# BAY AREA AIR QUALITY

# MANAGEMENT DISTRICT

**Basic Financial Statements**
**With Independent Auditor's Report**

**For the Year Ended June 30, 2023**

**BAY AREA AIR QUALITY MANAGEMENT DISTRICT**
Basic Financial Statements
For the Year Ended June 30, 2023

***Table of Contents***

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# Independent Auditor's Report

The Board of Directors of
Bay Area Air Quality Management District

## Report on the Audit of the Financial Statements

### *Opinions*

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, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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, 2023, 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.

### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 13 and the required supplementary information on pages 48 to 54 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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*

Management is responsible for the other information included in the annual report. The other information comprise the supplementary information on page 55 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2024, 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 solely 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.

Simpson & Simpson

Los Angeles, California
March 29, 2024

This discussion and analysis of the Bay Area Air Quality Management Air District (Air District) financial performance provides an overview of the Air District's financial activities for the fiscal year ended June 30, 2023. Please read it in conjunction with the accompanying basic financial statements and notes.

## A. Financial Highlights

- At the close of the fiscal year 2022-2023, the Air District's net position is $289,873,572. The total net position includes $47.6 million for net investment in capital assets, $191.4 million for restricted net position and $50.9 million for the unrestricted net position.
- The assets and deferred outflows of resources of the Air District exceeded its liabilities and deferred inflows of resources at the close of the fiscal year 2022-23, increasing the Air District's overall (net position) by $37.7 million or 15.0%.
- The Air District's governmental funds reported a total fund balance of $302,699,009; $184,215,889 for the Special Revenue Fund and $118,483,120 for the General Fund. The entire fund balance of the Special Revenue Fund in the amount of $184,215,889 is reserved for air quality grants and projects. The $118,483,120 General Fund balance consists of $52,992,818 representing the assigned fund balance, $7,173,963 restricted, $478,672 non-spendable and the remaining balance of $57,837,667 unassigned.

## A. Financial Highlights Continued

Table 1 presents the General Fund detail of fund balances as of June 30, 2023, and June 30, 2022.

**Table 1. General Fund Balances as of June 30, 2023, and 2022**

| Category | General Fund June 30, 2023 | General Fund June 30, 2022 | Increase/ (Decrease) |
|---|---|---|---|
| **Fund Balances:** | | | |
| **Nonspendable:** | | | |
| Prepaid Expenses | $ 478,672 | $ 462,276 | $ 16,396 |
| **Restricted:** | | | |
| Air Quality Grants and Projects | 639,505 | 639,505 | - |
| Post-Employment Benefits | 3,687,792 | 3,685,336 | 2,456 |
| Debt service | 2,846,666 | 2,670,178 | 176,488 |
| **Assigned:** | | | |
| Pension Liability Funding | - | 5,000,000 | (5,000,000) |
| Air Quality Grants and Projects | 20,492,622 | 15,872,793 | 4,619,829 |
| Other Assigned | 32,500,196 | 27,182,173 | 5,318,023 |
| **Unassigned:** | 57,837,667 | 50,641,350 | $ 7,196,317 |
| **Total Fund Balance** | **$ 118,483,120** | **$ 106,153,611** | **$ 12,329,509** |

## B. Overview of the Financial Statements

This discussion and analysis is designed to serve as an introduction to the Air District's basic financial statements. The Air 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.

## B. Overview of the Financial Statements (continued)

### *Government-Wide Financial Statements*

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

The government-wide financial statements are designed to provide readers with a broad overview of the Air District's finances in a manner similar to a private sector business. They provide information about the activities of the Air District as a whole and present a longer-term perspective of the Air 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 Air 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 Air District is improving or deteriorating. The Statement of Net Position as of June 30, 2023, is presented on page 14.

The Statement of Activities reports the net cost of the Air 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 Air District. The statement begins with a column that identifies the total cost of these programs followed by columns that summarize the Air District's program revenues by major category. The difference between expenses and revenues represents the net cost or benefit of the Air 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 15.

All the Air 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 Air 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 Air District's operations in more detail than the government-wide statements by providing information about the Air District's major funds. The Air District maintains two governmental funds: the General Fund and Special Revenue Fund.

## 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 Air District's governmental funds balance sheets can be found on page 16.

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 18.

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 17. 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 19.

### *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 20 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 Air 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 Air District's TFCA and Carl Moyer program expenditures on pages 48 to 55.

## C. Government-Wide Financial Analysis

The government-wide financial analyses focus on net position and changes in net position of the Air District's governmental activities. Table 2 below shows a condensed Statement of Net Position as of June 30, 2023, compared to the fiscal year ended June 30, 2022.

**Table 2. Statement of Net Position as of June 30, 2023, and June 30, 2022**

| | Governmental Activities June 30, 2023 | Governmental Activities June 30, 2022 | Increase/ (Decrease) |
|---|---|---|---|
| Current & Other Assets | $ 471,986,719 | $ 421,428,421 | $ 50,558,298 |
| Net OPEB Assets | - | 2,448,067 | (2,448,067) |
| Capital Assets | 68,356,920 | 70,506,071 | (2,149,151) |
| **Total Assets** | **540,343,639** | **494,382,559** | **45,961,080** |
| Deferred Outflows of Resources | 61,020,301 | 27,420,154 | 33,600,147 |
| Current Liabilities | 168,812,538 | 147,027,756 | $ 21,784,782 |
| Noncurrent Liabilities | 126,405,353 | 73,449,152 | 52,956,201 |
| Net OPEB Liability | 7,242,660 | - | 7,242,660 |
| **Total Liabilities** | **302,460,551** | **220,476,908** | **81,983,643** |
| Deferred Inflows of Resources | 9,029,817 | 49,117,629 | (40,087,812) |
| Net Position | | | |
| Invested in Capital Assets | 47,569,253 | 49,549,328 | (1,980,075) |
| Restricted | 191,389,852 | 177,237,981 | 14,151,871 |
| Unrestricted net position | 50,914,467 | 25,420,867 | 25,493,600 |
| **Total Net Position** | **$ 289,873,572** | **$ 252,208,176** | **$ 37,665,396** |

On June 30, 2023, the Air District's total assets and deferred outflows of resources exceeded its total liabilities and deferred inflows of resources by $289.9 million, an increase of $37.7 million over the previous fiscal year.

As noted earlier, total net position may serve over time as a useful indicator of the Air 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 Air District's net position is unrestricted and at the end of the fiscal year had a positive balance of $50.9 million. This change is a combination of increases in total assets from a variety of sources such as permit fees, property tax, investment gain, and grants related to TFCA, AB617, deferred outflow of resources, and offset by increase in pension liability and OPEB liability, but decreased in deferred inflow of resources, which reflects a combination of continued contributions, investments earnings and changes to actuarial assumptions.

## C. Government-Wide Financial Analysis (continued)

Table 3 below provides changes in net position for the fiscal year ending June 30, 2023, compared with the fiscal year ended June 30, 2022.

### Table 3. Statement of Activities for Fiscal Years 2022-23 and 2021-22

| | Governmental Activities FY 2022-23 | Governmental Activities FY 2021-22 | Dollar Increase / (Decrease) | Percentage Increase / (Decrease) |
|---|---|---|---|---|
| **Revenues:** | | | | |
| Program Revenue: | | | | |
| Charges for services | 75,066,319 | 65,937,553 | 9,128,766 | 14% |
| Operating grants and contributions | 90,279,732 | 82,249,911 | 8,029,821 | 10% |
| Total Program Revenue | 165,346,051 | 148,187,464 | 17,158,587 | 12% |
| General Revenues: | | | | |
| County Apportionments | 45,219,314 | 41,502,971 | 3,716,343 | 9% |
| Investment income not restricted for a specific program | 1,959,313 | (11,747,435) | 13,706,748 | -117% |
| Other | 241,141 | 300,628 | (59,487) | -20% |
| Total General Revenues | 47,419,768 | 30,056,164 | 17,363,604 | 58% |
| **Total Revenues** | **212,765,819** | **178,243,628** | **34,522,191** | **19%** |
| **Expenses:** | | | | |
| General Government | 110,709,632 | 93,639,574 | 17,070,058 | 18% |
| California Goods Movement Program | 1,347,965 | 566,268 | 781,697 | 138% |
| Vehicle Settlement | 3,548,194 | 1,857,148 | 1,691,046 | 91% |
| Debt Service | 618,261 | 290,461 | 327,800 | 113% |
| TFCA/MSIF & Other Program Distribution | 36,678,305 | 31,445,784 | 5,232,521 | 17% |
| Carl Moyer Program | 22,198,066 | 20,341,785 | 1,856,281 | 9% |
| **Total Expenses** | **175,100,423** | **148,141,020** | **26,959,403** | **18%** |
| **Change in Net Position** | **37,665,396** | **30,102,608** | **7,562,788** | **25%** |
| **Net Position-beginning of year** | **252,208,176** | **222,105,568** | **30,102,608** | **14%** |
| **Net Position-ending of year** | **289,873,572** | **252,208,176** | **37,665,396** | **15%** |

## 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 Air District's net position changed during the fiscal year 2022-2023. 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 Air 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 Air 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.

On June 30, 2023, the Air District's governmental activities reported ending net position of $289,873,572, an increase of $37,665,396 in comparison to the prior year. The primary reason is due to increases in program revenue, property taxes revenue increases, and investment gain from market fluctuations related to the San Mateo County's investment pool.

- Overall governmental revenues are $212,765,819; an increase of $34,522,191 from the prior year. This increase is a combination of $9.1 million increase of Program Revenue mainly related to the TFCA, Carl Moyer, and other state grants, $8.9 million increase of Permit Fees revenue, $3.7 million increase of County Apportionment Revenue, and a $12.4 million increase of fair market value adjustment in the San Mateo County investment pool to reflect market fluctuations and less earnings on investments. These increases are offset by the decrease of $2.7M from Penalties assessment, and 600K decrease in Asbestos Fees, and, $60K decrease Other Revenues.

- Overall governmental expenditures are $175,100,423; an increase of $26,959,403 over the prior year. Of the $27 million increase, approximately $7.9 million relates to an increase in grant activities for the following programs: Carl Moyer's AB134 community incentive program, California Goods Movement Program, and TFCA/MSIF and other programs, $1.7 million increase in Vehicle Settlement, a $17 million increase in the General Government Program mainly related to changes in GASB 68 pension valuation and GASB 75 other post-employment benefits, and $327K increase in Debt Service.

### D. General Fund Financial Analysis

Figure 1 below provides a pie chart of the Air District's General Fund revenues (net of other financing sources) for fiscal year 2022-2023. The General Fund recognized total revenue of $131,371,719 in fiscal year 2022-23, an increase of $12.7 million over the fiscal year 2021-22. This increase is mainly comprised of increased revenues in permit fees due to increased fee from changes to cost recovery policy and property tax due to increased assessed valuations. Program Revenue includes Permit, AB2588, Title V, and Asbestos fees. Program revenues are the largest General Fund revenue source in fiscal year 22-23 ($66.0 million), followed by Property Tax ($45.2 million), Grants ($13.1 million), Other revenues ($4.9 million), and Penalties ($2.1 million).

**Figure 1. Fiscal Year 2022-2023**
**General Fund Revenues (Figures in Millions)**

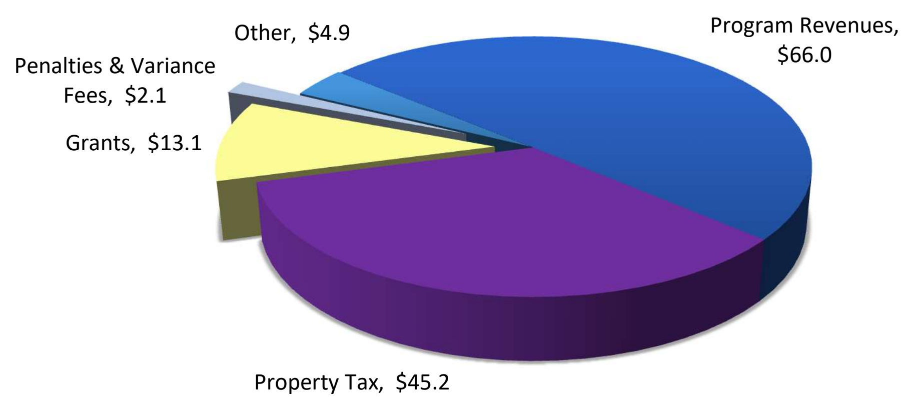
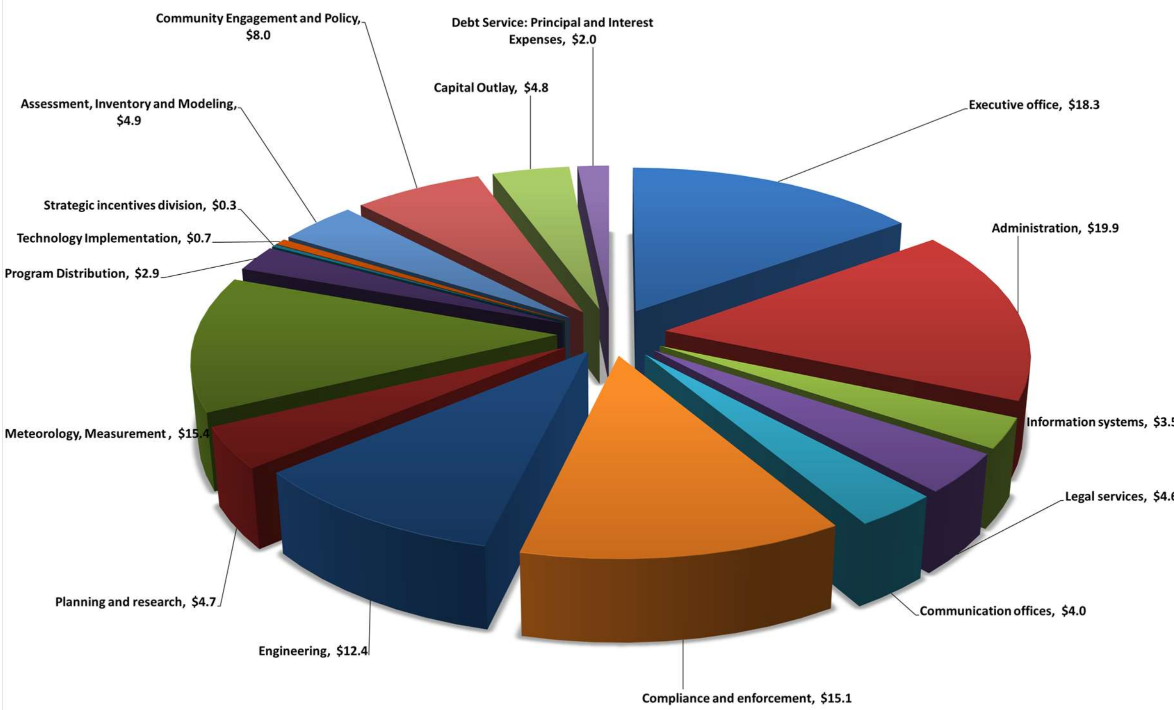



Figure 2 below provides a graph of General Fund operating expenditures (net of other financing uses) for fiscal year 2022-23. General Fund operating expenditures totaled $121,315,682 which is an increase of $8.9 million over fiscal year 2021-22. This increase is mainly due to increased personnel and benefit costs, increased activities related to the AB617 implementation program, climate technology program and offset by decreased in services and supplies general programs' expenditures. General Fund expenditures represent the Air District's general government operating costs categorized into the following operating divisions: Executive Division ($18.3 million), Administration Resource ($19.9 million), Legal Services ($4.6 million), Communication offices ($4.0 million), Technology Implementation ($0.7 million), Strategic Incentives ($0.3 million), Compliance and Enforcement ($15.1 million), Engineering ($12.4 million), Assessment, Inventory and Modeling ($4.9 million), Planning & Research ($4.7 million), Community Engagement and Policy ($8.0 million), Information Systems ($3.5 million), and Meteorology and Measurements ($15.4 million). Capital Outlay ($4.8 million), Debt Service Payments ($2.0 million) and Program Distribution ($2.9 million) are not operating divisions, but rather categories capturing expenditures related to capital assets, COPs financing, and special projects, respectively.

## D. General Fund Financial Analysis Continued

**Figure 2. Fiscal Year 2022-2023**
**General Fund Expenditures (Figures in Millions)**




General Fund operating revenues exceeded operating expenditures by $10.1 million in fiscal year 2022-23.

The General Fund is the operating fund of the Air District and at the end of the fiscal year, the total fund balance of the General Fund was $118.5 million. The assigned fund balance was $53 million, restricted $7.1 million, non-spendable $0.5 million, and the remaining $57.8 million is unassigned. The unassigned fund balance represents 47.7% of the total General Fund expenditures, while the total fund balance represents 97.7% of the total General Fund expenditures. The Air District has available funds for unanticipated emergencies.

The FY 2022-23 amended budget compared to the adopted budget reflect an increase in appropriations of $29.1 million (expenditures). The changes to the budget were the result of Governing Board actions that allocated additional funding after the budget was adopted and approved appropriations related to multi-year projects and obligations that will carry over to the next fiscal year. The FY 2022-23 actual revenues were above the final budget by $4.9 million resulting in additional revenues related to property tax, permit-related fees, and variance fees than initially projected.

### E. Capital Assets

Capital assets include land, buildings, lab equipment, air monitoring stations, computers, office furniture and fleet vehicles of the Air District. As of June 30, 2023, the Air District's investment in capital assets was $68.4 million net of accumulated depreciation, a decrease of $2.1 million or 3.0% from the prior year. This decrease in the combination of $7.0 million is depreciation expense; offset by approximately $4.8 million in additional assets consisting of enterprise application, lease assets, and equipment purchases.

### F. Long-Term Liabilities

At the end of the current fiscal year, the Air District had total long-term liabilities of $133.6 million. Of this amount, $106.2 million comprises of the Air District's Net Pension Liability, $7.2 million is related to Net OPEB Liability; 16.7 million pertains to the Air District's outstanding Certificate of Participation (COPs); $0.7 million is related to compensated absences; and the remaining balance of $2.8 million is related to lease obligations.  This increase is mainly related to increases in the Net Pension Liability and Net OPEB Liability (total together $60.5 million) based on changes in the actuarial assumptions, investment earnings and contributions.

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

The FYE 2024 Approved General Fund Budget of $138 million is balanced, reflecting a $5.3 million transfer from General Fund reserves for capital project/equipment and one-time contracts. The Air District receives approximately 33% of its General Fund revenue from property taxes levied in nine Bay Area counties and 46% of permit fees charged to local businesses. Consequently, the Air District revenues are impacted by changes in the state and local economy. The Air District takes a fiscally conservative approach to its budget, and it strives to balance its budget within available current revenues. The Air District continues to focus on long-term financial planning to ensure the vitality and effectiveness of its programs and is in the process of developing a Strategic Plan to establish priorities and goals for the next five years.

### H. Request for Information

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

**BAY AREA AIR QUALITY MANAGEMENT DISTRICT**
Statement of Net Position
June 30, 2023

| | Governmental Activities |
|---|---|
| Assets: | |
| Cash and cash equivalents | $ 107,254,607 |
| Restricted cash and cash equivalents | 332,539,590 |
| Receivables | 25,785,748 |
| Due from other governments | 5,726,786 |
| Prepaids, deposits, and other assets | 679,988 |
| Capital assets: | |
| Non-depreciable | 5,302,123 |
| Depreciable | 114,813,910 |
| Lease asset | 5,159,547 |
| Less: accumulated depreciation | (56,918,660) |
| Total capital assets, net of depreciation | 68,356,920 |
| Total Assets | 540,343,639 |
| Deferred Outflows of Resources | 61,020,301 |
| Liabilities: | |
| Accounts payable | 10,178,423 |
| Accrued liabilities | 3,402,867 |
| Due to other governments | 193,603 |
| Other liabilities | 1,783,595 |
| Unearned revenue | 144,540,436 |
| Long-term liabilities | |
| Portion due within one year: | |
| Compensated absences | 7,389,721 |
| Certificates of participation | 500,000 |
| Lease obligations | 823,893 |
| Portion due after one year: | |
| Compensated absences | 740,638 |
| Certificates of participation | 16,700,000 |
| Lease obligations | 2,763,774 |
| Net pension liability | 106,200,941 |
| Net OPEB liability | 7,242,660 |
| Total Liabilities | 302,460,551 |
| Deferred Inflows of Resources | 9,029,817 |
| Net Position: | |
| Net investment in capital assets | 47,569,253 |
| Restricted for: | |
| Air quality grants and projects | 184,855,394 |
| Post-employment benefits | 3,687,792 |
| Debt service | 2,846,666 |
| Unrestricted | 50,914,467 |
| Total Net Position | $ 289,873,572 |

See accompanying notes to basic financial statements.

## BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Statement of Activities

Year Ended June 30, 2023

| Functions/programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Net (Expense) Revenue and Changes in Net Assets |
|---|---|---|---|---|
| Governmental activities: | | | | |
| Primary government | $ 110,709,632 | $ 71,482,518 | $ 14,873,192 | $ (24,353,922) |
| California Goods Movement Program | 1,347,965 | - | 1,129,521 | (218,444) |
| Vehicle settlement | 3,548,194 | 3,583,801 | - | 35,607 |
| Interest expense | 618,261 | - | - | (618,261) |
| TFCA / MSIF, CPM & other programs: | | | | |
| TFCA / MSIF & other program distribution | 36,678,305 | - | 51,978,949 | 15,300,644 |
| Carl Moyer Program | 22,198,066 | - | 22,298,070 | 100,004 |
| Total Governmental Activities | $ 175,100,423 | $ 75,066,319 | $ 90,279,732 | (9,754,372) |
| General revenues: | | | | |
| County apportionment | | | | 45,219,314 |
| Investment income (loss) not restricted for a specific program | | | | 1,959,313 |
| Other | | | | 241,141 |
| Total General Revenues | | | | 47,419,768 |
| Change in Net Position | | | | 37,665,396 |
| Net Position – Beginning of Year | | | | 252,208,176 |
| Net Position – End of Year | | | | $ 289,873,572 |

See accompanying notes to basic financial statements.

**BAY AREA AIR QUALITY MANAGEMENT DISTRICT**

Balance Sheet

Governmental Funds

June 30, 2023

| | General | Special Revenue | Total Governmental |
|---|---|---|---|
| Assets: | | | |
| Cash and cash equivalents | $ 107,254,607 | $ - | $ 107,254,607 |
| Restricted cash and cash equivalents | 6,534,458 | 326,005,132 | 332,539,590 |
| Receivables | 16,666,096 | 9,119,652 | 25,785,748 |
| Due from other governments | 5,068,559 | 658,227 | 5,726,786 |
| Due from other funds | 8,061,987 | - | 8,061,987 |
| Prepaids, deposits, and other assets | 668,394 | 11,594 | 679,988 |
| Total Assets | 144,254,101 | 335,794,605 | 480,048,706 |
| Liabilities and Fund Balances: | | | |
| Accounts payable | 2,542,214 | 7,636,209 | 10,178,423 |
| Accrued liabilities | 3,668,088 | - | 3,668,088 |
| Due to other governments | - | 193,603 | 193,603 |
| Due to other funds | - | 8,061,987 | 8,061,987 |
| Other liabilities | 1,670,123 | 113,472 | 1,783,595 |
| Unearned revenue | 8,966,991 | 135,573,445 | 144,540,436 |
| Total Liabilities | 16,847,416 | 151,578,716 | 168,426,132 |
| Deferred Inflows of Resources: | | | |
| Unavailable revenue | 8,923,565 | - | 8,923,565 |
| Total Deferred Inflows of Resources | 8,923,565 | - | 8,923,565 |
| Fund Balances: | | | |
| Nonspendable: | | | |
| Prepaid items | 478,672 | - | 478,672 |
| Restricted: | | | |
| Air quality grants and projects | 639,505 | 184,215,889 | 184,855,394 |
| Postemployment benefits | 3,687,792 | - | 3,687,792 |
| Debt service | 2,846,666 | - | 2,846,666 |
| Assigned: | | | |
| Air quality grants and projects | 20,492,622 | - | 20,492,622 |
| Other assigned | 32,500,196 | - | 32,500,196 |
| Unassigned | 57,837,667 | - | 57,837,667 |
| Total Fund Balances | 118,483,120 | 184,215,889 | 302,699,009 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | $ 144,254,101 | $ 335,794,605 | $ 480,048,706 |

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, 2023

| | |
|---|---|
| Total Fund balances - Governmental Funds | $ 302,699,009 |
| 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 $120,473,547 and accumulated depreciation is $49,967,476 . | 68,356,920 |
| 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. | 8,923,565 |
| Long-term liabilities, including legal settlements, 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. | (28,652,805) |
| Proportionate share of net pension liability and related deferred inflow/outflow of resources are not reported in the governmental funds. | (57,537,129) |
| Net other post-employment benefits asset and related deferred inflow/outflow of resources are not reported in the governmental funds. | (3,915,988) |
| Total Net Position - Governmental Activities | $ 289,873,572 |

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, 2023

| | General | Special Revenue | Total Governmental |
|---|---|---|---|
| Revenues: | | | |
| TFCA / MSIF DMV fees | $ - | $ 41,408,777 | $ 41,408,777 |
| Permit fees | 62,256,437 | - | 62,256,437 |
| County apportionment | 45,219,314 | - | 45,219,314 |
| California Goods Movement | - | 1,129,521 | 1,129,521 |
| Carl Moyer Program | - | 22,298,070 | 22,298,070 |
| Federal grants | 5,071,978 | 1,088,798 | 6,160,776 |
| Penalties and variance fees | 2,096,653 | - | 2,096,653 |
| Asbestos fees | 3,753,065 | - | 3,753,065 |
| State subvention | 1,728,050 | - | 1,728,050 |
| State and other grants | 8,073,164 | 9,481,374 | 17,554,538 |
| Portable equipment registration program (PERP) | 835,081 | - | 835,081 |
| Vehicle settlement | - | 3,583,801 | 3,583,801 |
| Other revenues | 241,141 | - | 241,141 |
| Interest and investment gain (loss) | 2,096,836 | (137,523) | 1,959,313 |
| Total Revenues | 131,371,719 | 78,852,818 | 210,224,537 |
| Expenditures: | | | |
| General government: | | | |
| Program distribution | 2,939,047 | - | 2,939,047 |
| Executive division | 18,276,972 | - | 18,276,972 |
| Administration resource division | 19,900,608 | - | 19,900,608 |
| Information services division | 3,459,073 | - | 3,459,073 |
| Legal services division | 4,567,603 | - | 4,567,603 |
| Communication office | 3,960,346 | - | 3,960,346 |
| Compliance and enforcement division | 15,082,145 | - | 15,082,145 |
| Engineering division | 12,363,276 | - | 12,363,276 |
| Planning and research | 4,726,573 | - | 4,726,573 |
| Meteorology and measurement division | 15,402,206 | - | 15,402,206 |
| Strategic incentives division | 300,980 | - | 300,980 |
| Technology implementation office | 703,935 | - | 703,935 |
| Assessment, inventory and model division | 4,852,602 | - | 4,852,602 |
| Community engagement and policy division | 8,024,835 | - | 8,024,835 |
| TFCA / MSIF & other programs: | | | |
| Program distribution | - | 29,744,993 | 29,744,993 |
| Intermittent control | - | 1,408,179 | 1,408,179 |
| TFCA administration | - | 934,471 | 934,471 |
| Vehicle buy-back | - | 1,892,357 | 1,892,357 |
| Mobile source incentive | - | 562,106 | 562,106 |
| Miscellaneous incentive program | - | 12,954 | 12,954 |
| Regional electric vehicle deployment | - | 2,111,939 | 2,111,939 |
| Enhanced mobile source inspection | - | 11,306 | 11,306 |
| Carl Moyer Program | | | |
| Project funding | - | 19,189,341 | 19,189,341 |
| Grant administration | - | 3,008,725 | 3,008,725 |
| California Goods Movement Program & other | | | |
| Project funding | - | 1,100,000 | 1,100,000 |
| Grant administration | - | 247,965 | 247,965 |
| Vehicle settlement | | | |
| Project funding | - | 2,969,102 | 2,969,102 |
| Grant administration | - | 579,092 | 579,092 |
| Debt Service: | | | |
| Principal | 1,335,187 | - | 1,335,187 |
| Interest | 618,261 | - | 618,261 |
| Capital outlay | 4,802,033 | - | 4,802,033 |
| Total Expenditures | 121,315,682 | 63,772,530 | 185,088,212 |
| Excess of Revenues Over Expenditures | 10,056,037 | 15,080,288 | 25,136,325 |
| Other Financing Sources (Uses): | | | |
| Transfers in | 1,107,361 | - | 1,107,361 |
| Transfers out | - | (1,107,361) | (1,107,361) |
| Leases | 1,166,111 | | 1,166,111 |
| Total Other Financing Sources (Uses) | 2,273,472 | (1,107,361) | 1,166,111 |
| Net Changes in Fund Balances | 12,329,509 | 13,972,927 | 26,302,436 |
| Fund Balances, July 1, 2022 | 106,153,611 | 170,242,962 | 276,396,573 |
| Fund Balances, June 30, 2023 | $ 118,483,120 | $ 184,215,889 | $ 302,699,009 |

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, 2023

| | |
|---|---|
| Net Changes in Fund Balances - Governmental Funds | $ 26,302,436 |
| 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. | (2,149,151) |
| Proceeds of new debt and repayment on debt principal are reported as expenditures and other financing sources and uses in the governmental funds, but constitute reductions to liabilities in the statement of net position. | 169,076 |
| 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). | 130,644 |
| Because certain revenues will not be collected soon enough to be considered "available" revenues for this year. | 2,541,282 |
| Actuarial pension revenue is recognized in the government wide statements and actual pension contributions are reclassified in the current year as deferred outflow of resources. | 8,491,020 |
| 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. | 2,180,089 |
| Changes in Net Position of Governmental Activities | $ 37,665,396 |

See accompanying notes to basic financial statements.

## (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, 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 the administration of the program. TFCA activities are accounted for in the District's Special Revenue Fund.

The District is responsible for 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 view 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.

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 60 (sixty) days after year-end, except for 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 the 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.

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.

***(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.

### *(h) Capital Assets*

Capital assets, which include land, depreciable assets, the right to use leased vehicles and buildings, 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. Donated capital assets are recorded at their estimated fair value at the date of donation.

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.

| Assets | Years |
|---|---|
| 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 pension 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.

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.

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. As of June 30, 2023, the District had no committed fund balance.

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 is 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*

GASB Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements," has been evaluated and has no impact on the District's financial reporting or notes.

GASB Statement No. 96, "Subscription-based Information Technology Arrangements (SBITAs)," provides guidance on the accounting and financial reporting for SBITAs for governments. The Statement is based on the principle that SBITAs are financings of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets). It establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability. The pronouncement has been evaluated and has no material impact on the District's financial reporting or notes.

GASB Statement No. 99, "Omnibus 2022," addresses a variety of clarifications and practices, such as requirements related to derivatives, leases, public-private partnerships, and availability payment arrangements (PPPs), and SBITAs that were identified during the implementation and application of certain GASB Statements. The effective periods of Statement No. 99 covered multiple fiscal years. The District implemented the applicable requirements, specifically related to the Statement Nos. 87.

## (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, 2023, are classified in the accompanying financial statements as follows:

| | |
|---|---|
| Cash and cash equivalents | $ 107,254,607 |
| Restricted cash and cash equivalents | 332,539,590 |
| Total cash, cash equivalents and investments | $ 439,794,197 |

Cash, cash equivalents, and investments as of June 30, 2023, consist of the following:

| | |
|---|---|
| Cash and investments in San Mateo Pooled Fund Investment Program | $ 433,259,739 |
| Cash, cash equivalents, and investments with fiscal agent | 6,534,458 |
| Total cash, cash equivalents and investments | $ 439,794,197 |

Cash in County Treasury

The District is a voluntary participant in the San Mateo County Investment Fund (County Pool) that is regulated by the 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 quarterly. 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. As of June 30, 2023, the District recorded a total of $12.7 million of unrealized loss to reflect investments at its fair value.

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.

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:

| Authorized Investment Type | Maximum Maturity | Maximum Percentage of Portfolio | Maximum Investment in One Issuer |
|---|---|---|---|
| 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 | 20% | 10% |
| 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 $2,846,666 represent funds which are restricted for specific purposes under the terms of the debt agreement at June 30, 2023.

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, 2023.

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 A-l/P-1/F- l 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 A or better at the time of purchase, and the amount invested in corporate securities in the A rating category shouldn't exceed 90% of permitted corporate allocation. 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, 2023:

| | Ratings: | | | |
|---|---|---|---|---|
| | **Moody's** | **S&P** | **Maturities** | **Fair Value** |
| AIG Fixed Annuity | Not Rated | Not Rated | Current | $ 3,687,792 |
| Dreyfus Treasury Securities | Aaa-mf | AAAm | Current | 2,846,666 |
| Investments in San Mateo Pooled Fund Investment Program | Aaa to A3 | AAA to BBB+ | 1.51 Years | 433,259,739 |
| Total cash, cash equivalents, and investments | | | | $ 439,794,197 |

Restricted Cash, Cash Equivalents, and Investments

The District's restricted cash, cash equivalents, and investments are $332,539,590 at June 30, 2023.

Included in this restricted balance is $326,005,132 for air quality grants and projects, $2,846,666 for debt service, and $3,687,792 restricted for post-employment 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 l 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.

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 an 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 transfers on any securities exchange.

## (3) Receivables

At June 30, 2023, the District had the following accounts receivable:

| | | |
|---|---|---|
| **General Fund:** | | |
| Permit and other fees | $ 13,707,484 | |
| County apportionments | 826,265 | |
| Interest | 870,262 | |
| Other | 1,262,085 | |
| Total General Fund | | $ 16,666,096 |
| **Special Revenue Fund** | | |
| TFCA DMV fees | $ 4,390,096 | |
| MSIF DMV fees | 2,175,627 | |
| Interest | 2,553,929 | |
| Total Special Revenue Fund | | $ 9,119,652 |
| **Total Receivables** | | $ 25,785,748 |

## (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 that 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, 2023, the General Fund was owed $8,061,987 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, 2023, were as follows:

| Fund Receiving Transfer | Fund Making Transfer | Amount Transferred |
|---|---|---|
| General Fund | Special Revenue Fund | $1,021,361 |

## (5) Capital Assets

The District's capital assets were comprised of the following at June 30, 2023:

| | Balance at 7/1/2022 | Additions | Transfers | Balance at 6/30/2023 |
|---|---|---|---|---|
| Nondepreciable Assets: | | | | |
| Land | $ 3,974,267 | $ - | $ - | $ 3,974,267 |
| Construction in progress | 960,608 | (754,576) | 1,121,824 | 1,327,856 |
| Total nondepreciable assets | 4,934,875 | (754,576) | 1,121,824 | 5,302,123 |
| Depreciable assets: | | | | |
| Building | 36,950,205 | - | - | 36,950,205 |
| Building & Grounds | 7,474,530 | 243,499 | - | 7,718,029 |
| Leasehold Improvements | 2,933,740 | - | - | 2,933,740 |
| Office Equipment | 445,678 | - | - | 445,678 |
| Computer & Network Equipment | 10,687,237 | - | - | 10,687,237 |
| Enterprise application | 36,407,668 | 2,714,354 | - | 39,122,022 |
| Motorized Equip (vehicle) | 445,413 | - | - | 445,413 |
| Lab & Monitoring Equipment | 12,663,725 | 310,821 | - | 12,974,546 |
| Communication Equipment | 3,157,215 | - | - | 3,157,215 |
| Furniture | 166,395 | - | - | 166,395 |
| General Equipment | 213,430 | - | - | 213,430 |
| Lease assets | 3,993,436 | 1,166,111 | - | 5,159,547 |
| Total depreciable assets | 115,538,672 | 4,434,785 | - | 119,973,457 |
| Building | 9,080,558 | 1,847,510 | - | 10,928,068 |
| Building & Grounds | 1,355,660 | 412,485 | - | 1,768,145 |
| Leasehold Improvements | 2,772,303 | 5,082 | - | 2,777,385 |
| Office Equipment | 404,379 | 10,401 | - | 414,780 |
| Computer & Network Equipment | 9,646,748 | 224,949 | - | 9,871,697 |
| Enterprise application | 11,355,308 | 2,427,178 | - | 13,782,486 |
| Motorized Equip (vehicle) | 282,215 | 31,063 | - | 313,278 |
| Lab & Monitoring Equipment | 10,957,408 | 374,541 | - | 11,331,949 |
| Communication Equipment | 2,958,074 | 21,416 | - | 2,979,490 |
| Furniture | 154,776 | 1,489 | - | 156,265 |
| General Equipment | 206,982 | - | - | 206,982 |
| Lease assets | 793,065 | 1,595,070 | - | 2,388,135 |
| Total accumulated depreciation | 49,967,476 | 6,951,184 | - | 56,918,660 |
| Total depreciable assets, net | 65,571,196 | (2,516,399) | - | 63,054,797 |
| Total capital assets, net | $ 70,506,071 | $ (3,270,975) | $ 1,121,824 | $ 68,356,920 |

**BAY AREA AIR QUALITY MANAGEMENT DISTRICT**
Notes to Basic Financial Statements
Year Ended June 30, 2023

Depreciation expense by function for capital assets for the year ended June 30, 2023, is as follows:

Primary Government:

| | | |
|---|---|---|
| My Air Online | $ | 1,203,924 |
| Administrative Services | | 1,478,275 |
| Meteorology, Measurement & rules | | 776,248 |
| Compliance & Enforcement | | 589,531 |
| Engineering | | 437,193 |
| Executive | | 1,212,071 |
| Finance | | 198,099 |
| Information Systems | | 178,185 |
| Planning | | 165,891 |
| AIM | | 164,886 |
| Legal Services | | 130,624 |
| Human Resources | | 104,881 |
| CEP | | 100,230 |
| Rule | | 84,477 |
| Communications Office | | 63,481 |
| TIO | | 21,619 |
| Legislative | | 18,723 |
| Diversity Equity & Inclusion | | 15,162 |
| Strategic Incentives Division | | 7,682 |
| Total depreciation expense | $ | 6,951,184 |

## (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, 2023, the various components of unavailable revenue and unearned revenue reported were as follows:

| | Unearned Revenue | Unavailable Revenue | Total |
|---|---|---|---|
| **General Fund:** | | | |
| Permits and licenses | $ - | $ 8,923,565 | $ 8,923,565 |
| Community Air Protection Program | 8,966,991 | - | 8,966,991 |
| Total General Fund | 8,966,991 | 8,923,565 | 17,890,556 |
| **Special Revenue Fund:** | | | |
| GMB - Administration | 1,363,311 | - | 1,363,311 |
| GMB - On-Road Projects | 14,914,378 | - | 14,914,378 |
| Shore Power Projects | 6,393,622 | - | 6,393,622 |
| TRUs | 52,971 | - | 52,971 |
| Locomotive | 7,756 | - | 7,756 |
| Carl Moyer Program | 76,103,833 | - | 76,103,833 |
| Carl Moyer Program Administration | 3,458,604 | - | 3,458,604 |
| Low Carbon Project Funding | 4,366,408 | - | 4,366,408 |
| Low Carbon Program Administration | 2,335,846 | - | 2,335,846 |
| Vehicle Settlement | 24,036,043 | - | 24,036,043 |
| Special Projects | 2,540,673 | - | 2,540,673 |
| Total Special Revenue Fund | 135,573,445 | - | 135,573,445 |
| Total Unearned and Unavailable Revenue | $ 144,540,436 | $ 8,923,565 | $153,464,001 |

## (7) Deferred Outflows and Inflows of Resources

District's deferred outflows and inflows of resources as of June 30, 2023 are comprised of the following:

| | Deferred Outflows | Deferred Inflows |
|---|---|---|
| Changes of assumptions - Pension | $ 8,100,535 | $ - |
| Changes of assumptions - OPEB | 2,618,551 | - |
| Differences between expected and actual experience - Pension | 2,875,062 | - |
| Differences between expected and actual experience - OPEB | - | 9,029,817 |
| Net differences between projected and actual earnings on plan investments - Pension | 14,582,726 | - |
| Net differences between projected and actual earnings on plan investments - OPEB | 5,915,139 | - |
| Pension contributions subsequent to measurement date | 23,105,489 | - |
| OPEB contributions subsequent to measurement date | 3,822,799 | - |
| Total | $ 61,020,301 | $ 9,029,817 |

## (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 the acquisition date, the escrow period ended, and the District began making base rental payments of $100,000 per month beginning July 1, 2017.

The District is subject to mandatory sinking fund account payments as follows:

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

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 relate 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 made into the sinking fund are restricted for debt service.

Total payments of principal and interest are structured as follows:

| Fiscal Year | Total Annual Payments |
|---|---|
| 2024 | $ 1,200,000 |
| 2025 | 1,200,000 |
| 2026 | 1,200,000 |
| 2027 | 1,200,000 |
| 2028 | 1,370,000 |
| 2029-2033 | 6,850,000 |
| 2034-2038 | 6,850,000 |
| 2039-2043 | 6,850,000 |
| 2044-2045 | 2,740,000 |
| | $ 29,460,000 |

Upon payment of all rental payments under the term of the sublease agreement, the title of the office space will transfer to the District. Future annual payments on COPs are as follows:

| Year Ending June 30 | Certificates of Participation Principal | Certificates of Participation Interest |
|---|---|---|
| 2024 | $ 500,000 | $ 701,400 |
| 2025 | 500,000 | 680,400 |
| 2026 | 500,000 | 659,400 |
| 2027 | 500,000 | 638,400 |
| 2028 | 600,000 | 613,200 |
| 2029-2033 | 3,200,000 | 2,675,400 |
| 2034-2038 | 3,900,000 | 1,911,000 |
| 2039-2043 | 4,500,000 | 1,024,800 |
| 2044-2046 | 3,000,000 | 126,000 |
| | $ 17,200,000 | $ 9,030,000 |

COPs bear a variable interest rate structure with preset interest rate caps. The interest rate is based on an agreed-upon spread of 120 basis points or 1.2% plus a commonly used interest rate index published by the Securities Industry and Financial Markets Association (SIFMA). The SIMFA 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 4.01%; 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 determined that the SIFMA rate as of the end of the fiscal year ending June 30, 2023 exceeds the preset interest rate cap of 4.20%, noted above. As such, the District utilized the preset interest rate cap applicable to Fiscal Year 2023 to calculate the interest based on the predetermined principal payment schedule above.

### *(b) Leases*

The District is a lessee for noncancellable leases of buildings and vehicles. The District recognizes lease liability and intangible right-to-use lease assets in the government-wide financial statements.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain indirect costs. Subsequently, the leased asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines: (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. ease payments included in the measurement of the lease liability are composed of fixed payments and purchase option prices that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

The opening balance of the lease liability was recorded in the amount of $3.3 million. During the year, the District entered into new agreements and renewals, for an addition of $1.2 million. Fiscal Year 2023 amortization was $835K. As of June 30, 2023, the total value of the lease liability was $3.6 million.

As of June 30, 2023, the total value of the right-to-use asset was recorded at a cost of $5.2 million with accumulated amortization of $2.4 million.

The future lease payments under lease agreements are as follows:

| Year Ending June 30 | Lease Obligations Principal | Lease Obligations Interest |
|---|---|---|
| 2024 | $ 823,893 | $ 58,390 |
| 2025 | 610,953 | 45,112 |
| 2026 | 420,210 | 35,067 |
| 2027 | 393,574 | 25,783 |
| 2028 | 256,251 | 17,414 |
| 2029-2033 | 559,664 | 53,427 |
| 2034-2038 | 523,122 | 14,276 |
| | $ 3,587,667 | $ 249,469 |

### *(c) Summary of Long-Term Liabilities*

A schedule of changes in general long-term debt for the year ended June 30, 2023, is shown below:

| | Balance July 1, 2022 | Additions | Deletions | Balance June 30, 2023 | Due Within One Year |
|---|---|---|---|---|---|
| **Governmental Activities** | | | | | |
| Certificates of participation (COPs) | $17,700,000 | $ - | $ (500,000) | $17,200,000 | $ 500,000 |
| Compensated absences | 8,218,714 | 5,714,064 | (5,802,419) | 8,130,359 | 7,389,721 |
| Lease obligations | 3,256,743 | 1,166,111 | (835,187) | 3,587,667 | 823,893 |
| Total | $29,175,457 | $6,880,175 | $(7,137,606) | $28,918,026 | $8,713,614 |

The certificates of participation and long-term portion of compensated absences are liquidated by the General Fund. Lease obligations is liquidated by the General Fund and Special Revenue Fund.

## (9) 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 l 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 l 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 the levy, provided that they are collected within the fiscal year or within sixty 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.

County apportionment revenue recognized as of June 30, 2023, is as follows:

| County | Amount |
|---|---|
| Alameda | $ 8,276,485 |
| Contra Costa | 4,942,690 |
| Marin | 1,964,471 |
| Napa | 1,387,861 |
| Santa Clara | 12,626,230 |
| San Francisco | 6,789,385 |
| San Mateo | 6,292,058 |
| Solano | 1,007,009 |
| Sonoma | 1,933,125 |
| Total county apportionment revenue | **$ 45,219,314** |

## (10) 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, the Optional Settlement 2 Death Benefit, or the Special Death Benefit. The standard cost-of-living adjustment (COLA) is 2% and is applied as specified by the Public Employees' Retirement Law.

The Plan's provisions and benefits in effect at June 30, 2023, are summarized as follows:

| | **Classic** | **PEPRA** |
|---|---|---|
| | Prior to | On or after |
| Hiring date | January 1, 2013 | January 1, 2013 |
| 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% - 2.42% | 1.00 % - 2.50% |
| Required employee contribution rates | 7.00% | 6.75% |
| Required employer contribution rates | 26.48% | 26.48% |

### Employees Covered

At June 30, 2023, the following employees were covered by the benefit terms for the Plan:

| | |
|---|---|
| Inactive employees or beneficiaries currently receiving benefits | 346 |
| Inactive employees entitled to but not yet receiving benefits | 54 |
| Active employees | 403 |
| Total | 803 |

### Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the 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. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions. For the year ended June 30, 2023, the contributions to the Plan amounted to $23,105,489.

### Net Pension Liability

The District's net pension liability for the Plan of $106,200,941 at June 30, 2023, 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, 2022, using an annual actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022, using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability of the Plan is shown below. The total pension liability in the June 30, 2021, actuarial valuations were determined using the following actuarial assumptions:

| | |
|---|---|
| Valuation date | June 30, 2021 |
| Measurement date | June 30, 2022 |
| Actuarial cost method | Entry-Age Normal |
| Actuarial assumptions | |
| Discount rate | 6.90% |
| Inflation | 2.30% |
| Salary increases | Varies by entry age and service |
| Investment rate of return | 6.90% |
| Mortality rate table [1] | Derived using CalPERS' membership data for all funds |
| Post retirement benefit increase | The lesser of contract COLA or 2.30% until purchasing power protection allowance floor on purchasing power applies, 2.30% thereafter |

[1] The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.

All other actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from 2001 to 2019, including updates to salary increases, mortality, and retirement dates. The Experience Study report from November 2021 can be obtained at CalPERS' website under Forms and Publications.

**Change of Assumptions**

Effective with the June 30, 2021, valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

**Discount Rate**

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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. In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points. The expected real rates of return by asset class are as follows:

| Asset Class [a] | Assumed Asset Allocation | Real Return [a] |
|---|---|---|
| Global equity - cap-weighted | 30.00% | 4.54% |
| Global equity - non-Cap-weighted | 12.00 | 3.84 |
| Private equity | 13.00 | 7.28 |
| Treasury | 5.00 | 0.27 |
| Mortgage-backed securities | 5.00 | 0.50 |
| Investment grade corporates | 10.00 | 1.56 |
| High yield | 5.00 | 2.27 |
| Emerging market debt | 5.00 | 2.48 |
| Private debt | 5.00 | 3.57 |
| Real assets | 15.00 | 3.21 |
| Leverage | (5.00) | (0.59) |
| | 100.00% | |

[a] An expected inflation of 2.30% used for this period.

### 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 (a-b) |
| Balance at June 30, 2022 | $ 366,975,880 | $ 314,101,062 | $ 52,874,818 |
| Changes recognized for the measurement period: | | | |
| Service cost | 7,805,008 | – | 7,805,008 |
| Interest on the total pension liability | 25,737,558 | – | 25,737,558 |
| Differences between expected and actual experience | 781,844 | – | 781,844 |
| Changes of assumptions | 10,232,255 | – | 10,232,255 |
| Contributions from the employer | – | 11,730,043 | (11,730,043) |
| Contributions from employees | – | 3,537,042 | (3,537,042) |
| Net investment income | – | (23,840,877) | 23,840,877 |
| Benefit payments, including refunds of employee contributions | (17,768,805) | (17,768,805) | – |
| Administrative expense | – | (195,666) | 195,666 |
| Net changes | 26,787,860 | (26,538,263) | 53,326,123 |
| Balance at June 30, 2023 | $ 393,763,740 | $ 287,562,799 | $ 106,200,941 |

### 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 6.90%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.90%) or 1-percentage-point higher (7.90%) than the current rate:

| | 1.00% Decrease (5.90%) | Current Discount Rate (6.90%) | 1.00% Increase (7.90%) |
|---|---|---|---|
| District's net pension liability | $ 155,985,634 | $ 106,200,941 | $ 64,751,983 |

### 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).

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

For the year ended June 30, 2023, the District recognized pension expense of $8,491,020 for the Plan. As of June 30, 2023, the District reported deferred outflows and deferred inflows of resources related to the Plan as follows:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Changes of assumptions | $ 8,100,535 | $ - |
| Differences between expected and actual experience | 2,875,062 | - |
| Net differences between projected and actual earnings on pension plan investments | 14,582,726 | - |
| District contributions subsequent to the measurement date | 23,105,489 | - |
| Total | $ 48,663,812 | - |

The amounts above are net of outflows and inflows recognized in the 2020-21 measurement period expense.

The $23,105,489 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, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in future pension expense as follows:

| **Year ended June 30** | **Deferred Outflows of Resources** |
|---|---|
| 2024 | $ 5,860,606 |
| 2025 | 5,123,565 |
| 2026 | 3,656,631 |
| 2027 | 10,917,521 |

**Payable to the Pension Plan**

The District's contribution for all members to the Plan for the fiscal year ended June 30, 2023, 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, 2023.

## (11) 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 for classic or age 52 for PEPRA with at least 5 (five) years of service.

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 toward the benefits provided under the program. As of June 30, 2023, the AIG Retiree Life Insurance Fund had a total asset balance of $333,762, making up 0.5% of the total Plan Fiduciary Net Position of $68,464,914. 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, 2021, actuarial valuation, the following current, and former employees were covered by the benefit terms under the District's OPEB Plan:

| | |
|---|---|
| Active employees | 385 |
| Inactive employees or beneficiaries currently receiving benefits | 260 |
| Inactive employees entitled to, but not yet receiving benefits | 4 |
| Total | 649 |

### 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 premium 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 2023, the District contributed a total of $3,822,799 to the plan that includes $696,205 identified as implicit contributions.

**Net OPEB Liability**

The District's net OPEB liability of $7,242,660 at June 30, 2023, 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, 2021. The total OPEB liability in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions:

| | |
|---|---|
| Valuation date | June 30, 2021 |
| Measurement date | June 30, 2022 |
| Actuarial cost method | Entry-Age Normal |
| Actuarial assumptions | |
| Discount rate | 6.10% |
| Inflation | 2.50% |
| Salary increases | 3.00% per year; since benefits do not depend on salary, this is used to allocate the cost of benefits between service years. |
| Investment rate of return | 6.10%, net of plan investment expenses |
| Mortality improvement | MacLeod Watts Scale 2022 applied generationally from 2015 |
| Healthcare trend | Medical plan premiums and claims costs by age are assumed to increase once each year. Increases over the prior year's levels were derived using the Getzen model and are assumed to be effective on the dates shown |

| Effective January 1 | Premium Increase | Effective January 1 | Premium Increase |
|---|---|---|---|
| 2023 | 5.6% | 2067 | 4.7% |
| 2024 | 5.5% | 2068 | 4.6% |
| 2025-2026 | 5.4% | 2069 | 4.5% |
| 2027-2029 | 5.3% | 2070-2071 | 4.4% |
| 2030-2051 | 5.2% | 2072 | 4.3% |
| 2052 | 5.1% | 2073-2074 | 4.2% |
| 2053-2055 | 5.0% | 2075 | 4.1% |
| 2056-2060 | 4.9% | 2076 | 4.0% |
| 2061-2066 | 4.8% | & later | 4.0% |

The healthcare trend shown above was developed using the Getzen Model 2021_b published by the Society of Actuaries using the following settings: CPI 2.5%; Real GDP Growth 1.5%; Excess Medical Growth 1.1%; Expected Health Share of GDP in 2030 20.3%; Resistance Point 25%; Year after which medical growth is limited to growth in GDP 2075.

Demographic actuarial assumptions used in this valuation are based on the 2021 experience study of the California Public Employees Retirement System using data from 1997 to 2019, except for a different basis used to project future mortality improvements.

**Discount Rate**

The discount rate used to measure the total OPEB liability is 6.10%. 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 currently 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 | 1-5 Year Expected Real Rate of Return | 6-20 Year Expected Real Rate of Return |
|---|---|---|---|
| Global equity | 49.00% | 4.40% | 4.50% |
| Fixed income | 23.00 | (1.50) | 0.40 |
| Treasury inflation protected securities (TIPS) | 5.00 | (1.80) | 0.50 |
| Global real estate (REITs) | 20.00 | 3.00 | 3.70 |
| Commodities | 3.00 | 0.80 | 1.10 |
| Total | 100.00% | | |

To derive the expected future trust return specifically for the District, CalPERS' future return expectations was adjusted to align with the 2.5% general inflation assumption used in the actuarial assumptions. After applying the plan specific benefit payments to CalPERS' bifurcated return expectations, the actuaries determined the single equivalent long-term rate of return to be 6.10%.

**Changes in the OPEB Liability (Asset)**

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

| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (Asset) (a-b) |
|---|---|---|---|
| Beginning Balance at June 30, 2022 | $72,637,394 | $75,085,461 | $ (2,448,067) |
| Changes recognized for the measurement period | | | |
| Service cost | 2,189,150 | - | 2,189,150 |
| Interest on the total OPEB liability | 4,455,401 | - | 4,455,401 |
| Benefit payments | (3,574,371) | (3,574,371) | - |
| Contributions - employer | - | 3,574,371 | (3,574,371) |
| Contributions - direct | - | 4,000,000 | (4,000,000) |
| Net investment income | - | (10,600,660) | 10,600,660 |
| Other expenses - administrative expense | - | (19,887) | 19,887 |
| Net changes | 3,070,180 | (6,620,547) | 9,690,727 |
| Balance at June 30, 2023 | $75,707,574 | $68,464,914 | $ 7,242,660 |

**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, 2023:

| | 1.00% Decrease (5.10%) | Current Discount Rate (6.10%) | 1.00% Increase (7.10%) |
|---|---|---|---|
| Net OPEB liability (asset) | $ 15,888,802 | $ 7,242,660 | $ 1,813,428 |

### 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, 2023:

| | 1.00% Decrease | Current Trend [1] | 1.00% Increase |
|---|---|---|---|
| Net OPEB liability (asset) | $ 2,302,656 | $ 7,242,660 | $ 12,109,421 |

[1] Refer above to actuarial assumptions for health trend rates.

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

For the fiscal year ended June 30, 2023, the District recognized OPEB expense of $2,180,089. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Changes of assumptions | $ 2,618,551 | $ — |
| Difference between expected and actual earnings on OPEB plan investments | 5,915,139 | — |
| Difference between expected and actual experience | — | 9,029,817 |
| District contributions subsequent to the measurement date | 3,822,799 | — |
| Total | $ 12,356,489 | $ 9,029,817 |

The $3,822,799 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction in net OPEB liability in the year ending June 30, 2024.

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:

| **Year ended June 30** | **Deferred Outflows (Inflows) of Resources** |
|---|---|
| 2024 | $ (643,776) |
| 2025 | (1,021,300) |
| 2026 | (496,462) |
| 2027 | 2,188,552 |
| Thereafter | (523,141) |

## (12) 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 $100 million, respectively.

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

As of June 30, 2023, the District had no material claims outstanding for general liability or workers' compensation cases.

## (13) 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 District's 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, 2023
(unaudited)

| | 2017-2018 | 2018-2019 | 2019-2020 | 2020-2021 | 2021-2022 | 2022-2023 |
|---|---|---|---|---|---|---|
| Total OPEB Liability | | | | | | |
| Service cost | $ 1,531,801 | $ 1,581,585 | $ 1,801,428 | $ 1,859,816 | $ 1,915,610 | $ 2,189,150 |
| Interest on the total OPEB liability | 4,722,673 | 4,980,026 | 5,164,087 | 4,698,222 | 4,895,975 | 4,455,401 |
| Changes of assumptions | - | 3,506,193 | 175,927 | - | 3,275,584 | - |
| Differences between expected and actual experience | - | - | (7,536,242) | - | (9,030,137) | - |
| Benefit payments | (2,600,577) | (2,908,537) | (3,161,874) | (3,489,527) | (3,653,437) | (3,574,371) |
| Net change in total OPEB liability | 3,653,897 | 7,159,267 | (3,556,674) | 3,068,511 | (2,596,405) | 3,070,180 |
| Total OPEB liability – beginning | 64,908,798 | 68,562,695 | 75,721,962 | 72,165,288 | 75,233,799 | 72,637,394 |
| Total OPEB liability – ending (a) | $ 68,562,695 | $ 75,721,962 | $ 72,165,288 | $ 75,233,799 | $ 72,637,394 | $ 75,707,574 |
| Plan fiduciary net position | | | | | | |
| Contributions – employer | $ 6,600,577 | $ 6,817,699 | $ 7,161,874 | $ 3,401,469 | $ 7,653,437 | $ 7,574,371 |
| Net investment income | 3,304,360 | 3,139,604 | 2,802,806 | 1,897,992 | 15,526,284 | (10,600,660) |
| Benefit payments | (2,600,577) | (2,908,537) | (3,161,874) | (3,489,527) | (3,653,437) | (3,574,371) |
| Administrative expense | (17,180) | (73,126) | (9,966) | (26,028) | (21,632) | (19,887) |
| Net change in plan fiduciary net position | 7,287,180 | 6,975,640 | 6,792,840 | 1,783,906 | 19,504,652 | (6,620,547) |
| Plan fiduciary net position – beginning | 32,741,243 | 40,028,423 | 47,004,063 | 53,796,903 | 55,580,809 | 75,085,461 |
| Plan fiduciary net position – ending (b) | 40,028,423 | 47,004,063 | 53,796,903 | 55,580,809 | 75,085,461 | 68,464,914 |
| Net OPEB liability – ending (a) - (b) | $ 28,534,272 | $ 28,717,899 | $ 18,368,385 | $ 19,652,990 | $ (2,448,067) | $ 7,242,660 |
| Plan fiduciary net position as a percentage of the total OPEB liability | 58.4% | 62.1% | 74.5% | 73.9% | 103.4% | 90.4% |
| Covered – employee payroll | $ 35,433,438 | $ 37,405,253 | $ 40,462,747 | $ 44,766,317 | $ 48,652,158 | $ 51,700,259 |
| Net OPEB liability as percentage of covered – employee payroll | 80.53% | 76.78% | 45.40% | 43.90% | -5.03% | 14.01% |

* Fiscal year 2017-18 was the first year of implementation, therefore only six years are 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, 2023
(unaudited)

| | 2017-2018 | 2018-2019 | 2019-2020 | 2020-2021 | 2021-2022 | 2022-2023 |
|---|---|---|---|---|---|---|
| Actuarially determined contribution | $ 6,081,000 | $ 5,655,362 | $ 4,721,343 | $ 4,380,464 | $ 2,080,418 | $ 2,023,598 |
| Contributions in relation to the actuarially determined contributions | 6,817,699 | 7,161,874 | 3,401,469 | 7,653,437 | 7,574,371 | 3,822,799 |
| Contribution deficiency (excess) | $ (736,699) | $ (1,506,512) | $ 1,319,874 | $ (3,272,973) | $ (5,493,953) | $ (1,799,201) |
| Covered - employee payroll | $ 37,405,252 | $ 40,734,161 | $ 44,766,317 | $ 48,652,158 | $ 51,700,259 | $ 53,430,405 |
| Contributions as a percentage of covered employee payroll | 18.23% | 17.58% | 7.60% | 15.73% | 14.65% | 7.15% |

**Notes to Schedule:**

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

| | 2017-2018 | 2018-2019 | 2019-2020 | 2020-2021 | 2021-2022 | 2022-2023 |
|---|---|---|---|---|---|---|
| Valuation date | 6/30/2015 | 7/1/2017 | 6/30/2019 | 6/30/2019 | 6/30/2021 | 6/30/2021 |
| Actuarial cost method | Entry age normal | Entry age normal | Entry age normal | Entry age normal | Entry age normal | Entry age normal |
| Amortization method | Level percentage of pay | Level percentage of pay | Level percentage of pay | Level percentage of pay | Level percentage of pay | Level percentage of pay |
| Amortization period | 10 years | 9 years | 8 years | 7 years | 30 years | 30 years |
| Asset valuation method | CERBT - 5-year smoothed market<br>AIG Fund - contract value | Market value of assets | Market value of assets | Market value of assets | Market value of assets | Market value of assets |
| Inflation | 3.00% | 2.75% | 2.50% | 2.50% | 2.50% | 2.50% |
| 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%<br><br>Medicare - 2015: Actual; 2016: Actual; 2017: 7.2%; 2018: 6.7%; 2019: 6.1%; 2020: 5.6%; 2021+: 5.0% | Medical Premium Increase - Effective January 1: 2018: 8.00%, 2019: 7.50%, 2020: 7.00%, 2021: 6.50%, 2022: 6.00%, 2023: 5.50%, 2024: 5.00%, & later: 5.00%<br><br>Dental and vision premiums are assumed to increase by 3% per year. The PEMHCA Minimum Employer Contribution is assumed to increase at 4.5% per year. Life insurance premiums are assumed to remain fixed at current levels in all future years. | Medical Premium Increase - Effective January 1: 2021: 5.40%, 2022: 5.30%, 2023-26: 5.20%, 2027-46: 5.30%, 2047: 5.20%, 2048-49: 5.10%, 2050-53: 5.00%, 2054-59: 4.90%, 2060-66: 4.80%, 2067: 4.70%, 2068: 4.60%, 2069: 4.50%, 2070-71: 4.40%, 2072: 4.30%, 2073-74: 4.20%, 2075: 4.10%, 2076 & later: 4.00%<br><br>The PEMHCA Minimum Employer Contribution is assumed to increase at 4.0% per year. Life insurance premiums are assumed to remain fixed at current levels in all future years. | Medical Premium Increase - Effective January 1: 2021: 5.40%, 2022: 5.30%, 2023-26: 5.20%, 2027-46: 5.30%, 2047: 5.20%, 2048-49: 5.10%, 2050-53: 5.00%, 2054-59: 4.90%, 2060-66: 4.80%, 2067: 4.70%, 2068: 4.60%, 2069: 4.50%, 2070-71: 4.40%, 2072: 4.30%, 2073-74: 4.20%, 2075: 4.10%, 2076 & later: 4.00%<br><br>The PEMHCA Minimum Employer Contribution is assumed to increase at 4.0% per year. Life insurance premiums are assumed to remain fixed at current levels in all future years. | Medical Premium Increase - Effective January 1: 2023: 5.60%, 2024: 5.50%, 2025-26: 5.40%, 2027-29: 5.30%, 2030-51: 5.20%, 2052: 5.10%, 2053-55: 5.00%, 2056-60: 4.90%, 2061-66: 4.80%, 2067: 4.70%, 2068: 4.60%, 2069: 4.50%, 2070-71: 4.40%, 2072: 4.30%, 2073-74: 4.20%, 2075: 4.10%, 2076 & later: 4.00%<br><br>The PEMHCA Minimum Employer Contribution is assumed to increase at 4.0% per year. Life insurance premiums are assumed to remain fixed at current levels in all future years. | Medical Premium Increase - Effective January 1: 2023: 5.60%, 2024: 5.50%, 2025-26: 5.40%, 2027-29: 5.30%, 2030-51: 5.20%, 2052: 5.10%, 2053-55: 5.00%, 2056-60: 4.90%, 2061-66: 4.80%, 2067: 4.70%, 2068: 4.60%, 2069: 4.50%, 2070-71: 4.40%, 2072: 4.30%, 2073-74: 4.20%, 2075: 4.10%, 2076 & later: 4.00%<br><br>The PEMHCA Minimum Employer Contribution is assumed to increase at 4.0% per year. Life insurance premiums are assumed to remain fixed at current levels in all future years. |
| Salary increases | 3.25% | 3.25% per year; used to determine amortization payments if developed on a level percent of pay basis | 3.00% per year; since benefits do not depend on pay, this is used only to allocate the cost of benefits between service years and to develop the amortization payment portion of the actuarially determined contributions | 3.00% per year; since benefits do not depend on pay, this is used only to allocate the cost of benefits between service years and to develop the amortization payment portion of the actuarially determined contributions | 3.00% per year; since benefits do not depend on pay, this is used only to allocate the cost of benefits between service years. | 3.00% per year; since benefits do not depend on pay, this is used only to allocate the cost of benefits between service years. |
| Investment rate of return | 7.25% | 7.25% | 6.50% | 6.50% | 6.10% | 6.10% |
| 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 2014 CalPERS Experience Study for the period from 1997 to 2011 | The probabilities of retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015 | The probabilities of retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015 | The probabilities of retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015 | The probabilities of retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015 |
| Mortality | 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 | The representative mortality rates were those published by CalPERS in their 2014 study, adjusted to back out 20 years of Scale BB to central year 2008. | The representative mortality rates were those published by CalPERS in their 2017 study, adjusted to back out 15 years of Scale MP 2016 to central year 2015. | The representative mortality rates were those published by CalPERS in their 2017 study, adjusted to back out 15 years of Scale MP 2016 to central year 2015. | The representative mortality rates were those published by CalPERS in their 2017 study, adjusted to back out 15 years of Scale MP 2016 to central year 2015. | The representative mortality rates were those published by CalPERS in their 2017 study, adjusted to back out 15 years of Scale MP 2016 to central year 2015. |

* Fiscal year 2017-18 was the first year of implementation, therefore only six years are 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, 2023

(unaudited)

| | 2014-2015 | 2015-2016 | 2016-2017 | 2017-2018 | 2018-2019 | 2019-2020 | 2020-2021 | 2021-2022 | 2022-2023 |
|---|---|---|---|---|---|---|---|---|---|
| Total Pension Liability | | | | | | | | | |
| Service Cost | $ 4,509,169 | $ 4,405,494 | $ 4,402,254 | $ 5,251,175 | $ 5,588,151 | $ 5,823,771 | $ 6,236,440 | $ 6,774,300 | $ 7,805,008 |
| Interest on total pension liability | 18,144,590 | 19,019,896 | 19,929,495 | 20,568,801 | 21,332,712 | 22,580,042 | 23,680,235 | 24,829,261 | 25,737,558 |
| Changes in assumptions | — | (4,479,434) | — | 16,314,523 | (1,997,101) | — | — | — | 10,232,255 |
| Differences between expected and actual experience | — | (1,508,680) | (584,236) | (2,082,303) | (643,002) | 4,336,733 | 2,141,716 | 2,420,546 | 781,844 |
| Benefit payments, including refunds of employee contributions | (9,459,410) | (10,371,769) | (11,526,958) | (12,131,353) | (13,197,195) | (14,663,313) | (16,065,803) | (17,005,864) | (17,768,805) |
| Net change in total pension liability | 13,194,349 | 7,065,507 | 12,220,555 | 27,920,843 | 11,083,565 | 18,077,233 | 15,992,588 | 17,018,243 | 26,787,860 |
| Total pension liability – beginning | 244,402,997 | 257,597,346 | 264,662,853 | 276,883,408 | 304,804,251 | 315,887,816 | 333,965,049 | 349,957,637 | 366,975,880 |
| Total pension liability – ending (a) | 257,597,346 | 264,662,853 | 276,883,408 | 304,804,251 | 315,887,816 | 333,965,049 | 349,957,637 | 366,975,880 | 393,763,740 |
| Plan fiduciary net position | | | | | | | | | |
| Contributions – employer | 3,815,653 | 4,268,315 | 5,253,802 | 5,682,917 | 6,359,880 | 7,628,075 | 9,296,564 | 10,640,587 | 11,730,043 |
| Contributions – employee | 2,622,951 | 2,372,392 | 2,502,885 | 2,429,913 | 2,514,609 | 2,815,780 | 2,972,457 | 3,336,742 | 3,537,042 |
| Net investment income | 31,178,442 | 4,871,767 | 1,102,999 | 22,856,288 | 19,071,946 | 15,727,365 | 12,434,790 | 58,550,025 | (23,840,877) |
| Plan to plan resource movement | — | — | — | — | (556) | — | — | — | — |
| Benefit payments, including refunds of employee contributions | (9,459,410) | (10,371,769) | (11,526,958) | (12,131,353) | (13,197,195) | (14,663,313) | (16,065,803) | (17,005,864) | (17,768,805) |
| Other miscellaneous income (expense) (1) | — | — | — | — | (667,255) | 556 | — | — | — |
| Administrative expense | — | (236,125) | (127,831) | (305,553) | (351,369) | (170,709) | (353,219) | (258,564) | (196,666) |
| Net change in plan fiduciary net position | 28,157,636 | 904,580 | (2,795,103) | 18,532,212 | 13,730,060 | 11,337,754 | 8,284,789 | 55,262,926 | (26,539,263) |
| Plan fiduciary net position – beginning | 180,686,208 | 208,843,844 | 209,748,424 | 206,953,321 | 225,485,533 | 239,215,593 | 250,553,347 | 258,838,136 | 314,101,062 |
| Plan fiduciary net position – ending (b) | 208,843,844 | 209,748,424 | 206,953,321 | 225,485,533 | 239,215,593 | 250,553,347 | 258,838,136 | 314,101,062 | 287,561,799 |
| Net pension liability – ending (a) - (b) | $ 48,753,502 | $ 54,914,429 | $ 69,930,087 | $ 79,318,718 | $ 76,672,223 | $ 83,411,702 | $ 91,119,501 | $ 52,874,818 | $ 106,201,941 |
| Plan fiduciary net position as a percentage of the total pension liability | 81.07% | 79.25% | 74.74% | 73.98% | 75.73% | 75.02% | 73.96% | 85.59% | 73.03% |
| Covered – employee payroll | $ 32,010,647 | $ 33,133,499 | $ 34,119,169 | $ 35,433,438 | $ 37,405,253 | $ 40,734,161 | $ 44,766,317 | $ 48,652,158 | $ 51,700,259 |
| Net pension liability as percentage of covered – employee payroll | 152.30% | 165.74% | 204.96% | 223.85% | 204.98% | 204.77% | 203.54% | 108.68% | 205.42% |

(1) During Fiscal Year 2017-18, as a result of Governmental Accounting Standards Board Statement (GASB) No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions (GASB 75), CalPERS reported its proportionate share of activity related to postemployment benefits for participation in the State of California's agent OPEB plan. Accordingly, CalPERS recorded a one-time expense as a result of the adoption of GASB 75.

Additionally, CalPERS employees participate in various State of California agent pension plans and during Fiscal Year 2017-18, CalPERS recorded a correction to previously reported financial statements to properly reflect its proportionate share of activity related to pensions in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68).

**Notes to Schedule:**

**Benefit Changes**: The figures above include any liability impact that may have resulted from voluntary benefit changes that occurred after the June 30, 2019 valuation. However, offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes) that occurred after the June 30, 2019 valuation date are not included in the figures above, unless the liability impact is deemed to be material by the plan actuary.

**Changes of Assumptions**: Effective with the June 30, 2021, valuation date (2022 measurement date, fiscal year 2023), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

None in 2019 - 2021. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. 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 nine 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, 2023
(unaudited)

| | 2014-2015 | 2015-2016 | 2016-2017 | 2017-2018 | 2018-2019 | 2019-2020 | 2020-2021 | 2021-2022 | 2022-2023 |
|---|---|---|---|---|---|---|---|---|---|
| Actuarially determined contribution | $ 4,268,315 | $ 5,365,344 | $ 5,685,584 | $ 6,407,096 | $ 7,675,962 | $ 9,374,554 | $ 10,695,192 | $ 11,786,249 | $ 23,105,489 |
| Contributions in relation to the actuarially determined contributions | (4,268,315) | (5,365,344) | (5,685,584) | (6,407,096) | (7,675,962) | (9,374,554) | (10,695,192) | (11,786,249) | (23,105,489) |
| Contribution deficiency (excess) | $ — | $ — | $ — | $ — | $ — | $ — | $ — | $ — | $ — |
| Covered – employee payroll | $ 33,133,499 | $ 34,119,169 | $ 35,433,438 | $ 37,405,253 | $ 40,734,161 | $ 44,766,317 | $ 48,652,158 | $ 51,700,259 | $ 53,430,405 |
| Contributions as a percentage of covered – employee payroll | 12.88% | 15.73% | 16.05% | 17.13% | 18.84% | 20.94% | 21.98% | 22.80% | 43.24% |

**Notes to Schedule:**

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

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Valuation date | 6/30/2012 | 6/30/2013 | 6/30/2014 | 6/30/2015 | 6/30/2016 | 6/30/2017 | 6/30/2018 | 6/30/2019 | 6/30/2020 |
| Actuarial cost method | Entry age normal cost method | Entry age normal cost method | Entry age normal cost method | Entry age normal cost method | Entry age normal 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 | Level percent of payroll | 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 | Market value of assets | Market 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 | 2.75% compounded annually | 2.625% compounded annually | 2.50% compounded annually | 2.50% compounded annually | 2.50% 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 | Varies by entry age and service | 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% | 3.00% | 2.875% | 2.750% | 2.750% | 2.750% |
| 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. | 7.375% net of pension plan investment and administrative expenses; includes inflation. | 7.25% net of pension plan investment and administrative expenses. | 7.00% net of pension plan investment and administrative expenses. | 7.00% net of pension plan investment and administrative expenses. | 7.00% net of pension plan investment and administrative expenses. |
| 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. | 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 2017 CalPERS Experience Study for the period from 1997 to 2015. | The probabilities of retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. | The probabilities of retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. | The probabilities of retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. |
| Mortality | The probabilities of mortality 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. | The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. | The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. | The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. | The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. | The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. | The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. | The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. |
| | Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries. | Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries. | Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries. | Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries. | Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries. | Post-retirement mortality rates above include 15 years of projected on-going mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries. | Post-retirement mortality rates above include 15 years of projected on-going mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries. | Post-retirement mortality rates above include 15 years of projected on-going mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries. | Post-retirement mortality rates above include 15 years of projected on-going mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries. |

* Fiscal year 2014-15 was the first year of implementation, therefore only nine 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, 2023

| | Budgeted Amounts | | Actual | Final Budget |
|---|---|---|---|---|
| | Original | Final | (Budgetary Basis) | Positive (Negative) |
| Revenues: | | | | |
| Permit fees | $ 48,290,511 | $ 48,290,511 | $ 51,481,885 | $ 3,191,374 |
| Criteria pollutant and toxics emissions | 1,219,460 | 1,219,460 | 1,702,031 | 482,571 |
| Title V permit fees | 8,065,278 | 8,065,278 | 7,735,283 | (329,995) |
| Asbestos fees | 4,000,000 | 4,000,000 | 3,753,065 | (246,935) |
| Penalties and variance fees | 2,750,000 | 2,750,000 | 2,008,464 | (741,536) |
| Hearing board fees | 25,000 | 25,000 | 88,189 | 63,189 |
| State subvention | 1,748,876 | 1,748,876 | 1,728,050 | (20,826) |
| AB 2588 income - toxic inventory fees | 1,659,680 | 1,659,680 | 1,337,238 | (322,442) |
| Miscellaneous | 300,000 | 300,000 | 241,141 | (58,859) |
| Federal grant -EPA | 3,189,755 | 3,189,755 | 2,774,767 | (414,988) |
| Federal grant - DHS | 1,516,418 | 1,516,418 | 1,294,932 | (221,486) |
| CMAQ Spare The Air | 1,000,000 | 1,000,000 | 1,002,279 | 2,279 |
| Other grants | 9,000,000 | 9,000,000 | 8,073,164 | (926,836) |
| (PERP)/Inspection Fees | 475,000 | 475,000 | 835,081 | 360,081 |
| Interest/Investment | 1,000,000 | 1,000,000 | 2,096,836 | 1,096,836 |
| County apportionment | 42,197,180 | 42,197,180 | 45,219,314 | 3,022,134 |
| Total revenues | 126,437,158 | 126,437,158 | 131,371,719 | 4,934,561 |
| Expenditures: | | | | |
| Executive division | 18,299,657 | 22,360,095 | 18,276,972 | (4,083,123) |
| Administration resource division | 16,183,516 | 24,107,619 | 19,900,608 | (4,207,011) |
| Legal services division | 3,269,034 | 5,517,848 | 4,567,603 | (950,245) |
| Communication office | 4,162,136 | 5,086,713 | 3,960,346 | (1,126,367) |
| Technology implementation office | 1,018,977 | 3,227,079 | 703,935 | (2,523,144) |
| Strategic incentives division | 398,864 | 418,029 | 300,980 | (117,049) |
| Compliance and enforcement division | 17,672,044 | 17,756,674 | 15,082,145 | (2,674,529) |
| Engineering division | 14,254,629 | 15,391,692 | 12,363,276 | (3,028,416) |
| Assessment, inventory and model division | 5,063,192 | 5,822,823 | 4,852,602 | (970,221) |
| Planning and research | 5,400,013 | 6,202,549 | 4,726,573 | (1,475,976) |
| Community engagement and policy division | 11,690,679 | 14,717,497 | 8,024,835 | (6,692,662) |
| Information services division | 6,406,782 | 5,749,190 | 3,459,073 | (2,290,117) |
| Meteorology and measurement division | 18,335,705 | 18,822,523 | 15,402,206 | (3,420,317) |
| Program distribution | 1,000,000 | 3,667,028 | 2,939,047 | (727,981) |
| Vacancy savings | (5,165,856) | (5,165,856) | - | 5,165,856 |
| Total current expenditures | 117,989,372 | 143,681,503 | 114,560,201 | (29,121,302) |
| Capital outlay | 6,562,177 | 9,082,636 | 4,802,033 | (4,280,603) |
| Debt Service: Principal | 1,335,187 | 1,335,187 | 1,335,187 | - |
| Debt Service: Interest | 618,261 | 618,261 | 618,261 | - |
| Total expenditures | 126,504,997 | 154,717,587 | 121,315,682 | (33,401,905) |
| Excess of Revenues Over Expenditures | (67,839) | (28,280,429) | 10,056,037 | 38,336,466 |
| Other Financing Sources | | | | |
| Transfers in | 1,066,545 | 1,066,545 | 1,107,361 | 40,816 |
| Leases | - | - | 1,166,111 | 1,166,111 |
| Total other financing sources | 1,066,545 | 1,066,545 | 2,273,472 | 1,206,927 |
| Net Change in Fund Balance | $ 998,706 | $ (27,213,884) | 12,329,509 | $ 39,543,393 |
| Beginning Budgetary Fund Balance | | | 106,153,611 | |
| Ending Budgetary Fund Balance | | | $ 118,483,120 | |

**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, 2023

| | Budgeted Amounts | | Actual | Final Budget |
|---|---|---|---|---|
| | Original | Final | (Budgetary Basis) | Positive (Negative) |
| Revenues: | | | | |
| TFCA/MSIF DMV fee | $ 32,750,000 | $ 91,350,761 | $ 27,298,327 | $ (64,052,434) |
| Carl Moyer Program | 55,058,440 | 22,298,069 | 22,298,070 | 1 |
| Other grants/funding | 7,190,000 | 8,433,570 | 9,481,374 | 1,047,804 |
| Federal grants | 1,000,000 | 1,000,000 | 1,088,798 | 88,798 |
| California Goods Movement | 5,100,000 | 1,129,521 | 1,129,521 | - |
| Vehicle settlement | 13,668,548 | 5,995,977 | 3,583,801 | (2,412,176) |
| Total revenues | 114,766,988 | 130,207,898 | 64,879,891 | (65,328,007) |
| Expenditures: | | | | |
| TFCA/MSIF & Other Programs | | | | |
| Program distribution | 26,238,133 | 83,538,536 | 29,744,993 | (53,793,543) |
| Intermittent control | 1,981,624 | 3,338,951 | 1,408,179 | (1,930,772) |
| TFCA administration | 1,479,590 | 1,555,483 | 934,471 | (621,012) |
| Miscellaneous incentive program | 6,300 | 6,300 | 12,954 | 6,654.00 |
| Regional electric vehicle deployment | 2,323,402 | 2,478,348 | 2,111,939 | (366,409) |
| Enhanced mobile source inspection | 15,000 | 16,390 | 11,306 | (5,084) |
| Mobile source incentive | 827,980 | 828,340 | 562,106 | (266,234.00) |
| Vehicle buy-back | 7,301,474 | 8,255,470 | 1,892,357 | (6,363,113) |
| Commuter assistance | 11,000 | 11,000 | - | (11,000) |
| Carl Moyer Program | | | | |
| Project funding | 51,376,614 | 18,416,557 | 19,189,341 | 772,784 |
| Grant administration | 3,681,826 | 3,881,532 | 3,008,725 | (872,807) |
| California Goods Movement Program | | | | |
| Project funding | 4,827,089.00 | 1,100,000 | 1,100,000 | - |
| Grant administration | 272,911 | 29,521 | 247,965 | 218,444.00 |
| Vehicle settlement | | | | |
| Project funding | 12,551,272 | 4,719,785 | 2,969,102 | (1,750,683) |
| Grant administration | 806,228 | 965,140 | 579,092 | (386,048) |
| Total expenditures | 113,700,443 | 129,141,353 | 63,772,530 | (65,368,823) |
| Excess of Revenues Over Expenditures | 1,066,545 | 1,066,545 | 1,107,361 | 40,816 |
| Other Financing Uses | | | | |
| Transfers out | (1,066,545) | (1,066,545) | (1,107,361) | $ (40,816) |
| 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, 2023

**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. Additionally, the unrealized loss as a result of recognizing the fair value of investments held in the San Mateo County Pool has also been excluded from the budgetary basis revenues.

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.

| | Special Revenue Fund |
|---|---|
| Revenues - Budgetary Basis | $ 64,879,891 |
| Revenue recognition adjustments | 14,110,450 |
| Interest and investment gain (loss) | (137,523) |
| Revenues - GAAP Basis | $ 78,852,818 |

# SUPPLEMENTARY INFORMATION

**BAY AREA AIR QUALITY MANAGEMENT DISTRICT**

Transportation Fund for Clean Air (TFCA) Program,

Mobile Source Incentive Fund Program & Other Programs

Schedule of Expenditures

Year Ended June 30, 2023

| Programs | Salaries and Benefits | Services and Supplies | Program Distribution | Total |
|---|---|---|---|---|
| Program distribution | $ - | $ - | $ 29,744,993 | $ 29,744,993 |
| Intermittent control | 531,825 | 876,354 | - | 1,408,179 |
| TFCA administration | 792,185 | 142,286 | - | 934,471 |
| Miscellaneous incentive program | 12,954 | - | - | 12,954 |
| Regional electric vehicles deployment | 1,491,485 | 620,454 | - | 2,111,939 |
| Enhanced mobile source inspection | - | 11,306 | - | 11,306 |
| Vehicle buy-back | 46,174 | 1,846,183 | - | 1,892,357 |
| Mobile source incentive | 543,901 | 18,205.00 | - | 562,106 |
| Total expenditures | $ 3,418,524 | $ 3,514,788 | $ 29,744,993 | $ 36,678,305 |