725,789 unassigned.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2018
(Unaudited)

Table 1 presents the General Fund detail of fund balances as of June 30, 2018, and June 30, 2017.

Table 1. General Fund Balances as of June 30, 2018 and 2017

Category	General Fund June 30, 2018	General Fund June 30, 2017	Increase/ (Decrease)
Fund Balances:			
Nonspendable:			
Prepaid Expenses	\$ 860,802	\$ 655,962	\$ 204,840
Restricted:			
Air Quality Grants and Projects	1,160,696	1,054,899	105,797
Post-Employment Benefits	3,286,872	3,164,259	122,613
Debt service	872,676	109,545	763,131
Committed:			
Self-Funded Worker's Compensation	1,000,000	1,000,000	-
Assigned:			
PERS Funding and Post Employment Benefits	1,000,000	800,000	200,000
Building and Facilities	4,668,200	4,668,200	-
Capital Equipment	711,100	711,100	-
Air Quality Grants and Projects	18,238,088	12,246,640	5,991,448
Other Assigned	8,441,982	1,500,000	6,941,982
Unassigned:	<u>34,725,789</u>	<u>37,842,169</u>	<u>(3,116,380)</u>
Total Fund Balance	<u>\$ 74,966,205</u>	<u>\$ 63,752,774</u>	<u>\$ 11,213,431</u>

B. Overview of the Financial Statements

This discussion and analysis is designed to serve as an introduction to the District's basic financial statements. The District's basic financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also includes required and other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2018
(Unaudited)

B. Overview of the Financial Statements, Continued

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private sector business. They provide information about the activities of the District as a whole and present a longer-term perspective of the District's finances. Government-wide financial statements include the Statement of Net Position and the Statement of Activities.

The Statement of Net Position reports all assets, deferred outflows of resources, liabilities owed by the District, and deferred inflows of resources on a full accrual basis. The difference between the assets held and deferred outflows of resources, and the liabilities owed and deferred inflows of resources, is reported as *Net Position*. The net position total is comparable to total stockholder's equity presented on the balance sheet of a private enterprise. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The Statement of Net Position as of June 30, 2018 is presented on page 13.

The Statement of Activities reports the net cost of the District's activities by category and is also prepared on a full accrual basis. Under the full accrual basis of accounting, revenues and expenses are recognized as soon as the underlying event occurs, regardless of the timing of the related cash flows. The focus of the Statement of Activities is on the cost of various work programs performed by the District. The statement begins with a column that identifies the total cost of these programs followed by columns that summarize the District's program revenues by major category. The difference between expenses and revenues represents the net cost or benefit of the District's work programs. General revenues are then added to the net cost/benefit to calculate the change in net position. The Statement of Activities is presented on page 14.

All of the District's activities are governmental in nature and no business-type activities are reported in these statements.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Bay Area Air Quality Management District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. For governmental activities, these statements tell how these services were financed in the short-term and what is left over for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's major funds. The District maintains three governmental funds; the General Fund and Special Revenue Fund.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2018
(Unaudited)

B. Overview of the Financial Statements, Continued

Governmental Funds

Governmental fund financial statements consist of the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances. Both are prepared using the modified accrual basis of accounting.

Balance Sheets prepared under the modified accrual basis of accounting have a short-term emphasis and, for the most part, measure and account for cash and other assets that can be easily converted to cash. Specifically, cash and receivables that are deemed collectible within a very short period of time are reported on the balance sheet. Capital assets such as land and buildings are not reported in governmental fund financial statements. Fund liabilities include amounts that will be paid within a very short period of time after the end of the fiscal year. Long-term liabilities such as outstanding bonds are not included. The difference between a fund's total assets, deferred outflow of resources, total liabilities, and deferred inflows of resources represents the fund balance. The unassigned portion of fund balance represents the amount available to finance future activities. The District's governmental funds balance sheets can be found on page 15.

The Statement of Revenues, Expenditures, and Changes in Fund Balance include only revenues and expenditures that were collected in cash or paid with cash during the fiscal year or very shortly after the end of the fiscal year. The governmental funds Statements of Revenues, Expenditures, and Changes in Fund Balances can be found on page 17.

Since a different basis of accounting is used to prepare these statements, reconciliation is required to facilitate the comparison between the government-wide statements and the fund financial statements. The reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position is on page 16. The reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities can be found on page 18.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 19 to 47.

Required and Other Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the District's other post-employment benefit (OPEB) liabilities, retirement pension liabilities held by California Public Employees Retirement System (PERS), general fund and special revenue fund budget comparison schedules, and supplementary information concerning the District's TFCA and Carl Moyer program expenditures on pages 48 to 55.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2018
(Unaudited)

C. Government-Wide Financial Analysis

The government-wide financial analyses focus on net position and changes in net position of the District's governmental activities. Table 2 below shows a condensed Statement of Net Position as of June 30, 2018 compared to the fiscal year ended June 30, 2017.

Table 2. Statement of Net Position as of June 30, 2018 and June 30, 2017

	Governmental Activities <u>June 30, 2018</u>	Governmental Activities <u>June 30, 2017</u> <i>(As Restated)</i>	Increase/ <i>(Decrease)</i>
Current & Other Assets	\$ 261,747,182	\$ 217,832,163	\$ 43,915,019
Capital Assets	59,241,087	59,446,052	(204,965)
Total Assets	<u>320,988,269</u>	<u>277,278,215</u>	<u>43,710,054</u>
Deferred Outflows of Resources	<u>28,583,434</u>	<u>16,879,611</u>	<u>11,703,823</u>
Current Liabilities	44,358,804	30,069,103	14,289,701
Noncurrent Liabilities	<u>128,941,388</u>	<u>94,700,122</u>	<u>34,241,266</u>
Total Liabilities	<u>173,300,192</u>	<u>124,769,225</u>	<u>48,530,967</u>
Deferred Inflows of Resources	<u>3,985,073</u>	<u>3,428,488</u>	<u>556,585</u>
Net Position			
Invested in Capital Assets	38,757,113	38,603,469	153,644
Restricted	148,614,308	130,942,212	17,672,096
Unrestricted net position	<u>(15,084,983)</u>	<u>(25,030,717)</u>	<u>9,945,734</u>
Total Net Position	<u>\$ 172,286,438</u>	<u>\$ 144,514,964</u>	<u>\$ 27,771,474</u>

At June 30, 2018 the District's total assets and deferred outflows of resources exceeded its total liabilities and deferred inflows of resources by \$172,286,438, an increase of \$27.8 million over the previous fiscal year.

As noted earlier, total net position may serve over time as a useful indicator of the District's financial position. Restricted net position is to be used for specific programs and purposes according to legal terms and conditions. The remaining portion of the District's net position is unrestricted and at the end of the fiscal year had a negative balance of \$15.1 million which is mainly related to the implementation of GASB Statement 75; which requires the District to report its current obligations for Other Post-Employment Benefit.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
 Management's Discussion and Analysis
 Year Ended June 30, 2018
 (Unaudited)

C. Government-Wide Financial Analysis, Continued

Table 3 below provides changes in net position for the fiscal year ending June 30, 2018 compared with the fiscal year ended June 30, 2017.

Table 3. Statement of Activities for Fiscal Years 2017-18 and 2016-17

	Governmental Activities <u>FY 2017-18</u>	Governmental Activities FY 2016-17 <u>(Restated)</u>	Dollar Increase / <u>(Decrease)</u>	Percentage Increase / <u>(Decrease)</u>
Revenues:				
Program Revenues:				
Charges for services	\$ 51,596,011	\$ 46,297,658	\$ 5,298,353	11%
Operating grants and contributions	53,474,181	53,305,549	168,632	0%
Total Program Revenues	<u>105,070,192</u>	<u>99,603,207</u>	<u>5,466,985</u>	5%
General Revenues:				
County apportionment	33,032,767	30,541,028	2,491,739	8%
Investment income not restricted for a specific program	997,879	669,209	328,670	49%
Donated assets	-	196,226	(196,226)	-100%
Other	150,958	267,804	(116,846)	-44%
Total General Revenues	<u>34,181,604</u>	<u>31,674,267</u>	<u>2,507,337</u>	8%
Total Revenues	<u>139,251,796</u>	<u>131,277,474</u>	<u>7,974,322</u>	6%
Expenses:				
Primary government	81,950,526	99,078,292	(17,127,766)	-17%
California goods movement program	399,084	1,381,955	(982,871)	-71%
Interest expense	482,502	50,295	432,207	859%
TFCA / MSIF & other program distribution	22,224,037	26,443,963	(4,219,926)	-16%
Carl Moyer Program	6,424,173	5,922,319	501,854	8%
Total Expenses	<u>111,480,322</u>	<u>132,876,824</u>	<u>(21,396,502)</u>	-16%
Changes in Net Position	27,771,474	(1,599,350)	29,370,824	-1836%
Net Position - Beginning of Year, Restated	<u>144,514,964</u>	<u>146,114,314</u>	<u>(1,599,350)</u>	-1%
Net Position - End of Year	<u>\$ 172,286,438</u>	<u>\$ 144,514,964</u>	<u>\$27,771,474</u>	19%

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C. Government-Wide Financial Analysis, Continued

Governmental Activities

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

The Statement of Activities presents information showing how the District's net position changed during the fiscal year 2017-2018. All changes in net position are reported as soon as the underlying event occurs regardless of the timing of the cash flows.

Governmental functions of the District are predominately supported by fees, property taxes, subvention, grants, and 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 the District are: to advance clean air technology, ensure compliance with clean air rules, develop programs to achieve clean air, develop rules to achieve clean air, monitor air quality, permit review and Special Revenue Fund activities.

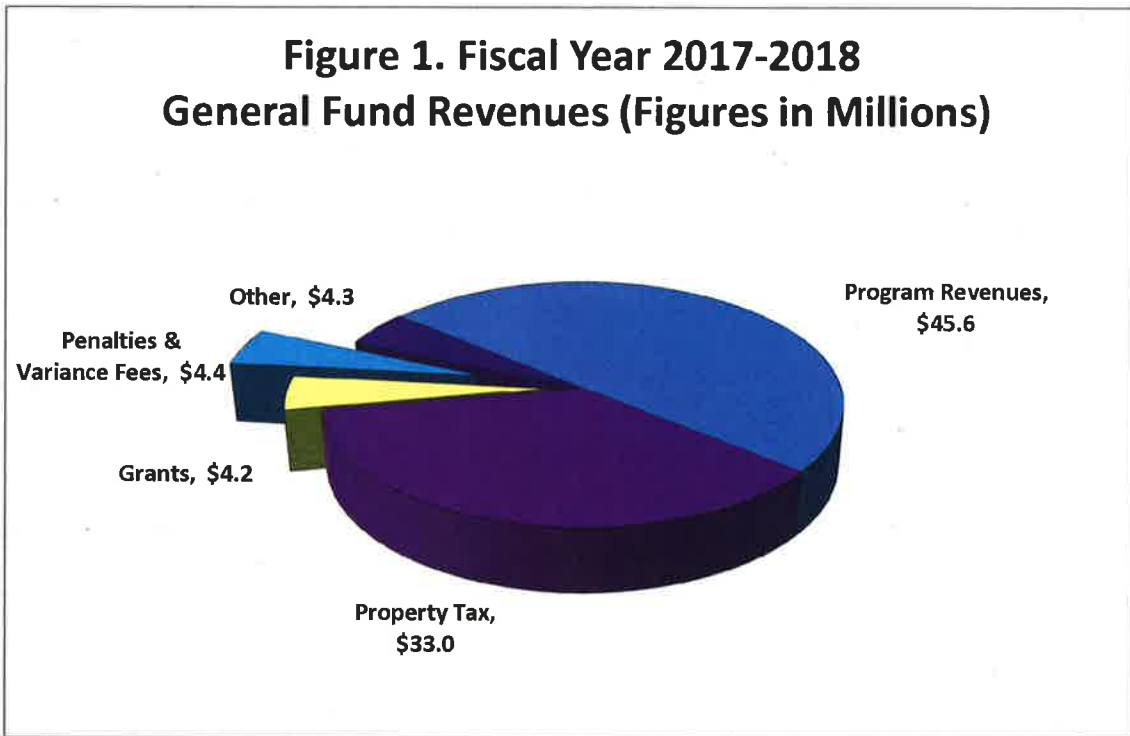
At June 30, 2018, the District's governmental activities reported ending net position of \$172,286,438, an increase of \$27,771,474 in comparison to the prior year. The primary reason is due to increase in revenues offset by a restatement of beginning net position due to the implementation of GASB 75 Other Post-Employment Benefits.

- Overall governmental revenues are \$139,251,796; an increase of \$7,974,322 from the prior year. The primary reason for the increase is due to higher penalties and settlements in the current year, increases in county apportionment and permitting fees related to higher assessed valuations and construction activities in the Bay Area.
- Overall governmental expenditures are \$111,480,322; a decrease of \$21,396,502 over the prior year. This decrease is the combination of \$17.1 million in the General Government Program primary due to restatement of prior year's net position related to the implementation of GASB Statement 75 and \$4.7 million reduction in TFCA/MSIF and Goods Movement due to less grant activities in the current year; offset by a \$0.4 million increase in Debt Service interest payments. Additional information on GASB Statement 75 can be found on pages 24-25, and 41-46 of the notes.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Management's Discussion and Analysis
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(Unaudited)

D. General Fund Financial Analysis

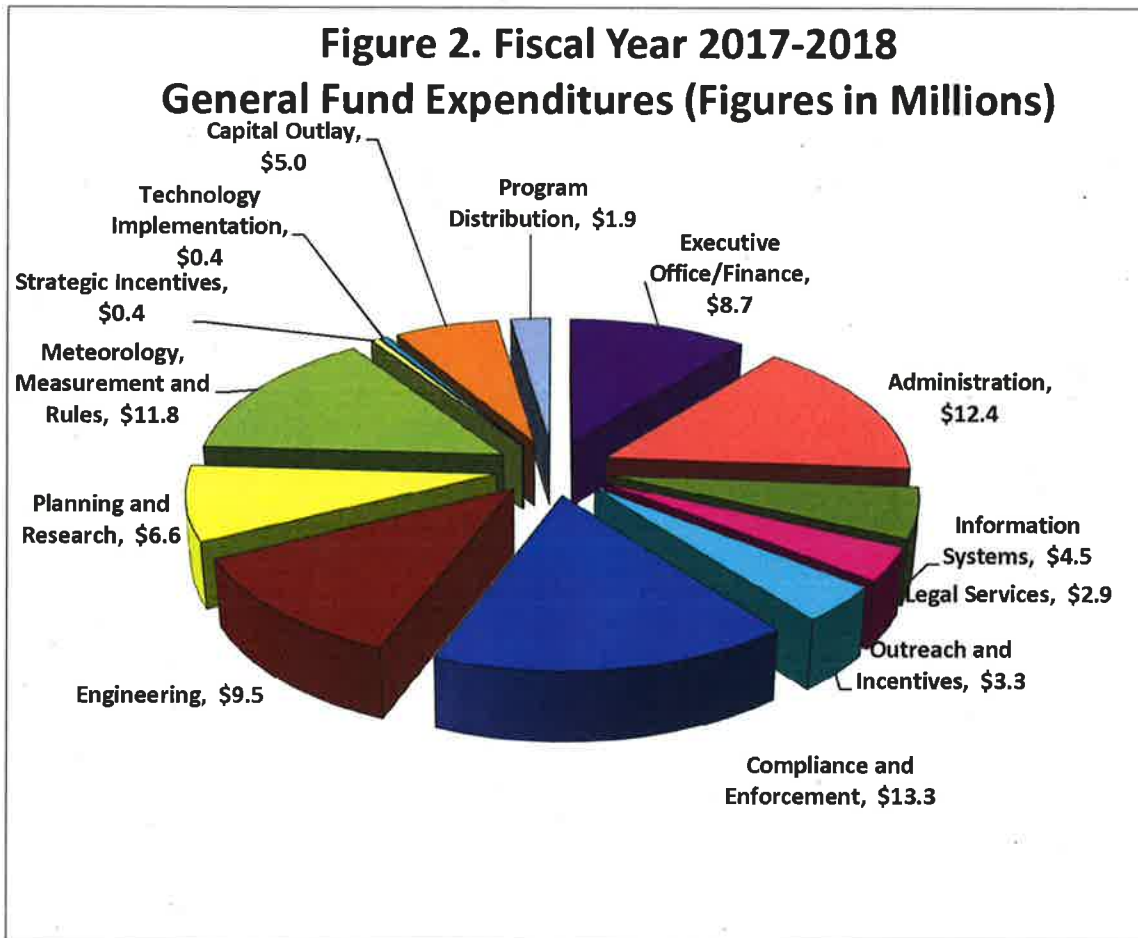
Figure 1 below provides a pie chart of the District's General Fund revenues (net of other financing sources) for fiscal year 2017-2018. The General Fund received total revenue of \$91,431,845 in fiscal year 2017-18, an increase of \$7.2 million over fiscal year 2016-17. This increase is mainly comprised of increased revenues of \$6.6 million in property tax, penalties, and permits fees resulting in an average rate increase of approximately 6.4% over the prior year, as well as, increased economic activities. This increase is offset by \$0.6 million decrease to asbestos fees, grant revenues and one-time revenues. Program Revenues include: Permit, AB2588, Title V, and Asbestos fees. Program revenues are the largest General Fund revenue source in fiscal 2017-18 (\$45.6 million), followed by Property Tax (\$33.0 million), Grants (\$4.2 million), Penalties (\$4.4 million), and Other revenues (\$4.3 million).



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D. General Fund Financial Analysis, Continued

Figure 2 below provides a graph of General Fund operating expenditures (net of other financing uses) for fiscal year 2017-18. General Fund operating expenditures totaled \$81,329,194 which is a decrease of \$7,356,890 over fiscal year 2016-17. This decrease resulted from an initial down payment made towards the purchase of District's new headquarters offset by increased personnel & benefit cost associated with increase in staffing levels. General Fund expenditures represent the District's general government operating costs categorized into the following operating divisions: Compliance and Enforcement (\$13.3 million), Engineering (\$9.5 million), Administration (\$12.4 million), Information Systems (\$4.5 million), Meteorology, Measurements and Rules (\$11.8 million), Executive (\$8.7 million), Planning & Research (\$6.6 million), Outreach & Incentives (\$3.3 million), Strategic Incentives (\$0.4 million) and Legal Services (\$2.9 million). Capital Outlay (5.0 million), Debt Service (\$0.8 million) and Program Distribution (\$1.9 million) are not operating divisions, but rather categories capturing expenditures related to capital assets, COPs financing and special projects, respectively. General Fund operating expenditures exceeded operating revenues by \$10.1 million in fiscal year 2017-18.



BAY AREA AIR QUALITY MANAGEMENT DISTRICT
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(Unaudited)

D. General Fund Financial Analysis, Continued

The General Fund is the operating fund of the District and at the end of the fiscal year, the total fund balance of the General Fund was \$75.0 million. The assigned fund balance was \$33.1 million, committed \$1.0 million, restricted \$5.3 million, non-spendable \$0.8 million, and the remaining \$34.7 million is unassigned. The unassigned fund balance represents 43% of the total General Fund expenditures, while the total fund balance represents 92% of the total General Fund expenditures. The District has available funds for unanticipated emergencies.

The FY 2017-18 adopted budget as compared to the actual expenditures and revenues reflects a \$30.1 million budget appropriation over actual expenditures and an increase in actual revenues of \$5.4 million over budgeted revenues. The budget appropriations were the result of multi-year projects and obligations that will carry over to the next fiscal year. The increase in actual revenues resulted increased economic activities related to property tax receipts, asbestos fees and settlement/penalties.

E. Capital Assets

Capital assets include land, buildings, laboratory equipment, air monitoring stations, computers, office furniture and District fleet vehicles. As of June 30, 2018, the District's investment in capital assets was \$59.2 million net of accumulated depreciation, a decrease of \$0.2 million or 0.3% from prior year.

F. Long-Term Liabilities

At the end of the current fiscal year, the District had total long-term liabilities of \$133.1 million. Of this amount, \$107.9 million comprises of the District's Net Pension Liability and Net OPEB Liability, while \$19.3 million pertains to the District's outstanding Certificate of Participation (COPs). Total Long-Term Liabilities increased from the prior year by \$12.0 million or 10%, as restated.

G. Economic Factors and Next Year's Budget

The District receives approximately 36% of its General Fund revenue from property taxes levied in nine Bay Area counties and 45% from permit fees charged to local businesses. Consequently, District revenues are impacted by changes in the state and local economy. The District takes a fiscally conservative approach to its budget and it strives to balance its budget within available current revenues. To recover a greater share of the costs of maintaining air quality, the District increased its permitting fees an average of 6% in FY 2018-19. The District continues to focus on long term financial planning to ensure the vitality and effectiveness of its programs. For the 2020 budget, the District is in the process of preparing a Five-Year Financial Plan.

H. Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Stephanie Osaze, Finance Manager, at 375 Beale Street, Suite 600, San Francisco, CA 94105.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Statement of Net Position

June 30, 2018

	<u>Governmental Activities</u>
Assets:	
Cash and cash equivalents	\$ 67,945,886
Restricted cash and cash equivalents	176,968,858
Receivables	13,796,128
Due from other governments	2,029,038
Prepays, deposits, and other assets	1,007,272
Capital assets:	
Non-depreciable	2,476,199
Depreciable	83,214,850
Less: accumulated depreciation	<u>(26,449,962)</u>
Total capital assets, net of depreciation	<u>59,241,087</u>
Total Assets	<u>320,988,269</u>
Deferred Outflows of Resources	<u>28,583,434</u>
Liabilities:	
Accounts payable	1,624,128
Accrued liabilities	1,367,223
Other liabilities	527,992
Unearned revenue	36,661,068
Long-term liabilities	
Portion due within one year:	
Compensated absences	3,410,000
Certificates of participation	400,000
Capital lease obligation	368,393
Portion due after one year:	
Compensated absences	1,372,817
Certificates of participation	18,900,000
Capital lease obligation	815,581
Net pension liability	79,318,718
Net OPEB liability	<u>28,534,272</u>
Total Liabilities	<u>173,300,192</u>
Deferred Inflows of Resources	<u>3,985,073</u>
Net Position:	
Net investment in capital assets	38,757,113
Restricted for:	
Air quality grants and projects	144,454,760
Post-employment benefits	3,286,872
Debt service	872,676
Unrestricted	<u>(15,084,983)</u>
Total Net Position	<u>\$ 172,286,438</u>

See accompanying notes to basic financial statements.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Statement of Activities
Year Ended June 30, 2018

Functions/programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Primary government	\$ 81,950,526	\$ 51,596,011	\$ 6,635,552	\$ (23,718,963)
California Goods Movement Program	399,084		326,827	(72,257)
Interest expense	482,502			(482,502)
TFCA / MSIF, CPM & other programs:				
TFCA / MSIF & other program distribution	22,224,037		39,851,127	17,627,090
Carl Moyer Program	6,424,173		6,660,675	236,502
Total Governmental Activities	<u>\$ 111,480,322</u>	<u>\$ 51,596,011</u>	<u>\$ 53,474,181</u>	<u>(6,410,130)</u>
General revenues:				
County apportionment				33,032,767
Investment income not restricted for a specific program				997,879
Other				150,958
Total General Revenues				<u>34,181,604</u>
Change in Net Position				27,771,474
Net Position – Beginning of Year, Restated				144,514,964
Net Position – End of Year				<u>\$ 172,286,438</u>

See accompanying notes to basic financial statements.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Balance Sheet
Governmental Funds
June 30, 2018

	<u>General</u>	<u>Special Revenue</u>	<u>Total Governmental</u>
Assets:			
Cash and cash equivalents	\$ 67,945,886	-	\$ 67,945,886
Restricted cash and cash equivalents	4,159,548	\$ 172,809,310	176,968,858
Receivables	6,123,345	7,672,783	13,796,128
Due from other governments	1,966,592	62,446	2,029,038
Due from other funds	4,497,462		4,497,462
Prepays, deposits, and other assets	1,007,272	-	1,007,272
Total Assets	<u>85,700,105</u>	<u>180,544,539</u>	<u>266,244,644</u>
Liabilities and Fund Balances:			
Accounts payable	1,443,615	180,513	1,624,128
Accrued liabilities	1,367,677	-	1,367,677
Due to other funds	-	4,497,462	4,497,462
Other liabilities	527,992	-	527,992
Unearned revenue	4,088,568	32,572,500	36,661,068
Total Liabilities	<u>7,427,852</u>	<u>37,250,475</u>	<u>44,678,327</u>
Deferred Inflows of Resources:			
Unavailable revenue	3,306,048	-	3,306,048
Fund Balances:			
Nonspendable:			
Prepaid items	860,802	-	860,802
Restricted:			
Air quality grants and projects	1,160,696	143,294,064	144,454,760
Postemployment benefits	3,286,872	-	3,286,872
Debt service	872,676	-	872,676
Committed:			
Self-funded workers' compensation	1,000,000	-	1,000,000
Assigned:			
Pension and postemployment	1,000,000	-	1,000,000
Building and facilities	4,668,200	-	4,668,200
Capital equipment	711,100	-	711,100
Air quality grants and projects	18,238,088	-	18,238,088
Other assigned	8,441,982	-	8,441,982
Unassigned	34,725,789	-	34,725,789
Total Fund Balances	<u>74,966,205</u>	<u>143,294,064</u>	<u>218,260,269</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 85,700,105</u>	<u>\$ 180,544,539</u>	<u>\$ 266,244,644</u>

See accompanying notes to basic financial statements.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
 Reconciliation of the Governmental Funds Balance Sheet
 to the Statement of Net Position
 June 30, 2018

Total Fund balances - Governmental Funds	\$218,260,269
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$85,691,049 and accumulated depreciation is \$26,449,962	59,241,087
Receivables that will be collected in the following year and therefore are not available soon enough to pay for current period's expenditures and therefore are not reported in the governmental funds.	3,306,048
Long-term liabilities, including compensated absences, COPs liability, and capital lease obligation are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(25,266,337)
Proportionate share of net pension liability and related deferred inflow/outflow of resources are not reported in the governmental funds.	(60,909,062)
Net other post-employment benefits liability and related deferred inflow/outflow of resources are not reported in the governmental funds.	(22,345,567)
Total Net Position - Governmental Activities	<u>\$172,286,438</u>

See accompanying notes to basic financial statements.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2018

	<u>General</u>	<u>Special Revenue</u>	<u>Total Governmental</u>
Revenues:			
TFCA / MSIF DMV fees	-	\$ 39,329,200	\$ 39,329,200
Permit fees	\$ 41,509,837	-	41,509,837
County apportionment	33,032,767	-	33,032,767
California Goods Movement revenue	-	326,827	326,827
Carl Moyer Program	-	6,660,675	6,660,675
Federal grants	4,170,943	58,217	4,229,160
Penalties and variance fees	4,384,673	-	4,384,673
Asbestos fees	4,066,794	-	4,066,794
State subvention	1,724,380	-	1,724,380
State and other grants	740,229	463,710	1,203,939
Portable equipment registration program (PERP)	547,588	-	547,588
Other revenues	150,958	-	150,958
Interest and investment gain (loss)	997,879	-	997,879
Special environmental projects	105,797	-	105,797
Total Revenues	<u>91,431,845</u>	<u>46,838,629</u>	<u>138,270,474</u>
Expenditures:			
General government:			
Program distribution	1,919,719		1,919,719
Executive office and finance	8,670,435		8,670,435
Administration	12,401,554		12,401,554
Information systems	4,468,731		4,468,731
Legal services	2,927,496		2,927,496
Outreach and incentives	3,253,419		3,253,419
Compliance and enforcement	13,256,127		13,256,127
Engineering	9,468,340		9,468,340
Planning and research	6,591,444		6,591,444
Meteorology, measurement and rules	11,762,598		11,762,598
Strategic incentives division	370,441		370,441
Technology implementation	374,878		374,878
TFCA / MSIF & other programs:			
Program distribution		15,365,919	15,365,919
Intermittent control		1,822,226	1,822,226
TFCA administration		1,067,598	1,067,598
Vehicle buy-back		2,859,211	2,859,211
Mobile source incentive		619,852	619,852
Miscellaneous incentive program		132,925	132,925
Regional electric vehicle deployment		308,109	308,109
Enhanced mobile source inspection		48,197	48,197
Carl Moyer Program			
Project funding		5,918,629	5,918,629
Grant administration		505,544	505,544
California Goods Movement Program & other			
Project funding		130,000	130,000
Grant administration		269,084	269,084
Debt Service:			
Principal	358,609		358,609
Interest	482,502		482,502
Capital outlay	5,022,901		5,022,901
Total Expenditures	<u>81,329,194</u>	<u>29,047,294</u>	<u>110,376,488</u>
Excess of Revenues			
Over Expenditures	<u>10,102,651</u>	<u>17,791,335</u>	<u>27,893,986</u>
Other Financing Sources (Uses):			
Transfers in	1,110,780	-	1,110,780
Transfers out	-	(1,110,780)	(1,110,780)
Total Other Financing Sources (Uses)	<u>1,110,780</u>	<u>(1,110,780)</u>	<u>-</u>
Net Changes in Fund Balances	11,213,431	16,680,555	27,893,986
Fund Balances, July 1, 2017	63,752,774	126,613,509	190,366,283
Fund Balances, June 30, 2018	<u>\$ 74,966,205</u>	<u>\$ 143,294,064</u>	<u>\$ 218,260,269</u>

See accompanying notes to basic financial statements.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
 and Changes in Fund Balances to the Statement of Activities
 Year Ended June 30, 2018

Net Changes in Fund Balances - Governmental Funds	\$27,893,986
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	(204,965)
Repayment on debt principal are reported as expenditures in the governmental funds, but constitute reductions to liabilities in the statement of net position.	358,609
In the statement of activities, compensated absences are measured by the amounts the employees earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	(42,464)
Permit and other miscellaneous fees receivables recognized in the government-wide statements in previous years have been deemed uncollectible and must be written off to expense.	(6,327)
Because certain revenues will not be collected soon enough to be considered "available" revenues for this year.	981,322
Actuarial pension expense is recognized in the government wide statements and actual pension contributions are reclassified in the current year as deferred outflow of resources.	(4,430,098)
Actuarial OPEB revenue is recognized in the government wide statements and actual OPEB contributions are reclassified in the current year as deferred outflow of resources.	3,221,411
Changes in Net Position of Governmental Activities	<u>\$27,771,474</u>

See accompanying notes to basic financial statements.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

(1) Summary of Significant Accounting Policies

The Bay Area Air Quality Management District (District) was created by the California legislature in 1955. The District's structure, operating procedures and authority are established by Division 26 of the California Health and Safety Code.

The following summary of the more significant accounting policies of the District is provided to assist the reader in interpreting the basic financial statements presented in this section. These policies, as presented, should be viewed as an integral part of the accompanying basic financial statements.

(a) Reporting Entity

The District's jurisdiction is limited principally to policing non-vehicular sources of air pollution within the Bay Area, primarily industry pollution and burning. Any company wishing to build or modify a facility in the Bay Area must first obtain a permit from the District to ensure that the facility complies with all applicable rules.

The District also acts as the program administrator for Transportation Fund for Clean Air (TFCA) funds and Mobile Source Incentive funds (MSIF) derived from Assembly Bill 434 and Assembly Bill 923, respectively. TFCA and MSIF funding comes from a \$4 and \$2 surcharge, respectively, on motor vehicles registered within the District's boundaries. TFCA funding may only be used to fund eligible projects that reduce motor vehicle emissions and support the implementation of the transportation and mobile source control measures in the 1994 Clean Air Plan. All projects must fall within the categories listed in State Law (Health and Safety Code Section 44241).

The Health and Safety Code requires the District to pass-through no less than 40% (forty percent) of the TFCA revenues raised within a particular county to that county's eligible, designated Program Manager. The remaining 60% (sixty percent) is for Regional Fund grants and is being allocated to projects on a competitive basis. Projects are evaluated using the District's Board adopted evaluation and scoring criteria. The District may receive reimbursement from TFCA funds, not to exceed 6.25% (six and a quarter percent) of total funds, for administration of the program. TFCA activities are accounted for in the District's Special Revenue Fund.

The District is responsible with regulatory stationary sources of air pollution in seven counties: Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, and Santa Clara; and portions of two other counties: Southwestern Solano and Southern Sonoma. The District is governed by a 24 (twenty-four) member Board of Directors that includes representatives from all of the above counties.

The basic financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

(b) Government-wide and Fund Financial Statements

The District's basic financial statements consist of fund financial statements and government-wide statements which are intended to provide an overall viewpoint of the District's finances. The government-wide financial statements, which are the statement of net position and the statement of activities, report information on all District funds excluding the effect of interfund activities. Governmental activities are normally supported by taxes and intergovernmental revenues.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds. The emphasis of fund financial statements is on major individual governmental funds, each of which is displayed in a separate column.

(c) *Basis of Accounting*

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when susceptible to accrual, i.e., both measurable and available to finance expenditures of the fiscal period. "Available" means collectible within the current period or soon enough thereafter to pay current liabilities.

The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 90 (ninety) days after year end, with the exception of revenues related to CMAQ Spare the Air, which are included in revenue if received within seven months after year end.

Expenditures for the governmental funds are generally recognized when the related fund liability is incurred, except debt service expenditures and expenditures related to compensated absences which are recognized when payment is due. Governmental capital asset acquisitions are reported as expenditures in the governmental funds.

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place.

Imposed non-exchange transaction revenues result from assessments imposed on non-governmental entities, including individuals (other than assessments imposed on exchange transactions), and the revenues are recognized in the period when use of the resources is required or first permitted. District-imposed non-exchange transactions are the TFCA/MSIF DMV fees, Permit fees, Title V Permit fees, Asbestos fees, Penalties and Variance fees, and Settlements.

Government-mandated non-exchange transactions result from one level of government providing resources to another level of government and requiring the recipient to use the resources for a specific purpose. Voluntary non-exchange transactions result from agreements entered into voluntarily by the parties thereto. Both types of non-exchange transaction revenues are treated in the same manner. Revenues are recognized when all applicable eligibility requirements are met. District transactions of both types include the Carl Moyer program, Lower Emission School Bus program, State Subvention, EPA federal grants, OHS federal grants, CMAQ Spare the Air grants, other grants, California Goods Movement program, Shore Power program, and various agreements with the nine Counties served by the District.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

Those revenues susceptible to accrual are taxes, intergovernmental revenues, interest, charges for services, fines and penalties, and license and permit revenues.

Under the modified accrual basis, revenue from exchange and non-exchange transactions must meet both the "measurable" and 'available' criteria to be recognized in the current period. On governmental fund financial statements, receivables that will not be collected within the availability period have been offset with unavailable revenue. Unearned revenue arises when assets are received before the revenue recognition criteria have been satisfied. Grants received before eligibility requirements have been satisfied are recorded as unearned revenue in the governmental fund financial statements (see Note 6).

(d) Fund Accounting

The District's accounting system is organized and operated on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. A description of the activities of the major funds is provided below:

General Fund – The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for the specific purpose of the individual funds.

(e) Cash and Investments

Cash includes amounts in deposits with the San Mateo County Investment Fund (County Pool).

All District-directed investments are governed by Government Code Section 53601 and Treasury investment guidelines. The guidelines limit specific investments to government securities, domestic chartered financial securities, domestic corporate issues, and California municipal securities. The District's securities portfolio is held by the County of San Mateo Treasurer. All District investments are stated at fair value based on quoted market prices.

(f) Receivables

During the course of normal operations, the District carries various receivable balances for taxes, interest, and permitting operations. The District considers receivables to be fully collectible; accordingly, no allowance for doubtful accounts has been provided. If amounts become uncollectible, they will be charged to operations when that determination is made. During the year ending June 30, 2018, management deemed \$6,327 of outstanding receivables to be uncollectible.

(g) Short-term Interfund Receivables/Payables

Occasionally, a fund will not have sufficient cash to meet its financial obligations and a cash transfer will be required to enable that fund to pay its outstanding invoices and other obligations. These temporary borrowings between funds are classified as "due from other funds" or "due to other funds" on the governmental funds balance sheet. Interfund balances within governmental activities are eliminated on the government-wide statement of net position.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

(h) *Capital Assets*

Capital assets, which include land, depreciable assets, and construction in progress, are reported in the government-wide financial statements. Such assets are valued at historical cost or estimated historical cost unless obtained by annexation or donation, in which case they are recorded at estimated market value at the date of receipt. The District utilizes a capitalization threshold of \$5,000.

Projects under construction are recorded at cost as construction in progress and transferred to the appropriate asset account when substantially complete. Repair and maintenance costs are charged to expense when incurred. Equipment disposed of, or no longer required for its existing use, is removed from the records at actual or estimated historical cost, net of accumulated depreciation.

All capital assets, except land and construction in progress, are depreciated using the straight-line method over the following estimated useful lives.

<u>Assets</u>	<u>Years</u>
Buildings, grounds & improvements	15 - 20
Equipment	5 - 15

(i) *Deferred Outflows / Deferred Inflows*

In addition to assets, the financial statements report separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of resources that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Conversely, deferred inflows of resources represent an acquisition of resources that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

Contributions made to the District's pension plan after the measurement date but before the fiscal year-end are recorded as a deferred outflow of resources. Additional factors involved in the calculation of the District's pension expense and net pension liability include the differences between expected and actual experience, changes in assumptions, and differences between projected and actual investment earnings. These factors are recorded as deferred outflows and inflows of resources and amortized over various periods. See Note 7 for further details related to these pensions deferred outflows and inflows. In the fund financial statements, the District reports unavailable revenues as a deferred inflow of resources.

(j) *Compensated Absences*

The District's policies provide compensation to employees for certain absences, such as vacation and sick leave. A liability for compensated absences that are attributable to services already rendered and that are not contingent on any special event beyond the control of the District and its employees is accrued as employees earn those benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the government and its employees are accounted for in a period in which such services are rendered or in which such events take place.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

The District's liability for compensated absences is recorded in the Statement of Net Position. District employees are allowed to accrue no more than four hundred and sixty hours of vacation as of the end of the calendar year. In the event of termination, the employees are reimbursed for all accumulated vacation at the time of separation from the District. There are no restrictions regarding the accumulation of sick leave. On termination, employees are not paid for accumulated sick leave, but the accumulated sick leave is counted as service credit by the CalPERS pension plan administered by the State of California.

(k) Pensions

The District participates in the Bay Area Air Quality Management District Miscellaneous Plan (the Plan), an agent multiple-employer defined benefit pension plan maintained by the California Public Employees' Retirement System (CalPERS). For purposes of measuring the net pension liability, pension expense, and deferred outflows/inflows of resources related to pensions, information about the fiduciary net position of the Plan, and additions to/deductions from the Plan's fiduciary net position, have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(l) Use of Management Estimates

The preparation of the basic 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 basic financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

(m) Net Position / Fund Balance

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

Net Investment in Capital Assets - This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt, if any, that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in 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 or enabling legislation.

Unrestricted Net Position - This category represents net position of the District not restricted for any project or other purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted net position is available, the District considers restricted funds to have been spent first.

The governmental fund statements utilize a fund balance presentation. Fund balances are categorized as nonspendable, restricted, committed, assigned, and unassigned.

Nonspendable Fund Balance - This category presents the portion of fund balance that cannot be spent because it is either not in a spendable form or it is legally or contractually required to be maintained intact.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

Restricted Fund Balance - This category presents the portion of the fund balance that is for specific purposes stipulated by constitution, external resource providers, or enabling legislation.

Committed Fund Balance - This category presents the portion of the fund balance that can be used only for the specific purposes determined by a formal action (Resolution) of the District's highest level of decision-making authority. For the District, this level of authority lies with the Board of Directors.

Assigned Fund Balance - This category presents the portion of the fund balance that is intended to be used by the District for specific purposes but does not meet the criteria to be classified as restricted or committed. For the District, balances can be assigned by management or through the budget process. Other assigned balance represents amounts intended to be used for a Wood Burning Device, Abatement Technology, Litigation, Technology Implementation Office, Woodchip Program, and the Marin Wildfire Recovery.

Unassigned Fund Balance - This category presents the portion of the fund balance that does not fall into restricted, committed, or assigned and are spendable.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which amounts in any of the unrestricted classifications of fund balance could be used, the District considers assigned amounts to be reduced first, before the unassigned amounts.

(n) *New Pronouncements*

The GASB has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (other postemployment benefits or OPEB)*, effective for periods beginning after June 15, 2017. This statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for OPEB*, as amended, and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. This addresses the accounting and financial reporting by state and local governments for OPEB that is provided to its employees. It establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures.

In 2018, the District adopted GASB Statement No. 75, which requires the restatement of the June 30, 2017 net position in governmental activities by the amount of the District's net OPEB liability as this liability is now required to be recognized in full in its financial statements. The result is a decrease in net position at July 1, 2017 of \$21,445,149. This change is in accordance with generally accepted accounting principles.

The GASB has issued Statement No. 82, *Pension Issues – An amendment of GASB Statements No. 67, No. 68, and No. 73*. This statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement is effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The District adopted applicable standards of this statement as of June 30, 2018.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

The GASB has issued Statement No. 85, *Omnibus 2017*, effective for periods beginning after June 15, 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The District adopted applicable standards of this statement as of June 30, 2018.

The GASB has issued Statement No. 86, *Certain Debt Extinguishment Issues*, effective for periods beginning after June 15, 2017. This Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement did not have an impact on the District’s financial statements for the fiscal year 2017-18.

(o) Restatements

The following table illustrates the cumulative effect of the change in accounting principles as shown on the face of the District’s Statement of Activities:

	Governmental Activities
Net position at beginning of year, as previously reported	\$ 165,960,113
Restatement –	
Recognition of net OPEB liability in full (see Note 1n)	(21,445,149)
Net position at beginning of year, as restated	<u>\$ 144,514,964</u>

(2) Cash, Cash Equivalents, and Investments

Cash and Investments

The District pools cash from multiple sources and funds so that it can be invested at the maximum yield, consistent with safety and liquidity, while individual funds can make expenditures at any time.

Cash, cash equivalents, and investments as of June 30, 2018, are classified in the accompanying financial statements as follows:

Cash and cash equivalents	\$ 67,945,886
Restricted cash and cash equivalents	<u>176,968,858</u>
Total cash, cash equivalents and investments	<u>\$ 244,914,744</u>

Cash, cash equivalents and investments as of June 30, 2018 consist of the following:

Cash and investments in San Mateo	
Pooled Fund Investment Program	\$ 240,755,196
Cash, cash equivalents, and investments with fiscal agent	<u>4,159,548</u>
Total cash, cash equivalents and investments	<u>\$ 244,914,744</u>

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

Cash in County Treasury

The District is a voluntary participant in the San Mateo County Investment Fund (County Pool) that is regulated by California Government Code under the oversight of the Treasury of the County of San Mateo (the Treasury). The Treasury is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The Treasury is restricted by Government Code Section 53635, pursuant to Section 53601, to invest in time deposits; U.S. government securities; state registered warrants, notes, or bonds; the State Treasurer's investment pool; bankers' acceptances; commercial paper; negotiable certificates of deposit; and repurchase or reverse repurchase agreements.

The District earns interest on a proportionate basis with all other investors. Interest is credited directly to the District's account on a quarterly basis. The pooled fund is collateralized at 102% by San Mateo County, but not specifically identified to any one depositor or in the District's name.

The District reports its investment in the County Pool at the fair value amount provided by the County. Participants' equity in the investment pool is determined by the dollar amount of the participant deposits, adjusted for withdrawals and distributed income. This method differs from the fair value method used to value investments in these financial statements in that unrealized gains or losses are not distributed to pool participants.

Investments Authorized by the District's Investment Policy

The table below identifies the investment types authorized for the District by the California Government Code Section 53601 or the Treasury investment policy, which was adopted by the District, whichever is more restrictive. This table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

Except for investments by trustees of Certificates of Participation (COPs) proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from the website at <http://ttax.co.la.ca.us/>. The table below identifies some of the investment types permitted in the investment policy:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Government Agency / Sponsored Enterprise Securities	7 Years	100%	40%
U.S. Treasury Obligations	7 Years	100%	100%
Asset-Backed Securities	5 Years	20%	5%
Banker 's Acceptances	180 Days	15%	5%
Commercial Paper	270 Days	40%	5%
Negotiable Certificates of Deposit	5 Years	30%	5%
Collateralized Certificates of Deposit	1 Year	15%	5%
Repurchase Agreements	92 Days	100%	100%
Mutual Funds	N/A	10%	5%
Corporate Bonds, Medium-Term Notes & Covered Bonds	5 Years	30%	5%
Local Agency Investment Fund (LAIF)	N/A	Up to the state limit	Up to the state limit

Investments Authorized by Debt Agreements

The District's cash, cash equivalents, and investments with fiscal agent in the General Fund in the amount of \$872,676, represent funds which are restricted for specific purposes under terms of the debt agreement at June 30, 2018.

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

Derivative Investments

The District did not directly enter into any derivative investments, and the County Pool was not holding derivative investments at June 30, 2018.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

Disclosures Related to Interest Rate Risk and Credit Risk

Generally, credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. State law and the District's investment policy limit the District's investments in banker's acceptances, commercial paper, negotiable certificates of deposit collateralized certificates of deposit, and repurchase agreements to the rating of A1/P-1/F-1 or better by two of the three nationally recognized rating services (Standard & Poor's, Moody's Investors Service, or Fitch Ratings). Corporate securities are required to have a rating of AA or better at the time of purchase, aside from 25% of total corporate securities, which can have a rating of A. U.S. government securities are required to have a rating of AA, long-term, or A-1, short-term, or better by two of the three rating services. Asset-backed securities are required to have a rating of AAA or higher by two of the three rating services.

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

The District's cash, cash equivalents, and investments were categorized as follows at June 30, 2018:

	<u>Ratings:</u>		<u>Maturities</u>	<u>Fair Value</u>
	<u>Moody's</u>	<u>S&P</u>		
AIG Fixed Annuity	Not Rated	Not Rated	Current	\$ 3,286,872
Dreyfus Treasury Securities	Aaa-mf	AAAm	Current	872,676
Investments in San Mateo Pooled Fund Investment Program	Aaa to P-1	AAA to A-1	0.96 Years	240,755,196
Total cash, cash equivalents, and investments				<u>\$ 244,914,744</u>

Restricted Cash, Cash Equivalents, and Investments

The District's restricted cash, cash equivalents, and investments are \$176,968,858 at June 30, 2018. Included in this restricted balance is \$172,809,310 for air quality grants and projects, \$872,676 for debt service, and \$3,286,872 restricted for postemployment benefits.

Fair Value Measurement

GASB 72 requires the District to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or an income approach. Statement No. 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs other than quoted prices included within level 1, which are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

The investment in San Mateo Pooled Fund Investment Pool is subject to fair value measurement; however, it is not subject to the fair value hierarchy. The Dreyfus Treasury Securities are classified as Level 2 because they are observable but do not have quoted prices in active market. The AIG Fixed Annuity is classified as Level 3 of the fair value hierarchy because it is a contract with AIG related to the restricted portion of OPEB funding and is not available for sale or transfer on any securities exchange.

(3) Receivable

At June 30, 2018, the District had the following accounts receivable:

General Fund:		
Permit and other fees	\$ 4,315,619	
County apportionments	1,212,782	
Interest	299,298	
Other	295,646	
Total General Fund		<u>\$ 6,123,345</u>
 Special Revenue Fund		
TFCA DMV fees	\$ 4,734,551	
MSIF DMV fees	2,205,000	
Interest	733,232	
Total Special Revenue Fund		<u>\$ 7,672,783</u>
Total Receivables		<u><u>\$ 13,796,128</u></u>

(4) Interfund Transactions

Current interfund balances (due to/from other funds) arise in the normal course of business and represent short-term borrowings occurring as a result of expenditures which are paid prior to the receipt of revenues. These balances are expected to be repaid shortly after the end of the fiscal year when revenues are received. At June 30, 2018, the General Fund was owed \$4,497,462 by the Special Revenue Fund.

With Board approval, resources are transferred from one fund to another. The purpose of the majority of transfers is to move approved administrative revenue charged to restricted programs in the Special Revenue Fund to the General Fund. Interfund transfers for the year ended June 30, 2018 were as follows:

<u>Fund Receiving Transfer</u>	<u>Fund Making Transfer</u>	<u>Amount Transferred</u>
General Fund	Special Revenue Fund	\$1,110,780

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

(5) Capital Assets

The District's capital assets were comprised of the following at June 30, 2018:

	<u>Balance at 7/1/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance at 6/30/2018</u>
Nondepreciable Assets:					
Land	\$ 1,018,521	\$ -	\$ -	\$ -	\$ 1,018,521
Construction in progress	<u>2,709,047</u>	<u>1,112,646</u>	<u>-</u>	<u>(2,364,015)</u>	<u>1,457,678</u>
Total nondepreciable assets	<u>3,727,568</u>	<u>1,112,646</u>	<u>-</u>	<u>(2,364,015)</u>	<u>2,476,199</u>
Depreciable assets:					
Building and grounds	31,463,819	-	-	-	31,463,819
Leasehold improvements	2,908,329	-	-	-	2,908,329
Computer and network equipment	9,691,038	675,000	-	-	10,366,038
Production system	18,914,659	2,426,992	-	2,364,015	23,705,666
Motorized equip (vehicle)	432,954	37,270	(43,792)	-	426,432
Lab & monitoring equipment	9,920,582	735,641	(46,299)	-	10,609,924
Furniture and other equipment	3,699,290	35,352	-	-	3,734,642
Total depreciable assets	<u>77,030,671</u>	<u>3,910,255</u>	<u>(90,091)</u>	<u>2,364,015</u>	<u>83,214,850</u>
Accumulated depreciation:					
Building and grounds	416,608	1,583,311	-	-	1,999,919
Leasehold improvements	2,717,526	12,321	-	-	2,729,847
Computer and network equipment	5,137,273	1,164,479	-	-	6,301,752
Production system	2,120,659	1,418,578	-	-	3,539,237
Motorized equip (vehicle)	152,502	36,868	(21,489)	-	167,881
Lab & monitoring equipment	7,737,855	703,793	(43,984)	-	8,397,664
Furniture and other equipment	3,029,764	283,898	-	-	3,313,662
Total accumulated depreciation	<u>21,312,187</u>	<u>5,203,248</u>	<u>(65,473)</u>	<u>-</u>	<u>26,449,962</u>
Total depreciable assets, net	<u>55,718,484</u>	<u>(1,292,993)</u>	<u>(24,618)</u>	<u>2,364,015</u>	<u>56,764,888</u>
Total capital assets, net	<u>\$59,446,052</u>	<u>\$ (180,347)</u>	<u>\$ (24,618)</u>	<u>\$ -</u>	<u>\$59,241,087</u>

Donated capital assets are recorded at their estimated fair value at the date of donation.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

Depreciation expense by function for capital assets for the year ended June 30, 2018, is as follows:

Primary Government:

Executive office	\$ 478,555
Administrative services	250,046
Legal services	182,375
Public information and outreach	150,729
Compliance enforcement	832,759
Engineering	579,800
Planning	392,208
Meteorology measurements and	1,130,385
Information services	1,206,195
Strategic incentives	196
Total depreciation expense	<u>\$ 5,203,248</u>

(6) Unearned / Unavailable Revenue

The governmental fund financial statements report unavailable revenues as a deferred inflow of resources in connection with receivables for revenues that are not available when they are not collectible within the current period or soon enough thereafter to pay for liabilities of the current period. The District reports a liability for unearned revenue in connection with resources that have been received, but not yet earned.

As of June 30, 2018, the various components of unavailable revenue and unearned revenue reported were as follows:

	<u>Unearned Revenue</u>	<u>Unavailable Revenue</u>	<u>Total</u>
General Fund:			
Permits and licenses	\$ -	\$ 3,306,048	\$ 3,306,048
Community Air Protection Program	4,088,567	-	4,088,567
Total General Fund	<u>4,088,567</u>	<u>3,306,048</u>	<u>7,394,615</u>
Special Revenue Fund:			
GMB - Administration	629,513	-	629,513
GMB - On-Road Projects	9,969,344	-	9,969,344
Shore Power Projects	38	-	38
TRUs	48,721	-	48,721
Locomotive	3,102,607	-	3,102,607
Carl Moyer Program	11,761,130	-	11,761,130
Carl Moyer Program Administration	3,860,240	-	3,860,240
Low Carbon Project Funding	1,250,000	-	1,250,000
Low Carbon Program Administration	711,877	-	711,877
CEC Project Funding	155,028	-	155,028
Special Projects	1,084,002	-	1,084,002
Total Special Revenue Fund	<u>32,572,500</u>	<u>-</u>	<u>32,572,500</u>
Total Unearned and Unavailable Revenue	<u>\$ 36,661,067</u>	<u>\$ 3,306,048</u>	<u>\$ 39,967,115</u>

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

(7) Deferred Outflows and Inflows of Resources

District's deferred outflows and inflows of resources as of June 30, 2018 are comprised of the following:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Changes of assumptions - Pension	\$ 12,335,371	\$ 1,119,857
Differences between expected and actual experience - Pension	-	2,236,222
Differences between projected and actual earnings on plan investments - Pension	3,023,268	-
Differences between projected and actual earnings on plan investments - OPEB	-	628,994
Pension contributions subsequent to measurement date	6,407,096	-
OPEB contributions subsequent to measurement date	6,817,699	-
Total	<u>\$ 28,583,434</u>	<u>\$ 3,985,073</u>

(8) Long-Term Liabilities

(a) Certificate of Participation

On November 7, 2013, the District issued \$30,000,000 through a private placement of taxable Certificates of Participation (COPs) with Bay Area Headquarters Authority (BAHA) to finance its ownership interest of approximately 75,000 square feet of office space at 375 Beale Street. The COPs were held by the Bank of New York Mellon Trust Company, N.A., as Trustee, in an escrow account until the acquisition of the premises by the District which occurred in May 2017. The escrow account paid interest due during the escrow period, at an annual rate of 0.247%, using proceeds of the COPs. Upon acquisition date, the escrow period ended, and the District began making base rental payments of \$100,000 starting July 1, 2017.

Beginning November 2018, the District is subject to mandatory sinking fund account payments as follows:

<u>Payment Date</u> <u>(November 1)</u>	<u>Amount</u>	<u>Payment Date</u> <u>(November 1)</u>	<u>Amount</u>
2018	\$ 400,000	2032	\$ 700,000
2019	400,000	2033	700,000
2020	400,000	2034	800,000
2021	400,000	2035	800,000
2022	500,000	2036	800,000
2023	500,000	2037	800,000
2024	500,000	2038	800,000
2025	500,000	2039	900,000
2026	500,000	2040	900,000
2027	600,000	2041	900,000
2028	600,000	2042	1,000,000
2029	600,000	2043	1,000,000
2030	600,000	2044	1,000,000
2031	700,000	2045	1,000,000

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

The District and BAHA had entered into a financing lease/sublease arrangement whereby at the date of acquisition the District leased its office space to BAHA and BAHA subleased office space back to the District to secure payment on the COPs. Under the terms of the agreement, total monthly payments have been predetermined and the amount of such payments that relates to interest will be calculated based on the Adjustable Rate Mode accrued at the Adjusted Interest Rate as provided in the lease/sublease agreement with BAHA. All payments are made into a sinking fund, restricted for debt service.

Total payments of principal and interest are structured as follows:

<u>Fiscal Year</u>	<u>Total Annual Payments</u>	
2019	\$	1,200,000
2020		1,200,000
2021		1,200,000
2022		1,200,000
2023-2027		6,000,000
2028-2032		6,850,000
2033		450,000
	\$	<u>18,100,000</u>

Upon payment of all rental payments under the term of the sublease agreement, the title of the office space will transfer to the District.

(b) Capital Lease

Capital lease is related to hardware, software and services for IT infrastructure located at the new building at 375 Beale Street which includes but is not limited to servers, storage, Voice Over IP, computer networks, and security systems. The capital lease agreement had a total principal amount of \$2,300,000 of which the District borrowed \$2,275,000 with an annual payment of principal and interest of \$399,379 over 6 years. The fair value of fixed assets purchased with the capital lease is \$2,275,000. The capital lease expense during the year ended June 30, 2018 was \$358,609.

(c) Summary of Long-Term Liabilities

A schedule of changes in general long-term debt for the year ended June 30, 2018, is shown below:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities					
Certificates of participation (COPs)	\$19,300,000			\$ 19,300,000	\$ 400,000
Compensated absences	4,754,707	42,464	(14,354)	4,782,817	3,410,000
Capital lease	1,542,583		(358,609)	1,183,974	368,393
Total	<u>\$25,597,290</u>	<u>\$ 42,464</u>	<u>\$(372,963)</u>	<u>\$ 25,266,791</u>	<u>\$4,178,393</u>

The certificates of participation and long-term portion of compensated absences is liquidated by the General Fund.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

Future annual payments on COPs are as follows:

Year Ending June 30	Certificates of Participation	
	Principal	Interest
2019	\$400,000	\$ 512,190
2020	400,000	501,350
2021	400,000	490,510
2022	500,000	476,960
2023	500,000	463,410
2024-2028	2,700,000	2,105,670
2029-2033	3,300,000	1,691,040
2034-2038	4,000,000	1,178,850
2039-2043	4,700,000	588,070
2044-2048	2,000,000	48,780
	<u>\$ 18,900,000</u>	<u>\$ 8,056,830</u>

COPs bears a variable interest rate structure with preset interest rate caps. The interest rate is based on an agreed upon spread of 120 basis point or 1.2% plus a commonly used interest rate index published by the Securities Industry and Financial Markets Association (SIFMA). The SIFMA index rate used to calculate the interest rate is determined by the Index Agent on (1) each Index Rate Determination Date determined by the Index Agent, plus (2) the applicable spread of 1.2%; the sum of which is subject to the preset interest rate cap as follows:

Preset Interest Rate Caps structure:

Year 1-5	3.20%
Year 6-10	4.20%
Year 11-30	5.20%

The District utilized the SIFMA rate as the end of the fiscal year ending June 30, 2018 to calculate the interest based on the predetermined principal payment schedule above.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

(9) Operating Leases

Commitments under non-cancelable operating lease agreements for air-monitoring stations, vehicles, and office equipment provide for minimum annual rental payments as follows:

<u>Fiscal Year Ending</u>	<u>Amount</u>
2019	\$ 1,061,481
2020	1,112,027
2021	348,230
2022	335,303
2023	254,624
2024-2028	774,206
2029-2033	503,391
2034-2038	503,391
	<u>\$ 4,892,653</u>

Air-monitoring station leases are renewable with minor escalations.

Rental expense for lease agreements above during the year ended June 30, 2018, was \$1,267,731.

(10) County Apportionment Revenue

As a result of the passage of Proposition 13 in fiscal year 1979, the District no longer has the power to calculate property tax revenues due for each county. Instead, the District now receives remittances from the counties, which are calculated in accordance with Assembly Bill Number 8. Secured and unsecured property taxes are levied on January 1 of the preceding fiscal year. Property tax revenues are recognized by the District in the fiscal year they are assessed, provided that they become available as defined in footnote 1(c).

Secured property tax is due in two installments, on November 1 and March 1 and becomes a lien on those dates. It becomes delinquent after December 10 and April 10, respectively. Unsecured property tax is due on July 1 and becomes delinquent on August 31. The term "unsecured" refers to taxes on personal property other than real estate, land, and buildings. These taxes are secured by liens on the property being taxed.

Property taxes levied are recorded as revenue and receivables in the fiscal year of levy, provided that they are collected within the fiscal year or within ninety days after year end to be consistent with the District's collection period used in the measurement of the collection period for when revenues are considered available.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

County apportionment revenue recognized as of June 30, 2018, is as follows:

<u>County</u>	<u>Amount</u>
Alameda	\$ 5,858,293
Contra Costa	3,671,228
Marin	1,488,043
Napa	1,042,396
Santa Clara	8,969,496
San Francisco	5,224,019
San Mateo	4,479,649
Solano	832,404
Sonoma	1,467,239
Total county apportionment revenue	<u>\$ 33,032,767</u>

(11) Pension Plan

Plan Description

All District employees are eligible to participate in the Bay Area Air Quality Management District Miscellaneous Plan (the Plan), an agent multiple-employer defined-benefit pension plan administered by the California Public Employees Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. CalPERS issues a publicly available report that includes a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found online at www.calpers.ca.gov.

Benefits Provided

Benefit provisions under the Plan are established by State statute and District resolution. The benefits are based on members' years of service, age, final compensation, and benefit formula. The California Public Employees Pension Reform Act of 2013 (PEPRA) made significant changes to the benefit structure that primarily affect members first hired to perform CalPERS creditable activities on or after January 1, 2013. As a result of PEPRA, the Plan has two benefit structures: 1) CalPERS Miscellaneous Employee "2% at 55" for members first hired prior to January 1, 2013, to perform CalPERS creditable activities (Classic members), and 2) CalPERS Miscellaneous Employee "2% at 62" for members first hired on or after January 1, 2013, to perform CalPERS creditable activities (PEPRA members). The Plan provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries.

Classic members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits, while PEPRA members with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-industrial disability benefits after five years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the Plan is applied as specified by the Public Employees' Retirement Law.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
Year Ended June 30, 2018

The Plan's provisions and benefits in effect at June 30, 2018, are summarized as follows:

	<u>Classic</u>	<u>PEPRA</u>
	Prior to	On or after
	January 1, 2013	January 1, 2013
Hiring date		
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age: minimum	50	52
Monthly benefit, as a % of eligible compensation	1.43%	1.00%
Required employee contribution rates	7.00%	5.50%
Required employer contribution rates	18.090%	18.090%

Employees Covered

At June 30, 2018, the following employees were covered by the benefit terms for the Plan:

Inactive employees or beneficiaries currently receiving benefits	284
Inactive employees entitled to but not yet receiving benefits	77
Active employees	330
	<u>691</u>

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended.

For the year ended June 30, 2018, the contributions to the Plan amounted to \$6,407,096.

Net Pension Liability

The District's net pension liability for the Plan of \$79,318,718 at June 30, 2018 is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2017, using an annual actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability of the Plan is shown below.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

The total pension liability in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Actuarial cost method	Entry-Age Normal
Actuarial assumptions	
Discount rate	7.15%
Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return	7.15% ⁽¹⁾
Mortality rate table ⁽²⁾	Derived using CalPERS' membership data for all funds
Post retirement benefit increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

⁽¹⁾ Net of pension plan investment and administrative expenses; includes inflation.

⁽²⁾ The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 Experience Study report.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increases, mortality and retirement dates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Change of Assumptions

During the measurement period ended June 30, 2017, the discount rate was reduced from 7.65% to 7.15%.

Discount Rate

The discount rate used to measure the total pension liability of the Plan was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.15% discount rate is appropriate, and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15% is applied to all plans in the PERF. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

In determining the long-term expected rate of return, CalPERS' staff considered both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2014.

Asset Class	Current Target Allocation	Real Return Years 1 - 10 ^(a)	Real Return Years 11+ ^(b)
Global equity	47.00%	4.90%	5.38%
Global fixed income	19.00	0.80	2.27
Inflation sensitive	6.00	0.60	1.39
Private equity	12.00	6.60	6.63
Real estate	11.00	2.80	5.21
Infrastructure and forestland	3.00	3.90	5.36
Liquidity	2.00	(0.40)	(0.90)
Total	100.00%		

^(a) An expected inflation of 2.50% used for this period.

^(b) An expected inflation of 3.00% used for this period.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

Changes in the Net Pension Liability

The changes in the net pension liability for the Plan are as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a-b)
Balance at June 30, 2017	\$ 276,883,408	\$ 206,953,321	\$ 69,930,087
Changes recognized for the measurement period:			
Service cost	5,251,175	-	5,251,175
Interest on the total pension liability	20,568,801	-	20,568,801
Differences between expected and actual experience	(2,082,303)	-	(2,082,303)
Changes of assumptions	16,314,523	-	16,314,523
Contributions from the employer	-	5,682,917	(5,682,917)
Contributions from employees	-	2,429,913	(2,429,913)
Net investment income	-	22,856,288	(22,856,288)
Benefit payments, including refunds of employee contributions	(12,131,353)	(12,131,353)	-
Administrative expense	-	(305,553)	305,553
Net changes	27,920,843	18,532,212	9,388,631
Balance at June 30, 2018	\$ 304,804,251	\$ 225,485,533	\$ 79,318,718

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

The following presents the District's net pension liability for the Plan as of the measurement date, calculated using the discount rate of 7.15%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15%) or 1-percentage-point higher (8.15%) than the current rate:

	1.00% Decrease (6.15%)	Current Discount Rate (7.15%)	1.00% Increase (8.15%)
District's net pension liability	\$ 118,473,853	\$ 79,318,718	\$ 46,596,442

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports. Copies of the CalPERS annual financial report may be obtained from CalPERS Fiscal Services Division, P.O. Box 942703, Sacramento, CA 94229-2703, or by calling (888) CalPERS (225-7377).

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2018, the District recognized pension expense of \$10,837,194 for the Plan. As of June 30, 2018, the District reported deferred outflows and deferred inflows of resources related to the Plan as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 12,335,371	\$ 1,119,857
Differences between expected and actual experience	—	2,236,222
Net difference between projected and actual earnings on pension plan investments	3,023,268	
District contributions subsequent to the measurement date	6,407,096	—
Total	<u>\$ 21,765,735</u>	<u>\$ 3,356,079</u>

The amounts above are net of outflows and inflows recognized in the 2016-17 measurement period expense.

The \$6,407,096 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in future pension expense as follows:

<u>Year ended June 30</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2019	\$ 1,734,098
2020	6,807,912
2021	4,765,644
2022	(1,305,094)

Payable to the Pension Plan

The District's contribution for all members to the Plan for the fiscal year ended June 30, 2018 was in accordance with the required contribution rate calculated by the CalPERS actuary. Hence, no payable to the pension plan is recognized for the fiscal year ended June 30, 2018.

(12) Postemployment Benefits – Health and Welfare for Retirees

Plan Description

The District contributes to an agent multiple-employer plan administered by CalPERS. The plan provides medical, dental, vision, and life insurance benefits to eligible retirees. Benefit provisions are established in accordance with the Employee Association Memorandum of Understanding (MOU) for represented employees and as adopted by Board Resolution for all other employees who retire from the District on or after attaining age 50 with at least 5 (five) years of service.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

The District established an irrevocable trust to prefund the other postemployment benefit annual required contribution by participating in the California Employers' Retiree Benefit Trust (CERBT) program during the fiscal year ended June 30, 2009. The funds in the CERBT are held in the trust and administered by the California Public Employees' Retirement System (CalPERS).

The CERBT fund, which is an IRC Section 115 Trust, is set up for the purpose of (i) receiving employer contributions to prefund health and other postemployment benefits for retirees and their beneficiaries, (ii) investing contributed amounts and income therein, and (iii) disbursing contributed amounts and income therein, if any, to pay for costs of administration of the fund and to pay for health care costs or other postemployment benefits in accordance with the terms of the District's OPEB plan. The District's Other Postemployment Benefits (OPEB) financial statements will be included in the CalPERS Comprehensive Annual Financial Report (CAFR). Copies of CalPERS' CAFR may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Additionally, the plan maintains a closed group of retirees receiving coverage through a separate life insurance policy with American International Group, Inc. (AIG). The District makes contributions to the AIG Retiree Life Reserve Fund on an annual basis as needed to ensure that Fund's balance is equal to the present value of expected claims for the retirees covered by the policy. The AIG Retiree Reserve Fund can only be applied towards the benefits provided under the program. As of June 30, 2018, the AIG Retiree Life Insurance Fund had a total asset balance of \$658,077, making up 1.6% of the total Plan Fiduciary Net Position of \$40,028,423. All activities of the AIG Retiree Life Reserve Fund are accounted for in the measurement of the District's net OPEB liability.

Employees Covered

As of June 30, 2017, actuarial valuation, the following current and former employees were covered by the benefit terms under the District's OPEB Plan:

Active employees	334
Inactive employees or beneficiaries currently receiving benefits	219
Inactive employees entitled to, but not yet receiving benefits	<u>2</u>
Total	<u>555</u>

Contributions

The District contributions to the Plan occur as benefits are paid to retirees (pay-as-you-go basis) and/or to the OPEB trust by means of discretionary funding payments as approved by the Board.

The District's actuary also accounts for the implicit subsidy contribution, which exists when premiums charged for retiree coverage are lower than the expected retiree claims for that coverage. In the District's program, the claims experience for active employees and retirees not covered by Medicare is co-mingled in setting premiums rates for some members and gives rise to an implicit subsidy. The implicit subsidy is determined as the projected difference between (a) retiree medical and life insurance claim costs by age and (b) premiums charged for retiree coverage.

For fiscal year 2017-18, the District contributed a total of \$6,817,699 to the plan that includes \$4,000,000 contributed to the OPEB trust and \$441,085 identified as implicit contributions.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

Healthcare Reform Act

The Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010, collectively referred to as the Health Care Reform Act of 2010 ("The Act"), were signed into law in March 2010. The Act imposes a 40.00% excise tax on employers that carry "Cadillac healthcare plans" beginning in 2022. The tax is applied to the amount of premium in excess of stated single (\$11,850 for ages 55-64 and \$10,200 for all other ages) and family (\$30,950 for ages 55-64 and \$27,500 for all other ages) thresholds. The District's actuary considered the potential additional costs due to excise taxes on high cost plans and these are included in the actuary's valuation of liabilities.

Net OPEB Liability

The District's net OPEB liability of \$28,534,272 at June 30, 2018 is measured as the total OPEB liability, less the OPEB plan's fiduciary net position. The net OPEB liability is measured using an annual actuarial valuation as of June 30, 2017. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	July 1, 2017	
Measurement date	June 30, 2017	
Actuarial cost method	Entry Age Normal Cost	
Discount rate	7.25%	
Inflation	2.75% per year	
Salary increases	3.25% per year; since benefits do not depend on salary, this is used only to allocate the cost of benefits between service years.	
Investment rate of return	7.25%, net of plan investment expenses and including inflation	
Mortality improvement	MacLeod Watts Scale 2017 applied generationally.	
Healthcare trend rates	Medical plan premiums and claims costs by age are assumed to increase once each year. The Increases over the prior year's levels are assumed to be effective as shown below (Effective January 1):	
	2018 - Actual	2022 - 6.00%
	2019 - 7.50%	2023 - 5.50%
	2020 - 7.00%	2024 - 5.00%
	2021 - 6.50%	2025 & later - 5.00%

Dental and vision premiums are assumed to increase by 3% per year. The Public Employee's Medical and Hospital Care Act (PEMHCA) Minimum Employer Contribution is assumed to increase at 4.5% per year.

Note: Demographic actuarial assumptions used in this valuation are based on the 2014 experience study of the California Public Employees Retirement System using data from 1997 to 2011, except for mortality improvement as noted above.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

Changes of Assumptions

There were no changes of assumptions during the measurement period ended June 30, 2017.

Discount Rate

The discount rate used to measure the total OPEB liability 7.25%. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The long-term expected rate of return on OPEB plan investments was based on CalPERS' expected return for California Employers' Retirement Benefit Trust Strategy 1.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class	Target Allocation ⁽¹⁾	1-10 Year Expected Real Rate of Return ⁽²⁾	11-60 Year Expected Real Rate of Return ⁽³⁾
Global equity	57.00%	5.25%	5.71%
Fixed income	27.00	1.79	2.40
Treasury inflation protected securities (TIPS)	5.00	1.00	2.25
Real estate investment trusts (REITs)	8.00	3.25	7.88
Commodities	3.00	0.34	4.95
Total	100.00%		

⁽¹⁾ Allocation approved by the CalPERS Board at the October 2017 Investment Committee meeting

⁽²⁾ Real rates of return come from a geometric representation of returns that assume a general inflation rate of 2.50%.

⁽³⁾ Real rates of return come from a geometric representation of returns that assume a general inflation rate of 3.00%.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

Changes in the OPEB Liability

The changes in the net OPEB liability for the plan are as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a-b)
Beginning Balance at June 30, 2017	\$ 64,908,798	\$ 32,741,243	\$ 32,167,555
Changes recognized for the measurement period			
Service cost	1,531,801		1,531,801
Interest on the total OPEB liability	4,722,673		4,722,673
Benefit payments	(2,600,577)	(2,600,577)	-
Contributions - employer		6,600,577	(6,600,577)
Net investment income		3,304,360	(3,304,360)
Other expenses - administrative expense		(17,180)	17,180
Net changes	3,653,897	7,287,180	(3,633,283)
Balance at June 30, 2018	\$ 68,562,695	\$ 40,028,423	\$ 28,534,272

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following table illustrates the impact of interest rate sensitivity on the Net OPEB Liability of the District if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate for fiscal year ended June 30, 2018:

	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
Net OPEB liability	\$ 36,521,067	\$ 28,534,272	\$ 21,797,920

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB liability of the District if it were calculated using health care cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rate, for measurement period ended June 30, 2018:

	1.00% Decrease	Trend Rate ⁽¹⁾	1.00% Increase
Net OPEB liability	\$ 23,670,340	\$ 28,534,272	\$ 33,760,646

⁽¹⁾ Refer above to actuarial assumptions for health trend rates.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018, the District recognized OPEB expense of \$3,596,288. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual earnings on OPEB plan investments	\$ —	\$ 628,994
District contributions subsequent to the measurement date	6,817,699	—
Total	<u>\$ 6,817,699</u>	<u>\$ 628,994</u>

Amounts recognized in the deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the OPEB expense as follows:

<u>Year ended June 30</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2019	\$ (157,249)
2020	(157,249)
2021	(157,249)
2022	(157,247)

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Notes to Basic Financial Statements

Year Ended June 30, 2018

(13) Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The District manages and finances these risks by purchasing commercial insurance and has a \$1,000 to \$10,000 deductible for general and special property liability with limits of \$10 million and \$350 million, respectively.

The District has a \$500,000 deductible for worker's compensation with a \$1 million limit.

The District has had no significant reductions in insurance coverage from the previous year, nor have settled claims exceeded the District's commercial insurance coverages.

As of June 30, 2018, the District had no material claims outstanding for general liability or for workers' compensation cases.

(14) Commitments and Contingencies

The District is subject to litigation arising in the normal course of business. In the opinion of the District's Attorney, there is no pending litigation which is likely to have a material adverse effect on the financial position of the District.

The District receives Federal and State grant funds. The amounts, if any, of the Districts grant expenditures which may be disallowed upon audit by the granting agencies cannot be determined at this time, although the District expects any such amounts to be immaterial.

REQUIRED SUPPLEMENTARY INFORMATION

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Required Supplementary Information
Schedule of Changes in the Net OPEB Liability and Related Ratios*
For the Year Ended June 30, 2018
(unaudited)

	2017-2018
Total OPEB Liability	
Service cost	\$ 1,531,801
Interest on the total OPEB liability	4,722,673
Benefit payments	(2,600,577)
Net change in total OPEB liability	3,653,897
Total OPEB liability – beginning	64,908,798
Total OPEB liability – ending (a)	\$ 68,562,695
Plan fiduciary net position	
Contributions – employer	\$ 6,600,577
Net investment income	3,304,360
Benefit payments	(2,600,577)
Administrative expense	(17,180)
Net change in plan fiduciary net position	7,287,180
Plan fiduciary net position – beginning	32,741,243
Plan fiduciary net position – ending (b)	40,028,423
Net OPEB liability – ending (a) - (b)	\$ 28,534,272
Plan fiduciary net position as a percentage of the total OPEB liability	58.4%
Covered – employee payroll	\$ 35,433,438
Net OPEB liability as percentage of covered – employee payroll	80.53%

* Fiscal year 2017-18 was the first year of implementation, therefore only one year is shown.

See accompanying independent auditor's report.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Required Supplementary Information

Schedule of Contributions - OPEB*

For the Year Ended June 30, 2018

(unaudited)

	<u>2017-2018</u>
Actuarially determined contribution	\$ 6,081,000
Contributions in relation to the actuarially determined contributions	<u>6,817,699</u>
Contribution deficiency (excess)	<u>\$ (736,699)</u>
Covered - employee payroll	\$ 37,405,252
Contributions as a percentage of covered employee payroll	18.23%

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions are as follows:

Valuation date	6/30/2015
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	10 years
Asset valuation method	CERBT - 5-year smoothed market AIG Fund - contract value
Inflation	3.00%
Healthcare cost trend rates	Non-Med - 2015: Actual; 2016: Actual; 2017: 7.0%; 2018: 6.5%; 2019: 6.0%; 2020: 5.5%; 2021+: 5.0%
Salary increases	Medicare - 2015: Actual; 2016: Actual; 2017: 7.2%; 2018: 6.7%; 2019: 6.1%; 2020: 5.6%; 2021+: 5.0%
Investment rate of return	3.25%
Retirement age	7.25%
Mortality	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007
	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Fully generational with Scale MP-2014 modified to converge to ultimate improvement rates in 2022 for pre and post-retirement mortality

* Fiscal year 2017-18 was the first year of implementation, therefore only one year is shown.

See accompanying independent auditor's report.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
 Required Supplementary Information
 Schedule of Changes in the Net Pension Liability and Related Ratios *
 California Public Employees' Retirement System (CalPERS) – Miscellaneous Plan
 For the Year Ended June 30, 2018
 (unaudited)

	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>
Total Pension Liability				
Service Cost	\$ 4,509,169	\$ 4,405,494	\$ 4,402,254	\$ 5,251,175
Interest on total pension liability	18,144,590	19,019,896	19,929,495	20,568,801
Changes in assumptions	—	(4,479,434)	—	16,314,523
Differences between expected and actual experience	—	(1,508,680)	(584,236)	(2,082,303)
Benefit payments, including refunds of employee contributions	<u>(9,459,410)</u>	<u>(10,371,769)</u>	<u>(11,526,958)</u>	<u>(12,131,353)</u>
Net change in total pension liability	13,194,349	7,065,507	12,220,555	27,920,843
Total pension liability – beginning	<u>244,402,997</u>	<u>257,597,346</u>	<u>264,662,853</u>	<u>276,883,408</u>
Total pension liability – ending (a)	<u>257,597,346</u>	<u>264,662,853</u>	<u>276,883,408</u>	<u>304,804,251</u>
Plan fiduciary net position				
Contributions – employer	3,815,653	4,268,315	5,253,802	5,682,917
Contributions – employee	2,622,951	2,372,392	2,502,885	2,429,913
Net investment income	31,178,442 ⁽¹⁾	4,871,767	1,102,999	22,856,288
Benefit payments, including refunds of employee contributions	(9,459,410)	(10,371,769)	(11,526,958)	(12,131,353)
Administrative expense	<u>—</u>	<u>(236,125)</u>	<u>(127,831)</u>	<u>(305,553)</u>
Net change in plan fiduciary net position	28,157,636	904,580	(2,795,103)	18,532,212
Plan fiduciary net position – beginning	<u>180,686,208</u>	<u>208,843,844</u>	<u>209,748,424</u>	<u>206,953,321</u>
Plan fiduciary net position – ending (b)	<u>208,843,844</u>	<u>209,748,424</u>	<u>206,953,321</u>	<u>225,485,533</u>
Net pension liability – ending (a) - (b)	<u>\$ 48,753,502</u>	<u>\$ 54,914,429</u>	<u>\$ 69,930,087</u>	<u>\$ 79,318,718</u>
Plan fiduciary net position as a percentage of the total pension liability	81.07%	79.25%	74.74%	73.98%
Covered – employee payroll	\$ 32,010,647	\$ 33,133,499	\$ 34,119,169	\$ 35,433,438
Net pension liability as percentage of covered – employee payroll	152.30%	165.74%	204.96%	223.85%

⁽¹⁾ Net of administrative expenses.

Notes to Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2016 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

* Fiscal year 2014-15 was the first year of implementation, therefore only four years are shown.

See accompanying independent auditor's report.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Required Supplementary Information
Schedule of Contributions - Pension *
California Public Employees' Retirement System (CalPERS) – Miscellaneous Plan
For the Year Ended June 30, 2018
(unaudited)

	2014-2015	2015-2016	2016-2017	2017-2018
Actuarially determined contribution	\$ 4,268,315	\$ 5,365,344	\$ 5,685,584	\$ 6,407,096
Contributions in relation to the actuarially determined contributions	(4,268,315)	(5,365,344)	(5,685,584)	(6,407,096)
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —
Covered – employee payroll	\$ 33,133,499	\$ 34,119,169	\$ 35,433,438	\$ 37,405,253
Contributions as a percentage of covered – employee payroll	12.88%	15.73%	16.05%	17.13%

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions are as follows:

	6/30/2012	6/30/2013	6/30/2014	6/30/2015
Valuation date	6/30/2012	6/30/2013	6/30/2014	6/30/2015
Actuarial cost method	Entry age normal cost method	Entry age normal cost method	Entry age normal cost method	Entry age normal cost method
Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll	Level percent of payroll
Asset valuation method	Actuarial value of assets	Market value of assets	Market value of assets	Market value of assets
Inflation	2.75% compounded annually	2.75% compounded annually	2.75% compounded annually	2.75% compounded annually
Salary increases	Varies by entry age and service	Varies by entry age and service	Varies by entry age and service	Varies by entry age and service
Payroll Growth	3.00%	3.00%	3.00%	3.00%
Investment rate of return	7.50% net of pension plan investment and administrative expenses; includes inflation.	7.50% net of pension plan investment and administrative expenses; includes inflation.	7.50% net of pension plan investment and administrative expenses; includes inflation.	7.50% net of pension plan investment and administrative expenses; includes inflation.
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.	The probabilities of retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.	The probabilities of retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

* Fiscal year 2014-15 was the first year of implementation, therefore only four years are shown.

See accompanying independent auditor's report.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
Year Ended June 30, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Permit fees	\$ 36,255,518	\$ 36,255,518	35,734,281	\$ (521,237)
Title V permit fees	5,467,881	5,467,881	5,439,167	(28,714)
Asbestos fees	2,500,000	2,500,000	4,066,794	1,566,794
Penalties and variance fees	2,750,000	2,906,936	4,369,253	1,462,317
Hearing board fees	20,000	20,000	15,420	(4,580)
State subvention	1,732,000	1,732,000	1,724,380	(7,620)
AB 2588 income	363,081	178,035	336,389	158,354
Miscellaneous	50,000	50,000	150,958	100,958
Federal grant -EPA	2,437,239	2,437,239	2,269,012	(168,227)
Federal grant - DHS	1,349,249	1,349,249	1,212,933	(136,316)
CMAQ Spare The Air	885,000	885,000	688,998	(196,002)
Other grants	-	50,343	740,229	689,885
Portable equipment registration program (PERP)/Inspection Fees	400,000	400,000	547,588	147,588
Interest/Investment	285,000	285,000	997,879	712,879
County apportionment	31,518,760	31,518,760	33,032,767	1,514,007
Special environmental projects			105,797	
Total revenues	<u>86,013,728</u>	<u>86,035,962</u>	<u>91,431,845</u>	<u>5,395,883</u>
Expenditures:				
Executive office & Finance	9,414,859	10,728,905	8,670,435	(2,058,470)
Administration	14,197,946	17,624,939	12,401,554	(5,223,385)
Information systems	5,585,201	5,926,151	4,468,731	(1,457,420)
Legal services	3,118,290	3,204,478	2,927,496	(276,982)
Communication & Outreach	3,979,828	4,653,265	3,253,419	(1,399,846)
Compliance and enforcement	13,220,872	13,417,169	13,256,127	(161,042)
Engineering	13,264,855	13,479,955	9,468,340	(4,011,615)
Planning and research	12,107,861	12,826,970	6,591,444	(6,235,526)
Meteorology, Measurement and Rules	14,399,590	15,448,756	11,762,598	(3,686,158)
Strategic incentives division	586,459	639,867	370,441	(269,426)
Technology Implementation Office	500,000	700,000	374,878	(325,122)
Program Distribution	-	-	1,919,719	1,919,719
1% Vacancy Savings	(2,203,833)	(2,203,833)	-	2,203,833
Total current expenditures	<u>88,171,928</u>	<u>96,446,623</u>	<u>75,465,182</u>	<u>(20,981,440)</u>
Capital outlay	5,691,775	9,577,591	5,022,901	(4,554,690)
Debt Service: Principal	-	-	358,609	358,609
Debt Service: Interest	-	-	482,502	482,502
Total expenditures	<u>93,863,703</u>	<u>106,024,214</u>	<u>81,329,194</u>	<u>(24,695,020)</u>
Excess of Revenues				
Over Expenditures	(7,849,975)	(19,988,252)	10,102,651	30,090,903
Other Financing Sources				
Transfers in	483,697	483,697	1,110,780	627,083
Total other financing sources	<u>483,697</u>	<u>483,697</u>	<u>1,110,780</u>	<u>627,083</u>
Net Change in Fund Balance	<u>\$ (7,366,278)</u>	<u>\$ (19,504,555)</u>	<u>11,213,431</u>	<u>\$ 30,717,986</u>
Beginning Budgetary Fund Balance			63,752,774	
Ending Budgetary Fund Balance			<u>\$ 74,966,205</u>	

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Special Revenue Fund
Year Ended June 30, 2018

	Budgeted Amounts		Actual (Budgetary Basis)	Final Budget Positive (Negative)
	Original	Final		
Revenues:				
TFCA/MSIF DMV fee	\$ 35,096,571	\$ 69,869,540	\$ 21,759,408	\$ (48,110,132)
Carl Moyer Program	7,168,326	9,598,220	6,660,675	(2,937,545)
AB 434/923 others	964,807	964,807	889,236	(75,571)
Other grants	16,150,000	309,074	848,754	539,680
Total revenues	59,379,704	80,741,641	30,158,074	(50,583,567)
Expenditures:				
TFCA/MSIF & Other Programs				
Program distribution	21,215,369	52,299,650	15,365,918	(36,933,732)
Intermittent control	1,773,694	3,280,109	1,822,226	(1,457,883)
TFCA administration	1,585,414	2,036,893	1,057,082	(979,810)
Miscellaneous Incentive Program	19,997	19,997	132,925	112,928
Regional Electric Vehicle Deployment	807,555	1,337,713	308,109	(1,029,605)
Enhanced Mobile Source Inspection	1,167,289	1,175,110	48,197	(1,126,913)
Mobile source incentive	676,692	706,709	619,852	(86,857)
Vehicle Buy-Back	7,286,219	8,449,016	2,859,211	(5,589,805)
Commute Assistance	564,342	564,342	10,515	(553,827)
CMP				
Project Funding	6,710,883	9,140,777	5,918,629	(3,222,148)
Grant administration	457,443	457,443	505,544	48,101
California Goods Movement Program:				
Project Funding	16,000,000	130,000	130,000	
Grant administration	631,110	660,185	269,084	(391,101)
Total expenditures	58,896,007	80,257,944	29,047,294	(51,210,651)
Excess of Revenues				
Over Expenditures	483,697	483,697	1,110,780	627,083
Other Financing Uses				
Transfers out	(483,697)	(483,697)	(1,110,780)	\$ (627,083)
Total other financing uses				
Net Change in Fund Balance	\$ -	\$ -	-	
Beginning Budgetary Fund Balance				
Ending Budgetary Fund Balance			\$ -	

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Notes to Required Supplementary Information
Year Ended June 30, 2018

Budgetary Principles

Through the budget process, the Board of Directors sets the direction of the District. The annual budget assures the most efficient and effective use of the District's economic resources and establishes the priority of objectives that are to be accomplished during the fiscal year.

The annual budget covers the period from July 1 to June 30 and is a vehicle that accurately and openly communicates these priorities to the community, businesses, vendors, employees, and other public agencies. In addition, it establishes the foundation of effective financial planning by providing resource allocation, performance measures and controls that permit the evaluation and adjustment of the District's performance.

The District follows these procedures in establishing the budgetary data reflected in the basic financial statements:

- a) The Board of Directors adopts an annual budget by resolution prior to July 1 of each fiscal year. The annual budget indicates appropriations by fund and by program. The Board of Directors may also adopt supplemental appropriations during the year. At the fund level, expenditures may not legally exceed appropriations. The Air Pollution Control Officer (APCO) is authorized to transfer budgeted amounts between divisions and programs within any fund.
- b) Budgets are adopted on a basis that is consistent with Generally Accepted Accounting Principles (GAAP) with the exception of recognition of certain revenue, as discussed below. Annual appropriated budgets are adopted for the General and Special Revenue funds.
- c) Supplementary budgetary revenue and expenditure appropriations were adopted by the Board of Directors during the fiscal year. These supplemental appropriations have been included in the Budgeted Amounts - Final column of the Budgetary Comparison Schedules.

Reconciliation to the Statement of Revenues, Expenditures, and Changes in Fund Balances

The District's budgetary basis is consistent with Generally Accepted Accounting Principles (GAAP), with the exception of certain revenues that are recognized when earned in the GAAP-basis financial statements but deferred until expended on the budgetary basis. Revenues in the Budget and Actual schedules have been presented on the budgetary basis to provide a more meaningful comparison of actual results with the budget. The following is a reconciliation between revenues on the budgetary basis and the GAAP basis reflected in the statement of revenues, expenditures, and changes in fund balance.

	<u>Special Revenue Fund</u>
Revenues - Budgetary Basis	\$ 30,158,074
Revenue recognition adjustments	16,680,555
Revenues - GAAP Basis	<u>\$ 46,838,629</u>

SUPPLEMENTARY INFORMATION

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Transportation Fund for Clean Air (TFCA) Program, Mobile Source Incentive Fund Program,
Carl Moyer Program, & Other Programs

Schedule of Expenditures
Year Ended June 30, 2018

<u>Programs</u>	<u>Salaries and Benefits</u>	<u>Services and Supplies</u>	<u>Program Distribution</u>	<u>Total</u>
Program distribution	\$ -	\$ -	\$ 15,365,919	\$15,365,919
Intermittent control	788,098	1,034,128	-	1,822,226
TFCA administration	879,351	177,732	-	1,057,082
Miscellaneous Incentive Program	74,973	57,952	-	132,925
Regional Electric Vehicles	248,562	59,547	-	308,109
Enhanced Inspection Program	42,826	5,371	-	48,197
Commute Assistance	10,515	-	-	10,515
Vehicle Buy-Back	28,360	2,830,851	-	2,859,211
Mobile source incentive	563,999	55,853	-	619,852
Total expenditures	<u>\$2,636,684</u>	<u>\$ 4,221,434</u>	<u>\$ 15,365,919</u>	<u>\$22,224,037</u>

**BAY AREA AIR QUALITY
MANAGEMENT DISTRICT
Single Audit Reports
For the Year Ended June 30, 2018
(With Independent Auditor's Reports Thereon)**



BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Single Audit Reports
For the Year Ended June 30, 2018

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FOUNDING PARTNERS
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MELBA W. SIMPSON, CPA

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors of the
Bay Area Air Quality Management District

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Bay Area Air Quality Management District** (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 13, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.





Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Los Angeles, California
February 13, 2019



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MELBA W. SIMPSON, CPA

Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

The Board of Directors of the
Bay Area Air Quality Management District

Report on Compliance for Each Major Federal Program

We have audited the **Bay Area Air Quality Management District's** (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.





Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of the District's is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated February 13, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in cursive script that reads "Simpson & Simpson". The signature is written in dark ink and is located below the main body of text.

Los Angeles, California
February 13, 2019

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through/ Grant Identifying Number	Federal CFDA Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Environmental Protection Agency:				
Air Pollution Control Program Support	A009056 I 6	66.001		\$ 37,924
Air Pollution Control Program Support	A009056 I 7	66.001	\$ 629,892	1,869,598
Total CFDA 66.001			<u>629,892</u>	<u>1,907,522</u>
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	PM99T08001-4	66.034		155,407
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	PM99T0800 I-7	66.034		98,157
National Air Toxics Trend Study	XA99T39801	66.034		102,115
Community Scale Air Toxics Ambient Monitoring	XA99T70701	66.034		5,811
Total CFDA 66.034				<u>361,490</u>
National Clean Diesel Assistance	DE-99T42401	66.039		14,683
National Clean Diesel Assistance	DE-99T70001	66.039		10,904
Total CFDA 66.039				<u>25,587</u>
Total U.S. Environmental Protection Agency				<u>2,294,599</u>
U.S. Department of Homeland Security:				
Homeland Security Biowatch Program	2006-ST-9 I-2	97.091		1,212,933
Total U.S. Department of Homeland Security				<u>1,212,933</u>
U.S. Department of Transportation:				
Passed through California Department of Transportation:				
Highway Planning and Construction	CML-6297 (003)	20.205		688,998
Highway Planning and Construction	CML-6297 (007)	20.205		32,630
Total CFDA 20.205				<u>721,628</u>
Total U.S. Department of Transportation				<u>721,628</u>
Total Expenditures of Federal Awards			<u>\$ 629,892</u>	<u>\$ 4,229,160</u>

See accompanying independent auditor's report and notes to schedule of expenditures of federal awards.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

1. General

The accompanying Schedule of Expenditures of Federal Awards (SEFA) presents the activity of all federal award programs of the Bay Area Air Quality Management District (the District) for the year ended June 30, 2018. The District's reporting entity is defined in Note 1 of the District's basic financial statements. Expenditures of federal awards received directly from federal agencies, as well as expenditures of federal awards passed through other governmental agencies, are included in the SEFA.

2. Summary of Significant Accounting Policies

Basis of Accounting - Funds received under the various grant programs have been recorded within the general fund and the special revenue fund of the District. The accompanying SEFA is presented using the modified accrual basis of accounting for expenditures that are accounted for in the general fund and the special revenue fund, which are both governmental funds, as described in Note 1 of the District's basic financial statements.

Relationship to Financial Statements - Federal award expenditures reported in the accompanying SEFA agree, or can be reconciled, in all material respects, to amounts reported in the District's basic financial statements.

Catalog of Federal Domestic Assistance (CFDA) - The CFDA numbers included in the accompanying SEFA were determined based on the program name, review of grant or contract information, and the Office of Management and Budget's Catalog of Federal Domestic Assistance.

3. Pass-through Entities' Identifying Numbers

When federal awards are received from a pass-through entity, the SEFA indicates, if assigned, the identifying grant or contract number that has been assigned by the pass-through entity.

4. Indirect Cost Rate

The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2018

Section I - Summary of Auditor's Results

Financial statements:

- | | |
|--|------------|
| 1. Type of auditor's report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| • Material weakness(es) identified? | No |
| • Significant deficiency(ies) identified not considered to be material weaknesses? | No |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards:

- | | |
|--|------------|
| 4. Internal control over major programs: | |
| • Material weakness(es) identified? | No |
| • Significant deficiency(ies) identified not considered to be material weaknesses? | No |
| 5. Type of auditor's report issued on compliance for major program: | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516? | No |
| 7. Identification of major programs: | |

CFDA Number
97.091

Name of Federal Program or Cluster
Homeland Security Biowatch Program

- | | |
|---|-----------|
| 8. Dollar threshold used to distinguish between Type A and Type B programs: | \$750,000 |
| 9. Auditee qualified as a low-risk auditee? | Yes |

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2018

Section II – Financial Statement Finding

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Schedule of Prior Year Findings and Questioned Costs
For the Year Ended June 30, 2018

Section II – Financial Statement Finding

There were no audit findings in the prior year.

Section III – Federal Award Findings and Questioned Costs

There were no audit findings in the prior year.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Memorandum

To: Chairperson Carole Groom and Members
of the Budget and Finance Committee

From: Jack P. Broadbent
Executive Officer/APCO

Date: February 13, 2019

Re: Second Quarter Financial Report – Fiscal Year Ending (FYE) 2019

RECOMMENDED ACTION

None; receive and file.

DISCUSSION

Finance staff will present an update on the Air District’s financial results for the second quarter of the 2018-19 Fiscal Year (FY). The following information summarizes those results.

GENERAL FUND BUDGET: STATEMENT OF REVENUES – Comparison of Prior Year Quarter Actual and Current Year Budget to Actual

REVENUE TYPE	2nd QTR FY 2018	2nd QTR FY 2019	FY 2019 - % of BUDGETED REVENUE
County Receipts	\$12,602,763	\$12,848,493	39%
Permit Fee Receipts	\$27,921,937	\$33,312,960	86%
Title V Permit Fees	\$4,531,526	\$5,616,575	97%
Asbestos Fees	\$1,956,790	\$2,193,742	88%
Toxic Inventory Fees	\$375,639	\$298,624	59%
Penalties and Settlements	\$1,121,691	\$1,286,607	47%
Interest Income	\$346,519	\$690,297	139%
Misc. Revenue	\$20,794	\$74,824	75%
Total Revenue	\$48,877,658	\$56,322,122	67%

GENERAL FUND: STATEMENT OF EXPENDITURES - Comparison of Prior Year Quarter Actual and Current Year Budget to Actual

EXPENDITURE TYPE	2nd QTR FY 2018	2nd QTR FY 2019	FY 2019 - % of BUDGETED EXPENDITURES
Personnel - Salaries*	\$18,965,893	\$20,583,169	44%
Personnel - Fringe Benefits*	\$10,059,540	\$10,628,523	43%
Operational Services / Supplies	\$9,284,686	\$9,138,653	31%
Capital Outlay	\$3,244,123	\$2,136,710	46%
Office Acquisition		\$13,130,123	0%
Total Expenditures	\$41,554,241	\$55,617,177	53%

* Consolidated (includes Special Funds)

** Acquisition approved using GF Reserves

CASH INVESTMENTS IN COUNTY TREASURY – Account Balances as of 2nd Quarter

CASH/INVESTMENTS	2nd QTR FY 2018	2nd QTR FY 2019
General Fund	\$65,115,333	\$64,839,756
TFCA	\$89,137,168	\$99,193,498
MSIF	\$40,382,365	\$41,031,566
Carl Moyer	\$5,075,327	\$18,940,093
CA Goods Movement	\$10,553,891	\$15,077,651
Bike Share	\$1,072,305	\$1,084,000
Total	\$211,336,388	\$240,166,564

FUND BALANCES	6/30/2017	6/30/2018	6/30/2019
	Audited	Audited	Projected
DESIGNATED: *			
Building Acquisition			7,000,000
Diversity Equity & Inclusion		100,000	-
Economic Contingency	\$16,519,959	\$17,390,311	19,084,769
IT- Event Response	\$500,000	\$500,000	-
Litigation		\$500,000	-
Napa/Sonoma Fireplace Replacement Grant		\$1,000,000	1,000,000
Pension & Post Employment Liability	\$1,600,000	\$1,000,000	1,000,000
Tech- Meteorological Network Equipment	\$131,100	\$131,100	-
Tech- Mobile Monitoring Instruments	\$80,000	\$80,000	-
Technology Implementation Office		\$3,350,000	-
GHG Abatement Technology Study	\$1,500,000	\$1,500,000	-
Woodchip Program		\$150,000	-
Woodsmoke Grant		\$1,000,000	1,000,000
Worker's Comp Self -Funding	\$1,000,000	\$1,000,000	-
Total Designated Reserves	\$21,331,059	\$27,701,411	\$29,084,769
Undesignated Fund Balance	\$20,455,742	\$14,085,390	\$16,717,783
Use of Fund Balance	(\$852,032)	\$4,253,010	(\$12,671,400)
TOTAL DESIGNATED & UNDESIGNATED	\$40,934,769	\$46,039,811	\$33,131,152
Building Proceeds	\$4,668,200	\$4,668,200	\$209,489
TOTAL FUND BALANCE	\$45,602,969	\$50,708,011	\$33,340,641
* Designated Fund Balances are subject to change at Board's discretion.			
UNFUNDED LIABILITIES (Based on 2017 Actuarial Valuation Report)			
CalPERS Pension Retirement			\$74,654,496
Other Post- Employment Benefits			<u>\$18,840,854</u>
TOTAL UNFUNDED LIABILITIES			\$93,495,350
CERTIFICATE OF PARTICIPATION NOTES (Est. @ June 2018)			\$26,956,830

VENDOR PAYMENTS

In accordance with provisions of the Administrative Code, Division II Fiscal Policies and Procedures - Section 4 Purchasing Procedures: 4.3 Contract Limitations, staff is required to present recurring payments for routine business needs such as utilities, licenses, office supplies and the like, more than, or accumulating to more than \$100,000 for the fiscal year. In addition, this report includes all of the vendors receiving payments in excess of \$100,000 under contracts that have not been previously reviewed by the Board. In addition, staff will report on vendors that undertook work for the Air District on several projects that individually were less than \$100,000, but cumulatively exceed \$100,000.

Below is a list of vendors with cumulative payments made through the second quarter of 2018-19 FY that exceeded \$100,000 and meets the reporting criteria noted above. All expenditures have been appropriately budgeted as a part of the overall Air District budget for FY 2018-19.

VENDOR NAME	AMOUNT PAID (July 2018 - Dec 2018)	Explanation
1. Alliant Insurance Services	\$330,020	Various Business Insurance Policies
2. Bay Area Headquarters Authority	\$1,107,768	Shared Services & Common Areas
3. Benefits Coordinators Corp.	\$421,383	Life Insurance Plan & LTD Insurance
4. Berkeley Communications Corp.	\$255,348	IT Network Services
5. CA Public Employee Retirement System	\$3,159,785	Health Insurance Plan
6. CA Public Employee Retirement System	\$1,038,931	Retirement Benefits & 457 Supplemental Plan
7. Cubic Transportations Systems	\$207,421	Clipper Transit Subsidy
8. Enterprise Fleet Services	\$245,495	Fleet Leasing and Maintenance services
9. Hartford Life Ins Co.	\$375,855	457 Supplemental Insurance
10. O'Rorke Inc.	\$278,242	Marketing & Advertising Services
11. Preferred Benefit Insurance AD	\$391,136	Dental Insurance Plan
12. SoftwareOne Inc.	\$343,386	Microsoft Subscription Service
13. Thermo Environmental Instrument	\$183,654	Air monitoring and source test instrumentation
14. Wang Brother Investment	\$265,895	Richmond Site Lease

BUDGET CONSIDERATION/FINANCIAL IMPACT

None; receive and file.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Stephanie Osaze
Reviewed by: Jeffrey McKay

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Memorandum

To: Chairperson Carole Groom and Members
of the Budget and Finance Committee

From: Jack P. Broadbent
Executive Officer/APCO

Date: February 13, 2019

Re: Air District Economic Outlook

RECOMMENDED ACTION

None; receive and file.

DISCUSSION

Staff will present the Air District's Economic Outlook. The Economic Outlook provides an overview of historical economic trends and describes key assumptions and policies for the future economic growth of the region.

BUDGET CONSIDERATION/FINANCIAL IMPACT

None.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Leonid Bak
Reviewed by: Jeffrey McKay

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Memorandum

To: Chairperson Carole Groom and Members
of the Budget and Finance Committee

From: Jack P. Broadbent
Executive Officer/APCO

Date: February 13, 2019

Re: Continued Discussion on Air District's Financial Plan

RECOMMENDED ACTION

None; receive and file.

DISCUSSION

Staff will continue discussion of the Air District's Financial Plan. The Plan is a prelude to the upcoming fiscal year 2020 budget and provides an overview of historical financial trends and describes key assumptions and policies. These inputs are used to develop a five-year financial forecast for the Plan.

The first introduction to the Plan was presented at the January 23, 2019, Budget & Finance Committee Meeting. With the reassignment of the Budget & Finance Committee members, a second presentation of the Plan will be provided.

BUDGET CONSIDERATION/FINANCIAL IMPACT

None.

Respectfully submitted,

Jack P. Broadbent
Executive Officer/APCO

Prepared by: Jeffrey McKay

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

375 BEALE STREET, SAN FRANCISCO, CA 94105

FOR QUESTIONS PLEASE CALL (415) 749-4941

EXECUTIVE OFFICE:

MONTHLY CALENDAR OF AIR DISTRICT ANTICIPATED MEETINGS

FEBRUARY 2019

<u>TYPE OF MEETING</u>	<u>DAY</u>	<u>DATE</u>	<u>TIME</u>	<u>ROOM</u>
Board of Directors Budget & Finance Committee	Wednesday	27	9:30 a.m.	1 st Floor Board Room
Board of Directors Legislative Committee	Thursday	28	9:30 a.m.	1 st Floor Board Room

MARCH 2019

<u>TYPE OF MEETING</u>	<u>DAY</u>	<u>DATE</u>	<u>TIME</u>	<u>ROOM</u>
Board of Directors Regular Meeting	Wednesday	6	9:30 a.m.	1 st Floor Board Room
Advisory Council Mtg.	Monday	11	10:00 a.m.	1 st Floor Board Room
Board of Directors Public Engagement Committee	Thursday	14	9:30 a.m.	1 st Floor Board Room
Board of Directors Stationary Source Committee	Monday	18	9:30 a.m.	1 st Floor Board Room
Board of Directors Executive Committee	Wednesday	20	9:30 a.m.	1 st Floor Board Room
Board of Directors Budget & Finance Committee	Friday	22	9:30 a.m.	1 st Floor, Yerba Buena Room #109
Board of Directors Technology Implementation Office Steering Committee	Monday	25	9:30 a.m.	1 st Floor Board Room
Board of Directors Legislative Committee	Wednesday	27	9:30 a.m.	1 st Floor, Yerba Buena Room #109
Board of Directors Mobile Source Committee	Thursday	28	9:30 a.m.	1 st Floor Board Room

APRIL 2019

<u>TYPE OF MEETING</u>	<u>DAY</u>	<u>DATE</u>	<u>TIME</u>	<u>ROOM</u>
Board of Directors Regular Meeting	Wednesday	3	9:30 a.m.	1 st Floor Board Room
Board of Directors Regular Meeting	Wednesday	17	9:30 a.m.	1 st Floor Board Room
Board of Directors Public Engagement Committee	Thursday	18	9:30 a.m.	1 st Floor Board Room
Board of Directors Climate Protection Committee	Monday	22	9:30 a.m.	1 st Floor Board Room
Board of Directors Budget & Finance Committee	Wednesday	24	9:30 a.m.	1 st Floor, Yerba Buena Room #109
Board of Directors Legislative Committee	Wednesday	24	10:30 a.m.	1 st Floor, Yerba Buena Room #109
Board of Directors Mobile Source Committee	Thursday	25	9:30 a.m.	1 st Floor Board Room

VJ – 2/21/19 - 2:27 p.m.

G/Board/Executive Office/Moncal