

Comprehensive Annual Financial Report



Year Ended June 30, 2017

South Coast Air Quality Management District
Diamond Bar, California





MISSION STATEMENT

SCAQMD's mission is to clean the air and protect the health of all residents in the South Coast Air District through practical and innovative strategies.

South Coast
Air Quality Management District

Diamond Bar, California

Comprehensive Annual Financial Report
Year Ended June 30, 2017

Prepared by:
Finance Office
Michael B. O'Kelly, Chief Administrative Officer
Sujata Jain, Assistant Deputy Executive Officer
Susanna Leung, Controller

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

Comprehensive Annual Financial Report
Year Ended June 30, 2017

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SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

GOVERNING BOARD

June 30, 2017

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

BEN BENOIT
Vice Chair
County of Riverside
Cities Representative

MARION ASHLEY
County of Riverside Representative

JUDITH MITCHELL
County of Los Angeles
Cities Representative
Western Region

JOE BUSCAINO
City of Los Angeles Representative

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

SHAWN NELSON
County of Orange Representative

SHEILA KUEHL
County of Los Angeles Representative

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

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

DWIGHT ROBINSON
County of Orange
Cities Representative

LARRY MCCALLON
County of San Bernardino
Cities Representative

JANICE RUTHERFORD
County of San Bernardino Representative

WAYNE NASTRI
Executive Officer



South Coast Air Quality Management District

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

October 13, 2017

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

State law requires that local governments publish within nine months of the close of each fiscal year a complete set of audited financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This report is published to fulfill that requirement for the fiscal year ended June 30, 2017.

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

SCAQMD's financial statements have been audited by BCA Watson Rice LLP, Certified Public Accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of SCAQMD for the fiscal year ended June 30, 2017 are free of material misstatements. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified (clean) opinion that SCAQMD's financial statements for the fiscal year ended June 30, 2017 are fairly presented in conformity with accounting principles generally accepted in the United States. The independent auditor's report is located at the front of the financial section of this report.

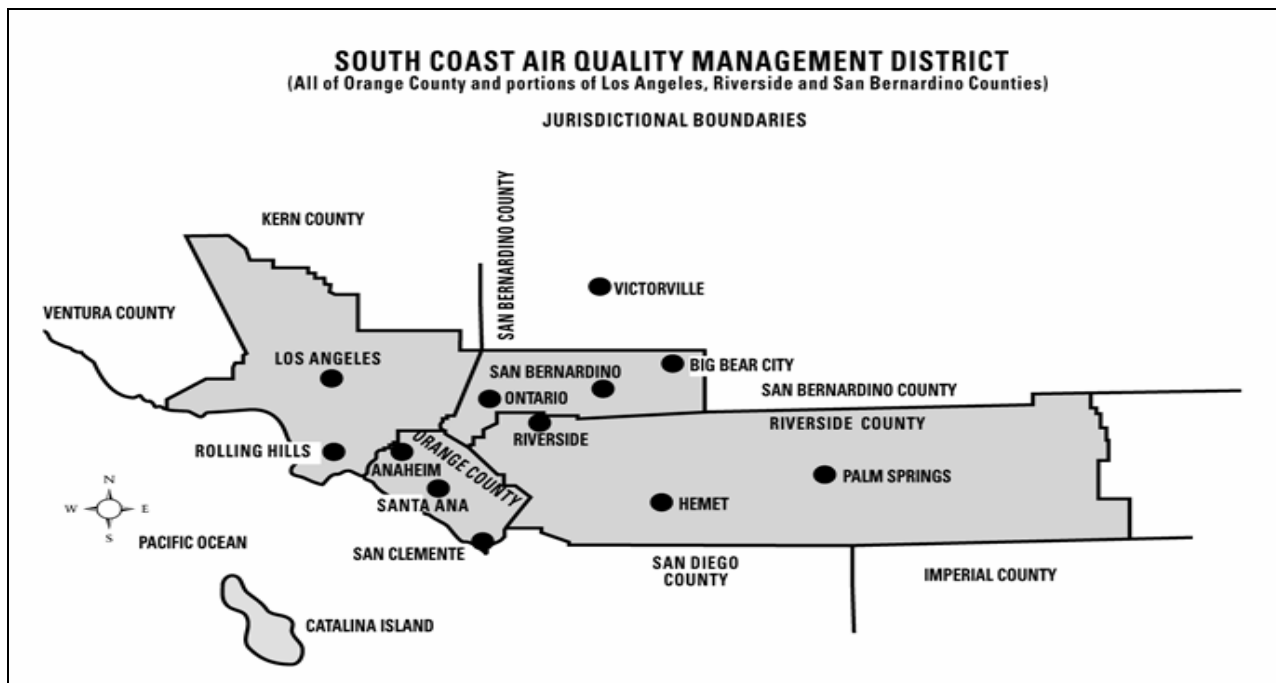
The independent audit of the financial statements of SCAQMD was part of a broader, federally mandated "Single Audit" designed to meet the special needs of Federal grantor

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

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

Profile of the South Coast Air Quality Management District

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



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

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

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

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

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

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

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

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

Factors Affecting Financial Condition

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

To meet its program commitments, despite new federal and state mandates, increased workload complexity, and ongoing cost containment efforts, SCAQMD continues to streamline many of its operations. Compared to the fiscal year 1991-92 General Fund budget, the fiscal year 2016-17 General Fund budget reflects funded staffing levels that are approximately 30% below the 1991-92 level. The budgeted General Fund expenditures, when adjusted for inflation, are approximately 28% less than the 1991-92 period.

Government-wide revenues during this fiscal year increased by 46% as compared to the prior fiscal year, primarily due to the timing of revenues in the Proposition 1B Goods Movement Fund. General Fund revenues increased by 11% as compared to the prior fiscal year, primarily due to an increase in unexpected large one-time penalties and settlements paid by non-compliant entities. Future changes in government-wide revenue are highly dependent on the timing of receipts and continuation of state and federal grant

funding, while General Fund revenues are expected to continue to remain generally stable through the following fiscal year due to the strengthening of the economic environment.

Government-wide expenses increased by 12% as compared to the prior fiscal year, primarily due to the timing of expenses in the Carl Moyer AB923 Fund. General Fund expenditures increased by 3% as compared to the prior fiscal year, due to increased employee retirement plan contributions and slight salary increases. Future changes in government-wide expenses are highly dependent on the timing of receipts and continuation of state and federal grant funding, while General Fund expenditures are expected to increase through the following fiscal year due to the continued increases in employee retirement plan contributions.

Long-term Financial Planning

In addressing long-term program costs, SCAQMD has pursued actions over the past several years including legislative changes to the employee retirement plan, labor negotiations, and the use of one-time revenues to lower its long-term retirement costs and economically defease a portion of its current debt service. As part of the annual budget process, SCAQMD prepares a five year financial plan that demonstrates the commitment to meet future financial challenges and uncertainties while continuing to protect the health of the residents within the SCAQMD boundaries and remaining sensitive to business. During the current fiscal year and beyond, SCAQMD continues to look for cost savings and operational efficiencies as a means of balancing revenues and expenditures to ensure long term financial sustainability.

Relevant Financial Policies

In recent years, SCAQMD's Governing Board has made several policy decisions to meet future financial challenges and uncertainties while continuing to protect the health of the residents within the SCAQMD boundaries and remaining sensitive to business. These policy decisions include reducing debt, negotiating reductions in the cost of pensions, and reviewing and revising fee policies. In fiscal year 2012-13, debt associated with the Headquarters building was eliminated, while additional funds were set aside in fiscal year 2013-14 to pay for outstanding debt related to pension obligation bonds. Fiscal year 2016-17 was the final year of any remaining employer pick-up of employee retirement plan contributions. This was eliminated at the direction of the Governing Board and was part of a three-year labor agreement. Over the past decade and continuing, changes and reductions in pension benefits and costs have been successfully negotiated with the employees of SCAQMD as a means of curbing the cost of pensions and associated liabilities.

In fiscal year 2010-11, SCAQMD's Governing Board approved a rule which provides that certain fees be automatically adjusted effective July 1 of each year by the California

Consumer Price Index for the preceding calendar year unless the Governing Board by rule decides not to implement such fee increase for a given year, either for all fees or for a specified fee or fees.

To more fully recover costs for certain SCAQMD activities, in fiscal year 2015-16 there was a 2.4% fee increase for fiscal year 2016-17 due to CPI. In fiscal year 2016-17, the Board approved fee increases for fiscal year 2017-18. This approval included a CPI increase of 2.5%; a Title V fee increase of 10.67% annually for the next three years, for an overall increase of 32%; and a non-Title fee increase of 4% annually for the next two years, for an overall increase of 8%.

Additionally, the Governing Board adopted a fund balance policy for the General Fund so that an amount equal to at least 20% of General Fund revenues is maintained in the combination of Assigned and Unassigned General Fund Balance. The policy serves to mitigate current and future risks related to potential revenue shortfalls and/or unanticipated expenditures.

Major Initiatives

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

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

During fiscal year 2016-17, SCAQMD advanced many projects which were particularly important to achieving our mission and goals, including: development and adoption of the 2016 Air Quality Management Plan, petitioning the federal government to adopt a tougher tailpipe emissions standard for large trucks, demonstration projects for zero emissions goods movement, development of enhanced emissions/ambient monitoring capabilities, increased communication between SCAQMD and all stakeholders, and internal business process improvements.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the South Coast Air Quality Management District for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for

preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. The Comprehensive Annual Financial Report must satisfy both generally accepted accounting principles and applicable legal requirements. The Certificate of Achievement is valid for a period of one year only. We believe our current report continues to meet the Certificate of Achievement program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

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

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

Respectfully submitted,



Wayne Natri
Executive Officer



Michael B. O'Kelly, CPA
Chief Administrative Officer



Government Finance Officers Association

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

Presented to

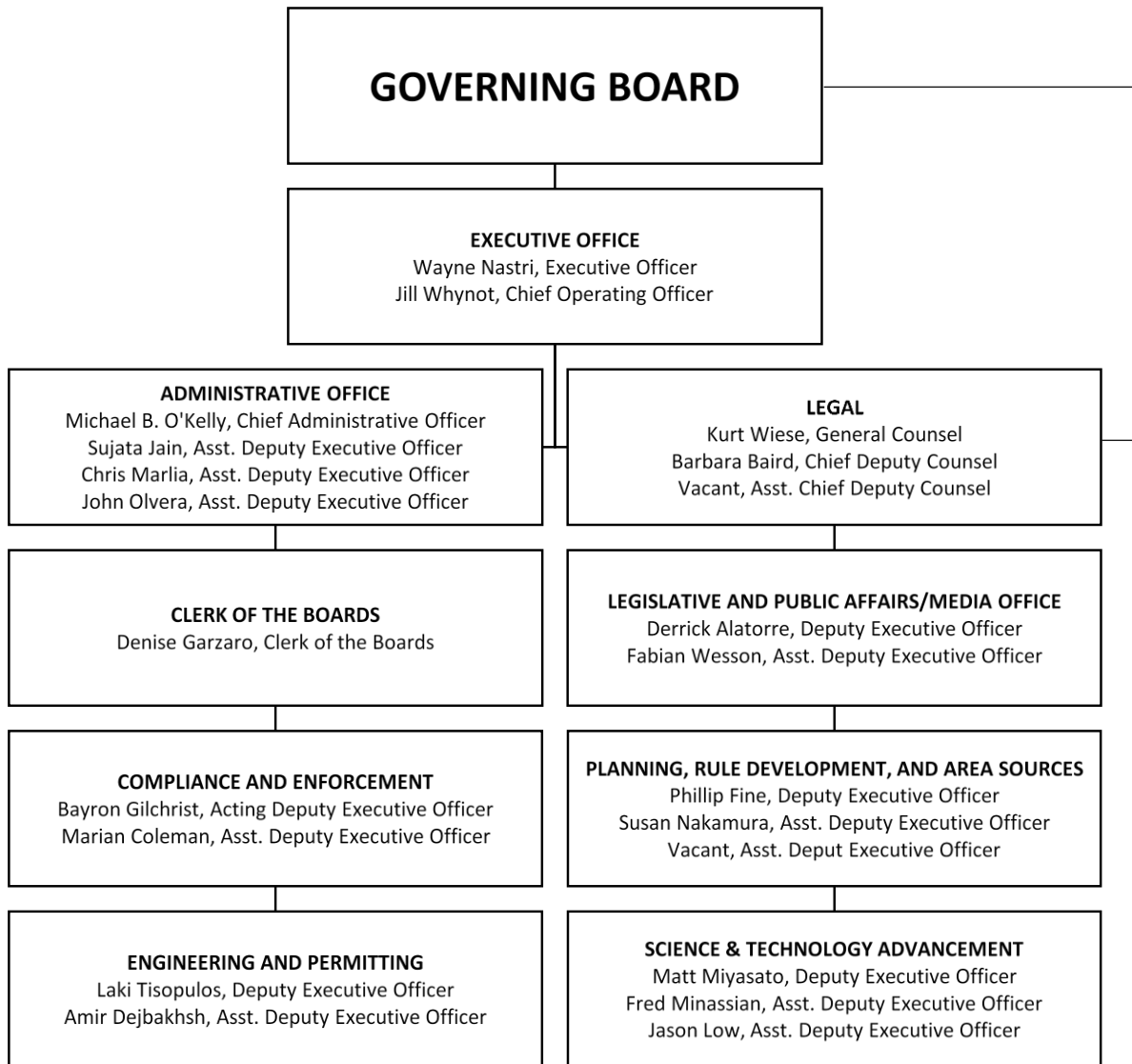
**South Coast Air Quality
Management District (AQMD)
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

**South Coast Air Quality Management District, California
Organizational Chart
June 30, 2017**



INDEPENDENT AUDITOR'S REPORT

The Governing Board of
South Coast Air Quality Management District

Report on the Basic Financial Statements

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, the blended component unit, each major fund, and the aggregate remaining fund information of the South Coast Air Quality Management District (SCAQMD), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the SCAQMD's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the blended component unit, each major fund, and the aggregate remaining fund information of the SCAQMD, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in note 1F to the financial statements, SCAQMD adopted Governmental Accounting Standards Board (GASB) Statement No. 82, *Pension Issues – an Amendment of GASB Statements No. 67, No. 68, and No. 73* for the year ended June 30, 2017. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information on pages 4-21 and 75-79, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2017 on our consideration of the SCAQMD's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the SCAQMD's internal control over financial reporting and compliance.

BCA Watson Rice, LLP

Torrance, California
October 13, 2017

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**

As management of the South Coast Air Quality Management District (SCAQMD), we offer readers of SCAQMD's financial statements this narrative overview and analysis of the financial activities of SCAQMD for fiscal year ended June 30, 2017. Please read it in conjunction with the accompanying transmittal letter, the basic financial statements, and the accompanying notes to those financial statements.

A. Financial Highlights

- Total assets and deferred outflows of resources of SCAQMD exceeded its total liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$503.3 million (net position). Of this amount, the unrestricted net position is a deficit of \$140.3 million primarily due a net pension liability of \$199.6 million.
- SCAQMD's total net position increased from the prior year by \$120.6 million. Total revenues from all sources were \$361.1 million and total expenses for all functions/programs were \$240.5 million.
- As of the close of the fiscal year, SCAQMD's governmental funds reported combined ending fund balances of \$659.9 million, an increase of \$119.5 million in comparison to the prior year. Of the \$659.9 million combined ending fund balances, \$52.5 million represents the fund balance of the General Fund.
- Out of the general fund balance of \$52.5 million at the end of the fiscal year, \$63,688 was nonspendable, \$7.4 million was committed, \$6.3 million was assigned and \$38.8 million was unassigned, which is 27.6% of the general fund expenditures.
- SCAQMD's capital assets decreased by \$51,089 from the prior year.
- SCAQMD's long term debt decreased by \$2.3 million or 5.2% of the long term debt outstanding.

B. Overview of the Financial Statements

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

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**

In general, the purpose of financial reporting is to provide the external parties that read financial statements with information that will help them make decisions or draw conclusions about an entity. In order to address the needs of as many parties as reasonably possible, SCAQMD, in accordance with required reporting standards, presents government-wide financial statements and fund financial statements.

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**

Governmental Funds

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

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

SCAQMD maintains 48 individual special revenue funds, one debt service fund, one capital projects fund, and a blended component unit in addition to the General Fund. Four of the special revenue funds are considered major funds. The information for the major special revenue funds is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund balances. Data for the other 44 non-major special revenue funds, debt service fund, capital projects fund and blended component unit are combined into a single, aggregated presentation. Individual fund data for each of the 44 non-major governmental funds, debt service fund, capital projects fund, and blended component unit, is reported in the Other Supplementary Information section of this report.

SCAQMD adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**

compliance with this budget. This is presented in the Required Supplementary Information (RSI) section of this report. Also, presented in (RSI) are SCAQMD's schedules of proportionate share of net pension liability and schedules of contributions.

Proprietary Funds

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

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

Fiduciary Funds

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

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

Notes to the Basic Financial Statements

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

Other Information

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

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RSI are SCAQMD's schedules of proportionate share of net pension liability and schedules of contributions.

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

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

C. Government-wide Financial Analysis

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

The schedule below presents a condensed Statement of Net Position as of June 30, 2017 compared with the prior fiscal year.

Net Position
(amounts expressed in thousands)

	Governmental Activities		Business-Type Activities		TOTAL	
	FY 2016-17	FY 2015-16	FY 2016-17	FY 2015-16	FY 2016-17	FY 2015-16
Current and other assets	\$ 706,197	\$ 580,909	\$ 1,253	\$ 1,235	\$ 707,450	\$ 582,144
Capital assets	36,127	36,178	-	-	36,127	36,178
Total assets	<u>742,324</u>	<u>617,087</u>	<u>1,253</u>	<u>1,235</u>	<u>743,577</u>	<u>618,322</u>
Deferred outflow of resources-pension	98,386	60,673	-	-	98,386	60,673
Total deferred outflow of resources	<u>98,386</u>	<u>60,673</u>	<u>-</u>	<u>-</u>	<u>98,386</u>	<u>60,673</u>
Other liabilities	49,092	43,258	-	-	49,092	43,258
Long-term liabilities	241,341	195,466	-	-	241,341	195,466
Total liabilities	<u>290,433</u>	<u>238,724</u>	<u>-</u>	<u>-</u>	<u>290,433</u>	<u>238,724</u>
Deferred inflow of resources-pension	48,253	57,592	-	-	48,253	57,592
Total deferred inflow of resources	<u>48,253</u>	<u>57,592</u>	<u>-</u>	<u>-</u>	<u>48,253</u>	<u>57,592</u>
Net Position:						
Net investment in capital assets	36,127	36,178	-	-	36,127	36,178
Restricted for:						
Restricted for long-term emission-reduction projects	607,439	498,120	-	-	607,439	498,120
Unrestricted	(141,541)	(152,854)	1,253	1,235	(140,288)	(151,619)
Total net position	<u>\$ 502,025</u>	<u>\$ 381,444</u>	<u>\$ 1,253</u>	<u>\$ 1,235</u>	<u>\$ 503,278</u>	<u>\$ 382,679</u>

As noted earlier, net position may serve over time as a useful indicator of SCAQMD's financial position. At the close of the most recent fiscal year, SCAQMD's assets exceeded liabilities by \$503.3 million.

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The largest portion of SCAQMD's net position, \$607.4 million, represents resources that are subject to external restrictions on how they may be used. The revenue in special revenue funds is restricted to expenditures for specific purposes. Approximately \$36.1 million of SCAQMD's net position reflect its investment in capital assets used by SCAQMD (e.g. land, buildings, equipment, and vehicles) less any related debt used to acquire those assets that is still outstanding. SCAQMD uses these capital assets in carrying out its mission of protecting public health while being sensitive to the economic needs of local businesses. Consequently, these assets are not available for future spending. Although SCAQMD's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. The debt service installment schedules for the 1995 and 2004 Pension Obligation Bonds will be fully paid by fiscal years 2022 and 2024, respectively.

The remaining portion of SCAQMD's net position of governmental activities, a deficit of \$141.5 million, is unrestricted. The deficit is mainly due to the net pension liability. At the end of the current fiscal year, SCAQMD had a negative balance in the unrestricted categories of net position and positive fund balance in restricted and net investment in capital asset category. For the business-type activities, the net position has a positive balance in the unrestricted category.

The net position for governmental activities increased by \$120.6 million compared with the prior fiscal year. Most of the increase was due to increased revenues in long-term emission-reduction projects.

Program revenues increased by approximately \$107.0 million, 45.1% change from the prior year. These are largely due to increase of approximately \$87.3 million in state grants and \$3.7 million in federal grants of special revenue funds. General revenue increased by \$6.5 million, compared with the prior fiscal year, which is primarily attributed to an increase in penalties and settlements.

Expenses increased by \$25.9 million largely due to a higher amount paid for fiscal year 2016-17 long-term emission reduction projects as compared to fiscal year 2015-16 due to more contract completions in fiscal year 2016-17 as compared to fiscal year 2015-16.

A condensed Schedule of Changes in Net Position for the fiscal year ending June 30, 2017 compared with the prior fiscal year can be found on the following page.

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>TOTAL</u>	
	<u>FY 2016-17</u>	<u>FY 2015-16</u>	<u>FY 2016-17</u>	<u>FY 2015-16</u>	<u>FY 2016-17</u>	<u>FY 2015-16</u>
Revenues:						
Program Revenues:						
Fees and charges – stationary sources	\$ 94,280	\$ 89,264	\$ -	\$ -	\$ 94,280	\$ 89,264
Fees and charges – mobile sources	28,087	25,744	-	-	28,087	25,744
Operating grants and subventions	222,070	122,424	-	-	222,070	122,424
General Revenues:						
Grants and subventions – not restricted to specific programs	2,886	2,885	-	-	2,886	2,885
Interest	645	439	-	-	645	436
Penalties and settlements	11,512	5,705	-	-	11,512	5,705
Other revenues	1,621	1,120	-	-	1,621	1,123
CNG fuel sales	-	-	18	229	18	229
Total revenues	<u>361,101</u>	<u>247,581</u>	<u>18</u>	<u>229</u>	<u>361,119</u>	<u>247,810</u>
Expenses:						
Advance clean air technology	7,826	7,119	-	-	7,826	7,119
Ensure compliance with clean air rules	49,316	45,623	-	-	49,316	45,623
Customer service and business assistance	9,261	8,337	-	-	9,261	8,337
Develop programs to achieve clean air	11,335	10,444	-	-	11,335	10,444
Develop rules to achieve clean air	7,604	7,566	-	-	7,604	7,566
Monitoring air quality	17,857	16,028	-	-	17,857	16,028
Timely review of permits	31,520	27,891	-	-	31,520	27,891
Policy support	886	512	-	-	886	512
Interest on long-term debt	3,907	3,885	-	-	3,907	3,885
Long-term emission reduction projects	101,008	87,080	-	-	101,008	87,080
Other expenses	-	-	-	118	-	118
Total expenses	<u>240,520</u>	<u>214,485</u>	<u>-</u>	<u>118</u>	<u>240,520</u>	<u>214,603</u>
Increase/(Decrease) in net position, before transfers	120,581	33,096	18	111	120,599	33,207
Transfers	-	-	-	-	-	-
Increase/(Decrease) in net position	120,581	33,096	18	111	120,599	33,207
Net position beginning	381,444	348,348	1,235	1,124	382,679	349,472
Net position ending	<u>\$ 502,025</u>	<u>\$ 381,444</u>	<u>\$ 1,253</u>	<u>\$ 1,235</u>	<u>\$ 503,278</u>	<u>\$ 382,679</u>

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
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Governmental Activities

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

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

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

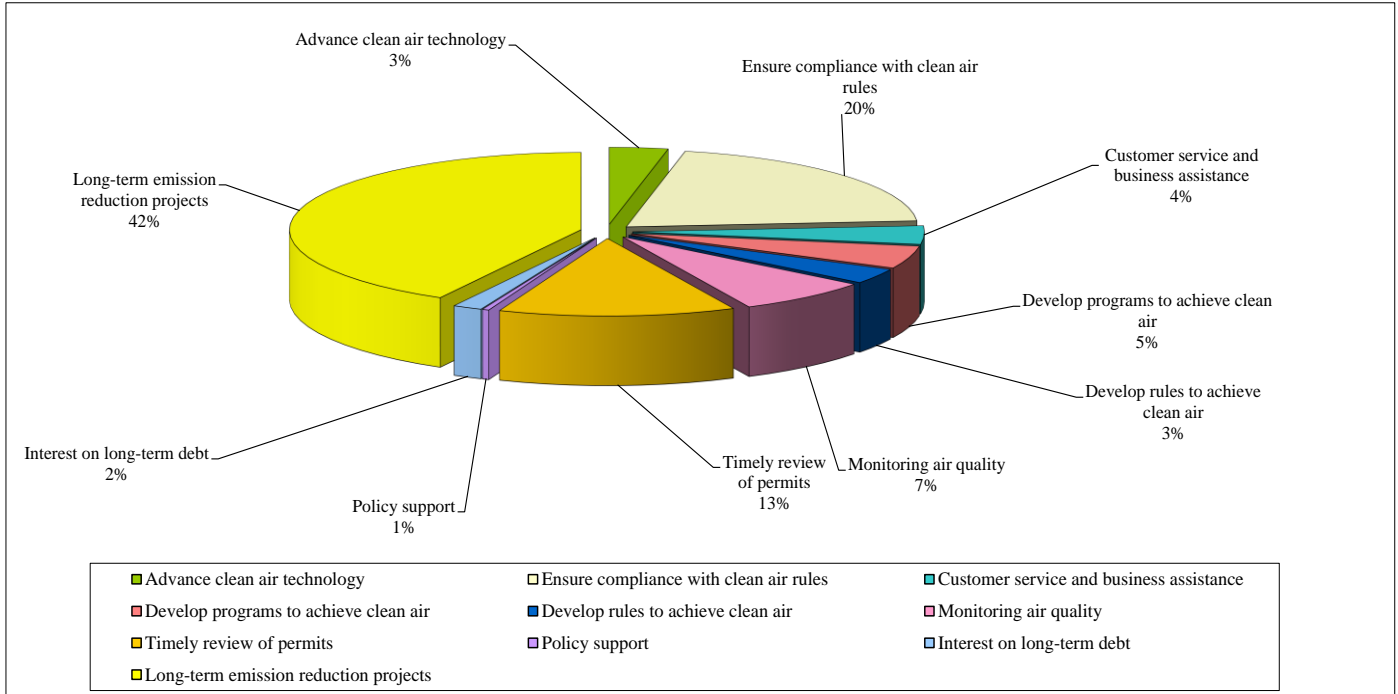
There was an increase in program revenues in the Operating Grants and Subvention Revenues Sources. The program revenues in this revenue category are made up of revenues from mostly restricted revenue derived from federal and state funds. Following is an explanation of the significant revenue variances from fiscal year 2015-16 to fiscal year 2016-17:

- **Prop 1B Goods Movement Fund** – This fund was set up in fiscal year 2007-08 to receive funds from the voter approved bond funding under Proposition 1B to implement programs that reduce emissions from the movement of freight or “goods” along California’s trade corridors. In fiscal year 2016-17, this fund received \$79.9 million in state grants, an increase of \$79.7 million as compared to prior year.

Business-type Activities

The Business-type Activities section reports transactions relating to the CNG fueling station. The CNG fueling station expenditures are reported on an accrual basis and are offset by sales. The net position of the business-type activities increased by \$17,894 from \$1,235,284 to \$1,253,178. The increase is primarily due to interest revenue.

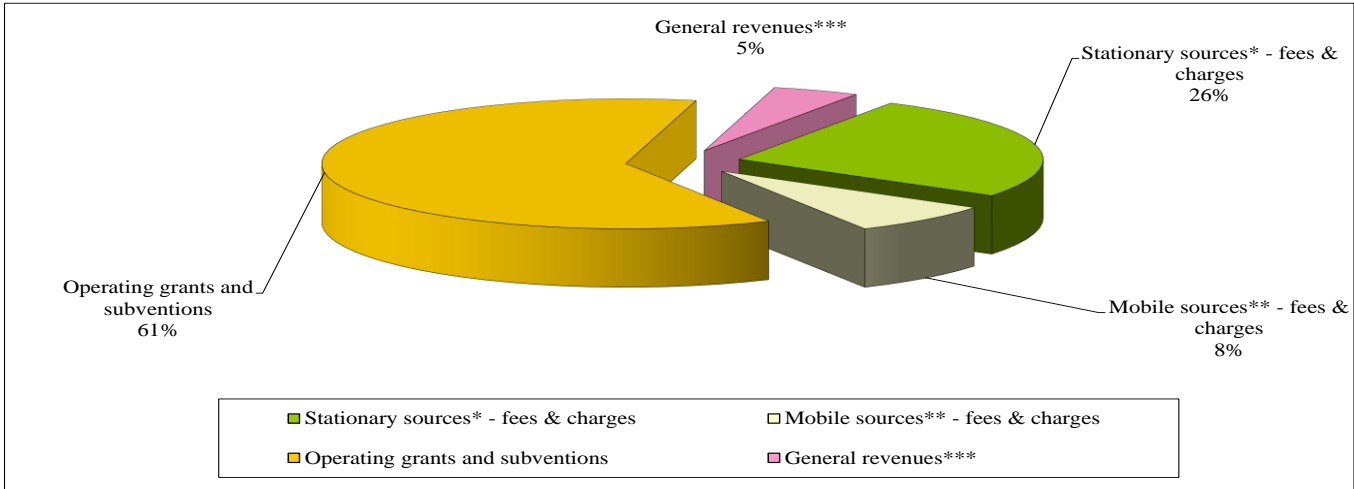
**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
EXPENSES BY ACTIVITY
Government Activities
FY 2016-17**



Activity	FY 16-17	FY 15-16	FY 14-15	FY 13-14	FY 12-13	FY 11-12
Advance clean air technology	\$ 7,825,599	\$ 7,119,417	\$ 5,539,607	\$ 6,212,087	\$ 6,857,959	\$ 6,672,977
Ensure compliance with clean air rules	49,316,129	45,622,680	43,252,162	48,813,991	47,417,956	47,026,447
Customer service and business assistance	9,260,504	8,337,319	6,124,811	8,332,770	8,169,587	7,729,015
Develop programs to achieve clean air	11,335,498	10,444,147	9,727,624	11,147,303	12,317,470	12,130,832
Develop rules to achieve clean air	7,604,041	7,566,089	7,161,179	7,514,210	7,269,414	7,286,149
Monitoring air quality	17,856,869	16,028,394	13,197,801	14,969,083	14,265,601	15,930,225
Timely review of permits	31,520,083	27,891,070	24,431,059	27,821,032	28,621,527	27,241,449
Policy support	885,773	511,705	331,652	1,204,588	1,306,054	1,483,613
Interest on long-term debt	3,906,955	3,884,990	4,031,178	4,102,888	4,605,963	4,691,658
Long-term emission reduction projects	101,008,426	87,079,799	210,229,182	154,939,035	155,998,253	137,800,260
Total	\$ 240,519,877	\$ 214,485,610	\$ 324,026,255	\$ 285,056,987	\$ 286,829,784	\$ 267,992,625

Source: FY 2016-17 CAFR Statement of Activities

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 REVENUES BY MAJOR SOURCE
 Government Activities
 FY 2016-17



Source	FY 16-17	FY 15-16	FY 14-15	FY 13-14	FY 12-13	FY 11-12
Stationary sources* - fees & charges	\$ 94,279,518	\$ 89,264,511	\$ 88,120,829	\$ 87,160,484	\$ 85,439,616	\$ 82,624,489
Mobile sources** - fees & charges	28,087,131	25,743,988	24,526,008	24,307,527	23,535,070	23,384,894
Operating grants and subventions	222,070,040	122,424,397	149,766,034	164,053,936	173,309,732	213,332,402
General revenues***	16,664,195	10,148,573	14,043,695	23,570,233	15,202,920	9,684,052
Total	\$ 361,100,884	\$ 247,581,469	\$ 276,456,566	\$ 299,092,180	\$ 297,487,338	\$ 329,025,837

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

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

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

Source: FY 2016-17 CAFR Statement of Activities

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The following schedule presents the cost of each SCAQMD program as well as each program's net cost (total cost less revenues generated by the activities):

GOVERNMENTAL ACTIVITIES

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

	<u>FY 2016-17</u>	
	<u>Total Cost of Program Activities</u>	<u>Net Cost of Program Activities</u>
Advance clean air technology	\$ 7,826	\$ 398
Ensure compliance with clean air rule	49,316	(2,749)
Customer service and business assistance	9,261	(447)
Develop programs to achieve clean air	11,335	(422)
Develop rules to achieve clean air	7,604	(460)
Monitoring air quality	17,857	(490)
Timely review of permits	31,520	(720)
Policy support	886	(36)
Interest on long-term debt	3,907	(3,907)
Long-term emission reduction projects	101,008	112,750
Total	<u>\$ 240,520</u>	<u>\$ 103,917</u>

The program activities are described as follows:

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

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

D. Financial Analysis of SCAQMD's Funds

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

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Governmental Funds

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

As of the end of the fiscal year, SCAQMD's governmental funds reported combined ending fund balances of \$659.9 million, an increase of \$119.5 million in comparison with the prior year. Approximately 92.1% of these fund balances (\$607.4 million) constitutes the portion pertaining to special revenue funds. Expenditures under these funds are restricted for specific purposes. The long-term contractual commitments related to these special fund programs, such as replacement of diesel-fueled trucks, involve multiple-year spending.

- **The General Fund** is the operating fund of SCAQMD. At the end of the fiscal year, the total fund balance of the General Fund was \$52.5 million. Of the total fund balance, \$38.7 million or 73.8% is classified as unassigned; \$6.3 million or 12.0% as assigned; \$7.4 million or 14.1% as committed; and \$63,688 or 0.1% as nonspendable. The assigned amount represents SCAQMD's intended use of the financial resources in future periods. One measure of the General Fund's liquidity is the comparison of both assigned and unassigned fund balance to total expenditures. The assigned and unassigned fund balance represent 32.0% of total General Fund expenditures, while total fund balance represents 37.3% of the total General Fund expenditures. In the General Fund, the assigned and unassigned fund balance may serve as a useful measure of SCAQMD's net resources available for spending at the end of the fiscal year.

General Fund's balance increased in fiscal year 2016-17 by \$8.3 million. This increase is primarily due to revenue from one time penalties and settlements.

Overall, General Fund's expenditures increased in fiscal year 2016-17 by \$3.8 million primarily due to higher salaries and employment benefits expenditures as compared to prior fiscal year. This is due primarily to increased retirement plan contribution and efforts to fill vacant positions.

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

- **Mobile Sources Air Pollution Reduction Fund** – The fund balance increased compared with the prior year by \$6.2 million due to revenues exceeding expenditures in fiscal year 2016-17. Many of the contracts executed in this

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special revenue fund are multi-year and the projects are often long-term and expenditures can vary significantly from year to year.

- **Carl Moyer Program Fund** – This fund was established to account for the money received from the California Air Resources Board (CARB) to provide funds on an incentive basis for the incremental cost of cleaner-than-required engines and equipment. In fiscal year 2016-17, revenue decreased overall by \$52,545, and expenditures decreased by \$2.2 million. Revenue and expenditure amounts in the fund will vary from year-to-year based on how CARB disburses SB 1107 grant funds to SCAQMD.
- **Carl Moyer Program (CMP) AB 923 Fund** – The fund balance increased by \$7.3 million due to revenues exceeding expenditures in fiscal year 2016-17. Many of the contracts executed in this special revenue fund are multi-year and expenditures can vary significantly from year to year.
- **Prop 1B Goods Movement Fund** – This fund was established to account for voter approved transportation bond dollars. The fund balance increased in fiscal year 2016-17 by \$78.3 million due to significant increase in state grant. Many of the contracts executed in this special revenue fund are multi-year and expenditures can vary from year to year.

Proprietary Funds

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

E. General Fund Budgetary Highlights

Overall, the fiscal year 2016-17 adopted budget represented a \$4.3 million (3.1%) increase in expenditures over the fiscal year 2015-16 adopted budget. The fiscal year 2016-17 adopted budget increased due to increases in retirement, salaries, and contractual costs. In addition, the fiscal year 2016-17 adopted budget increased the funded staffing level by ten positions. On a budgetary basis, actual fiscal year 2016-17 General Fund revenues exceeded expenditures by \$6.8 million.

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

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The fiscal year 2016-17 amended budget compared to the adopted budget reflected an increase in appropriations of \$9.9 million. The changes to the budget were the result of Governing Board actions that allocated additional funding after the budget was adopted. Also, changes can be attributed to Governing Board approved use of unassigned fund balance for program needs that were unknown at the time the budget was developed.

Additional funding was appropriated during fiscal year 2016-17 from the following:

EPA - \$2,732,000 for the following programs: Photochemical Assessment Monitoring Stations (PAMS), PM 2.5 Monitoring, AQ_SPEC, the National Air Toxics Monitoring Program, Near Road NO₂ and enhanced particulate monitoring programs.

U.S. Government Enhanced Particulate Monitoring Program - \$606,000 to provide enhanced particulate monitoring support as part of a national monitoring program.

Clean Fuels Fund - \$2,090,000 to support Clean Fuels Program activities such as technical assistance, expert consultations, public outreach, technical conference sponsorships, advance technology vehicle purchases and leases, and equipment for advanced stationary infrastructure technology.

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

Carl Moyer Program AB 923 Fund - \$ 75,000 for support of various Carl Moyer Program activities such as public outreach, technical conference sponsorships, technical assistance and expert consultations.

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

BP Arco Fund - \$799,000 for field, lab, air monitoring and analysis equipment. Also, for the development of equipment based on-line permitting modules.

Rule 1309.1 Fund - \$85,000 for field and lab equipment.

HEROS II Fund - \$215,000 for EFMP web application process development and EFMP marketing and outreach efforts.

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Air Toxics Fund - \$539,000 for special monitoring/analysis, lab equipment and software for ion chromatographs.

AES Settlement Projects Fund - \$100,000 for air monitoring and analysis equipment.

Emission Reduction & Outreach Fund - \$145,000 for outreach consultant services for SCAQMD's environmental justice outreach and initiatives.

Air Quality Investment Fund - \$14,000 to assist in implementing SCAQMD's "Mow Down Air Pollution 2016" lawn mower exchange program.

Designation for Litigation and Enforcement - \$100,000 for outside counsel to represent and advise SCAQMD on legal matters relating to environmental law and special litigation matters.

Unassigned Fund Balance - \$2,068,000 for new positions in Finance and Compliance & Engineering, lab and field equipment, rule development consulting, legislative consulting, and specialized legal services.

For fiscal year 2016-17, actual revenues exceeded the final budget by \$5.5 million or 3.9% and expenditure savings were \$9.4 million or 6.2%.

Actual revenue exceeded the final budget primarily due to higher than anticipated penalties/settlements revenue and permit processing fees revenue. The amounts estimated for federal grants and mobile sources/clean fuels were lower due to the timing of the projects and grants that are reimbursed.

The expenditure savings can be primarily attributed to salary savings, which was a result of filling only critical vacant positions throughout the year. Additional significant savings were achieved through prudent purchase decisions.

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F. Capital Assets and Debt Administration

Capital Assets

SCAQMD's investment in capital assets is mostly for its governmental activities. The book value was \$36.1 million (net of accumulated depreciation of \$86.1 million) as of June 30, 2017. This investment in capital assets includes land, buildings, laboratory equipment, air monitoring stations, intangible assets (internally generated software) and SCAQMD fleet vehicles. Depreciation on capital assets is recognized in the Government-wide financial statements.

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

Long-Term Debt

At the end of the current fiscal year, SCAQMD had total long-term debt outstanding of \$41.7 million, including the current portion of \$5.1 million. The amount of \$26.3 million represents the Pension Obligation Bonds. The 1995 series issued in December 1995 (outstanding balance of \$2.6 million) and the 2004 series issued in June 2004 (outstanding balance of \$23.7 million) retired the Unfunded Actuarial Accrued Liability due to San Bernardino County Employees' Retirement Association as of June 30, 2004. Other long-term debt includes general liability claims and workers' compensation claims payable of \$1.8 million and compensated absences of \$13.6 million.

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

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

The fiscal year 2017-18 expenditure budget decreased by 1.1% compared to the fiscal year 2016-17 amended budget. The budget reflects a decrease of \$1.6 million in expenditures from the fiscal year 2016-17 Amended Budget and an \$8.4 million increase from the fiscal year 2016-17 Adopted Budget. The increase in expenditures from the fiscal year 2016-17 Adopted Budget can be attributed to increases in retirement and contractual needs. The fiscal year 2017-18 Adopted Budget does not include potential cost increases associated with SCAQMD's labor negotiations, the current labor agreements expire in December 2017. This labor agreement reduced the agency's overall retirement cost by shifting a portion of the cost of retirement to its employees and reducing retirement benefits for new employees. In addition, the fiscal year 2017-18 Adopted Budget increases the funded staffing level by ten positions and includes an 8% vacancy factor reflecting the agency's efforts to control program costs.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017**

In fiscal year 2017-18 revenues are projected to increase by approximately \$10.5 million from the fiscal year 2016-17 adopted budget. The increase in revenue can be attributed to a 2.5% CPI fee increase in most stationary source fees along with an additional fee adjustment to permit processing and annual operating permit renewal fees of 4% for Non-Title V facilities and 10.7% for Title V facilities. Nevertheless, in recent years, SCAQMD's revenues have not kept pace with program costs mainly due to increases in retirement rates as the result of market losses to the retirement system's investments.

Moreover, since fiscal year 1991-92, the SCAQMD has reduced staffing and program costs despite increased program requirements. The fiscal year 2017-18 expenditure budget is \$149.9 million and includes 825 authorized positions. Compared to fiscal year 1991-92, this reflects a reduction of 29% in authorized positions. Program costs, however, will exceed by \$36.9 million (approximately 33%) of the fiscal year 1991-92 budget. Using inflation-adjusted dollars, however, this year's budget request is 23% less than the budget approved in fiscal year 1991-92.

H. Requests for Information

This financial report is designed to provide a general overview of SCAQMD's finances for readers of the financial statements. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Office, South Coast Air Quality Management District, 21865 Copley Drive, Diamond Bar, CA 91765-4182.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
STATEMENT OF NET POSITION
June 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled cash	\$ 626,369,635	\$ 1,244,340	\$ 627,613,975
Investments	50,103,315	-	50,103,315
Interest receivable	2,899,947	8,838	2,908,785
Due from other governmental agencies	23,385,793	-	23,385,793
Accounts receivable, net	3,374,724	-	3,374,724
Inventories	63,688	-	63,688
Capital assets not being depreciated:			
Land	8,829,792	-	8,829,792
Capital assets, net of accumulated depreciation:			
Buildings and improvements	15,451,757	-	15,451,757
Intangibles (software)	4,958,639	-	4,958,639
Equipment, vehicles and furniture	6,887,112	-	6,887,112
Total assets	<u>742,324,402</u>	<u>1,253,178</u>	<u>743,577,580</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflow of resources-pension	98,386,117	-	98,386,117
Total deferred outflow of resources	<u>98,386,117</u>	<u>-</u>	<u>98,386,117</u>
LIABILITIES			
Accounts payable and accrued liabilities	29,384,952	-	29,384,952
Interest payable	2,824,997	-	2,824,997
Salaries and benefits payable	5,779,674	-	5,779,674
Unearned revenue	11,102,069	-	11,102,069
Net pension liability	199,589,723	-	199,589,723
Long term debt:			
Due within one year	5,051,058	-	5,051,058
Due in more than one year	36,700,319	-	36,700,319
Total liabilities	<u>290,432,792</u>	<u>-</u>	<u>290,432,792</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow of resources-pension	48,252,966	-	48,252,966
Total deferred inflow of resources	<u>48,252,966</u>	<u>-</u>	<u>48,252,966</u>
NET POSITION			
Net investment in capital assets	36,127,300	-	36,127,300
Restricted for:			
Long-term emission-reduction projects	607,438,908	-	607,438,908
Unrestricted	(141,541,447)	1,253,178	(140,288,269)
Total Net Position	<u>\$ 502,024,761</u>	<u>\$ 1,253,178</u>	<u>\$ 503,277,939</u>

See accompanying notes to the basic financial statements.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017**

Functions/ Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Fees and Charges		Operating Grants and Subventions	Governmental Activities **	Business-Type Activities	Total
		Stationary Sources **	Mobile Sources				
Primary Government:							
Governmental Activities:							
Advance clean air technology	\$ 7,825,599	\$ -	\$ 8,198,892	\$ 24,453	\$ 397,746	\$ -	\$ 397,746
Ensure compliance with clean air rules	49,316,129	40,272,364	3,877,203	2,417,476	(2,749,086)	-	(2,749,086)
Customer service and business assistance	9,260,504	5,756,772	2,849,906	207,165	(446,661)	-	(446,661)
Develop programs to achieve clean air	11,335,498	5,432,824	5,407,649	73,499	(421,526)	-	(421,526)
Develop rules to achieve clean air	7,604,041	5,932,401	1,005,812	205,541	(460,287)	-	(460,287)
Monitoring air quality	17,856,869	6,312,491	6,362,971	4,691,629	(489,778)	-	(489,778)
Timely review of permits	31,520,083	30,107,670	-	692,033	(720,380)	-	(720,380)
Policy support	885,773	464,996	384,698	-	(36,079)	-	(36,079)
Interest on long-term debt	3,906,955	-	-	-	(3,906,955)	-	(3,906,955)
Long-term emission reduction projects *	101,008,426	-	-	213,758,244	112,749,818	-	112,749,818
Total governmental activities	<u>240,519,877</u>	<u>94,279,518</u>	<u>28,087,131</u>	<u>222,070,040</u>	<u>103,916,812</u>	<u>-</u>	<u>103,916,812</u>
Business-type Activities:							
CNG fueling station	128	-	-	-	-	(128)	(128)
Total business-type activities	<u>128</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(128)</u>	<u>(128)</u>
Total primary government	\$ <u>240,520,005</u>	\$ <u>94,279,518</u>	\$ <u>28,087,131</u>	\$ <u>222,070,040</u>	<u>103,916,812</u>	<u>(128)</u>	<u>103,916,684</u>
General Revenues **: 							
Grants and subventions - not restricted to specific stationary source programs					2,885,535	-	2,885,535
Interest					644,574	-	644,574
Penalties/ settlement					11,511,570	-	11,511,570
Subscriptions					1,097	-	1,097
Other					1,621,419	-	1,621,419
CNG fueling station ***					-	18,022	18,022
Total general revenues					<u>16,664,195</u>	<u>18,022</u>	<u>16,682,217</u>
Change in net position					120,581,007	17,894	120,598,901
Net position - July 1, 2016					381,443,754	1,235,284	382,679,038
Net position - June 30, 2017					<u>\$ 502,024,761</u>	<u>\$ 1,253,178</u>	<u>\$ 503,277,939</u>

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

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

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

See accompanying notes to the basic financial statements.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2017**

<u>Assets</u>	General Fund	Mobile Sources Air Pollution Reduction Fund	Carl Moyer Program Fund	CMP AB 923 Fund	Prop 1B Goods Movement Fund	Other Governmental Funds	Total
Cash and cash equivalents	\$ 39,113,463	\$ 76,948,186	\$ 38,768,933	\$ 135,641,172	\$ 104,227,651	\$ 231,670,230	\$ 626,369,635
Investments	15,025,876	10,010,426	-	10,030,900	-	15,036,113	50,103,315
Interest receivable	254,939	356,727	200,813	714,582	245,920	1,126,966	2,899,947
Due from other governmental agencies	7,003,632	2,898,044	-	4,830,073	525,000	8,129,044	23,385,793
Due from other funds	11,120,244	-	-	925,000	-	11,391,000	23,436,244
Accounts receivable, net	2,423,847	4,219	-	-	-	946,658	3,374,724
Inventories	63,688	-	-	-	-	-	63,688
Total assets	<u>75,005,689</u>	<u>90,217,602</u>	<u>38,969,746</u>	<u>152,141,727</u>	<u>104,998,571</u>	<u>268,300,011</u>	<u>729,633,346</u>
<u>Deferred Outflow of Resources:</u>							
Deferred outflow of resources	-	-	-	-	-	-	-
Combined assets and deferred outflow of resources	<u>\$ 75,005,689</u>	<u>\$ 90,217,602</u>	<u>\$ 38,969,746</u>	<u>\$ 152,141,727</u>	<u>\$ 104,998,571</u>	<u>\$ 268,300,011</u>	<u>\$ 729,633,346</u>
<u>Liabilities, Deferred Inflow of Resources and Fund Balances</u>							
Liabilities:							
Accounts payable and accrued liabilities	\$ 5,290,678	\$ 1,078,307	\$ 3,783,561	\$ 8,010,452	\$ -	\$ 11,221,954	\$ 29,384,952
Salaries and benefits payable	5,779,674	-	-	-	-	-	5,779,674
Due to other funds	341,769	-	1,434,606	797,207	2,703,027	18,159,635	23,436,244
Unearned revenue	11,102,069	-	-	-	-	-	11,102,069
Total liabilities	<u>22,514,190</u>	<u>1,078,307</u>	<u>5,218,167</u>	<u>8,807,659</u>	<u>2,703,027</u>	<u>29,381,589</u>	<u>69,702,939</u>
<u>Deferred Inflow of Resources:</u>							
Deferred inflow of resources	-	-	-	-	-	-	-
Fund Balances:							
Nonspendable	63,688	-	-	-	-	-	63,688
Restricted	-	89,139,295	33,751,579	143,334,068	102,295,544	43,838,064	412,358,550
Committed	7,382,453	-	-	-	-	54,549,958	61,932,411
Assigned	6,303,899	-	-	-	-	142,085,357	148,389,256
Unassigned	38,741,459	-	-	-	-	(1,554,957)	37,186,502
Total fund balances	<u>52,491,499</u>	<u>89,139,295</u>	<u>33,751,579</u>	<u>143,334,068</u>	<u>102,295,544</u>	<u>238,918,422</u>	<u>659,930,407</u>
Combined liabilities, deferred inflow of resources and fund balances	<u>\$ 75,005,689</u>	<u>\$ 90,217,602</u>	<u>\$ 38,969,746</u>	<u>\$ 152,141,727</u>	<u>\$ 104,998,571</u>	<u>\$ 268,300,011</u>	<u>\$ 729,633,346</u>

See accompanying notes to the basic financial statements.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
June 30, 2017**

Total fund balances – total governmental funds \$ 659,930,407

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet. These capital assets net of accumulated depreciation are reported in the Statement of Net Position as capital assets of SCAQMD as a whole. 36,127,300

Deferred outflows of resources are not current financial resources and therefore are not reported in the Governmental Fund Balance Sheet. 98,386,117

Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in Governmental Funds Balance Sheet. (2,824,997)

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

Net pension liability	(199,589,723)
General liability	(208,571)
Workers' compensation	(1,594,870)
Compensated absences	(13,638,064)
Pension obligation bonds	(26,309,872)
Deferred inflows of resources related to pension	(48,252,966)

Net position of governmental activities	\$ 502,024,761
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SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

<u>Revenues:</u>	General Fund	Mobile Sources Air Pollution Reduction Fund	Carl Moyer Program Fund	CMP AB 923 Fund	Prop 1B Goods Movement Fund	Other Governmental Funds	Total
Emission fees	\$ 18,964,371	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,964,371
Annual renewal fees	48,930,776	-	-	-	-	-	48,930,776
Area Sources	2,090,207	-	-	-	-	-	2,090,207
Permit processing fees	20,729,207	-	-	-	-	-	20,729,207
Mobile sources/clean fuels	23,734,176	16,421,247	-	26,496,538	-	8,452,074	75,104,035
Air Toxics "Hot Spots"	2,642,966	-	-	-	-	2,678	2,645,644
Transportation programs	840,322	-	-	-	-	-	840,322
State subvention	3,945,090	-	-	-	-	-	3,945,090
Federal grant	7,252,241	-	-	-	650,000	7,497,131	15,399,372
State grant	3,571,368	-	27,060,529	-	79,942,817	15,413,932	125,988,646
Interest revenue	644,574	841,598	400,795	1,538,050	423,442	2,448,302	6,296,761
Lease revenue	156,204	-	-	-	-	-	156,204
Source test/analysis fees	734,258	-	-	-	-	-	734,258
Hearing Board fees	187,733	-	-	-	-	-	187,733
Penalties and settlements	11,511,570	-	-	-	-	-	11,511,570
Subscriptions	1,097	-	-	-	-	-	1,097
Other revenues	1,406,479	7,832	-	-	-	26,161,279	27,575,590
Total revenues	<u>147,342,639</u>	<u>17,270,677</u>	<u>27,461,324</u>	<u>28,034,588</u>	<u>81,016,259</u>	<u>59,975,396</u>	<u>361,100,883</u>
<u>Expenditures:</u>							
Current:							
Salaries and employee benefits	110,040,224	-	-	-	-	-	110,040,224
Insurance	1,131,980	-	-	-	-	-	1,131,980
Rent	540,386	-	-	-	-	-	540,386
Supplies	3,035,619	-	-	-	-	-	3,035,619
Contract and special services	10,486,612	10,163,505	24,979,863	21,465,136	2,740,500	38,577,828	108,413,444
Maintenance	1,287,341	-	-	-	-	-	1,287,341
Travel and auto	877,137	-	-	-	-	-	877,137
Utilities	1,411,075	-	-	-	-	-	1,411,075
Communications	577,753	-	-	-	-	-	577,753
Uncollectible accounts	399,092	-	-	-	-	1,837	400,929
Other expenditures	1,156,674	858,954	-	-	-	7,447	2,023,075
Capital outlay	3,455,686	-	-	-	-	1,213,356	4,669,042
Debt service:							
Principal	2,331,010	-	-	-	-	1,000,000	3,331,010
Interest	3,863,482	-	-	-	-	-	3,863,482
Total expenditures	<u>140,594,071</u>	<u>11,022,459</u>	<u>24,979,863</u>	<u>21,465,136</u>	<u>2,740,500</u>	<u>40,800,468</u>	<u>241,602,497</u>
Excess (deficiency) of revenues over (under) expenditures before transfers	<u>6,748,568</u>	<u>6,248,218</u>	<u>2,481,461</u>	<u>6,569,452</u>	<u>78,275,759</u>	<u>19,174,928</u>	<u>119,498,386</u>
<u>Other Financing Sources (uses):</u>							
Transfers in	1,550,018	-	-	3,073,037	-	3,917,086	8,540,141
Transfers out	-	-	(3,073,037)	(2,342,000)	-	(3,125,104)	(8,540,141)
Total other financing sources (uses)	<u>1,550,018</u>	<u>-</u>	<u>(3,073,037)</u>	<u>731,037</u>	<u>-</u>	<u>791,982</u>	<u>-</u>
Net change in fund balance	<u>8,298,586</u>	<u>6,248,218</u>	<u>(591,576)</u>	<u>7,300,489</u>	<u>78,275,759</u>	<u>19,966,910</u>	<u>119,498,386</u>
Fund balances, July 1, 2016	<u>44,192,913</u>	<u>82,891,077</u>	<u>34,343,155</u>	<u>136,033,579</u>	<u>24,019,785</u>	<u>218,951,512</u>	<u>540,432,021</u>
Fund balances, June 30, 2017	<u>\$ 52,491,499</u>	<u>\$ 89,139,295</u>	<u>\$ 33,751,579</u>	<u>\$ 143,334,068</u>	<u>\$ 102,295,544</u>	<u>\$ 238,918,422</u>	<u>\$ 659,930,407</u>

See accompanying notes to the basic financial statements.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017**

Net change in fund balances – total governmental funds \$ 119,498,386

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

Governmental funds report capital outlays as expenditures. However, in the Government-wide Statement of Activities and Changes in Net Position, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital outlays recorded in the current period. 4,669,042

Depreciation expense on capital assets is reported in the Government-wide Statement of Activities and Changes in Net Position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in governmental funds. (4,720,131)

Pension expense is reported in the Government-wide Statement of Activities and Changes in Net Position, but they do not require the use of current financial resources. (24,426,764)

Pension contribution made by employer in current fiscal year reduce the net pension liability and do not require current resources. 23,330,256

Repayment of bond principal is an expenditure in the governmental funds. For SCAQMD as a whole, principal payments reduce the liabilities in the Government-wide Statement of Net Position and do not result in an expense in the Statement of Activities and Changes in Net Position. 3,331,010

Accrued interest expense on long-term debt is reported in the Government-wide Statement of Activities and Changes in Net Position, but it does not require the use of current financial resources. Therefore, accrued interest expense is not reported as an expenditure in governmental funds. The amount represents the change in accrued interest from the prior year. (43,474)

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

Compensated absences	(570,006)
General and auto liability/workers' compensation claims	(487,312)
	(957,318)

Change in net position of governmental activities \$ 120,581,007

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017**

		Business-type Activities - Enterprise Funds
<u>Assets</u>		CNG Fueling Station Fund
<u>Current Assets:</u>		
Cash and cash equivalents	\$	1,244,340
Interest receivable		8,838
Total current assets		1,253,178
 <u>Liabilities</u>		
<u>Current Liabilities:</u>		
Accounts payable and accrued liabilities		-
Total current liabilities		-
 <u>Net Position</u>		
Unrestricted		1,253,178
Total net position	\$	1,253,178

See accompanying notes to the basic financial statements.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2017

	Business-type Activities - Enterprise Funds
	CNG Fueling Station Fund
Operating revenues:	
Interest revenues	\$ 18,022
Total operating revenues	18,022
Operating expenses:	
Cost of goods and services	128
Total operating expenses	128
Operating income (loss)	17,894
Total net position, July 1, 2016	1,235,284
Total net position, June 30, 2017	\$ 1,253,178

See accompanying notes to the basic financial statements.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2017**

		Business-type Activities - Enterprise Funds
		<u>CNG Fueling Station Fund</u>
<u>Cash Flows from Operating Activities:</u>		
Cash payment for goods and services	\$	(128)
Other operating revenues		<u>12,152</u>
Net cash provided by operating activities		<u>12,024</u>
Beginning cash and cash equivalents balance, July 1, 2016		<u>1,232,316</u>
Ending cash and cash equivalents balance, June 30, 2017	\$	<u><u>1,244,340</u></u>

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

Operating income (loss)	\$	<u>17,894</u>
Adjustments to reconcile operating income to net cash provided by operating activities		
Decrease (increase) in interest receivable		<u>(5,870)</u>
Total adjustments		<u>(5,870)</u>
Net cash provided by operating activities	\$	<u><u>12,024</u></u>

See accompanying notes to the basic financial statements.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2017**

<u>Assets</u>	<u>Agency Funds</u>	<u>Retirement Benefit Trust Fund</u>
Cash and cash equivalents	\$ 121,435	\$ 13,236
Interest receivable	<u>159</u>	<u>2,969</u>
Total assets	<u>\$ 121,594</u>	<u>16,205</u>
<u>Liabilities</u>		
Liabilities:		
Accounts payable and accrued liabilities	<u>\$ 121,594</u>	<u>-</u>
Total liabilities	<u>\$ 121,594</u>	<u>-</u>
<u>Net Position</u>		
Net position held in trust for retirement benefit		<u>16,205</u>
Total net position		<u>\$ 16,205</u>

See accompanying notes to the basic financial statements.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2017**

	<u>Retirement Benefit Trust Fund</u>
<u>Additions:</u>	
Contribution	\$ 193
Interest revenue	9,546
Total additions	<u>9,739</u>
 <u>Deductions:</u>	
Other expenditures	<u>-</u>
Total deductions	<u>-</u>
Change in net position	<u>9,739</u>
Net position held in trust for retirement benefits, July 1, 2016	<u>6,466</u>
Net position held in trust for retirement benefits, June 30, 2017	<u>\$ 16,205</u>

See accompanying notes to the basic financial statements.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Financial Reporting Entity

The South Coast Air Quality Management District (SCAQMD) was established pursuant to the Lewis Air Quality Management Act on February 1, 1977, commencing at Section 40400 of the Health and Safety Code of the State of California. SCAQMD encompasses all of Orange County and parts of Los Angeles, San Bernardino, and Riverside Counties. SCAQMD operates a network of air monitoring stations, analyzes air quality data and establishes maximum emission levels for stationary, commercial, and industrial facilities that are enforced through SCAQMD's permit system.

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

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

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

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

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

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

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

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

Government-wide Financial Statements

The government-wide financial statements (Statement of Net Position and Statement of Activities) present summaries of governmental and business-type activities of SCAQMD as a whole, excluding fiduciary activities. These statements are presented using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all of SCAQMD's assets and liabilities including capital assets and long-term liabilities are included in the accompanying Statement of Net Position. Revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

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

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

The types of transactions reported as program revenues are reported in three categories: 1) fees and charges including stationary source fees from permitted facilities and mobile source fees from motor vehicle registrations; 2) operating grants and subventions that are in support of air pollution program activities; and 3) long-term emission reduction projects which include capital grants and contributions which are mostly restricted. Program expenses are subtracted from program revenues to present the net cost of each functional activity. Interest income and other miscellaneous items not properly included among program revenues are reported as general revenues.

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

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

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

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

Governmental Fund Financial Statements

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

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

A reconciliation of the Fund Financial Statements to the Government-wide Financial Statements is provided to explain the differences as a result of the integrated approach of GASB Statement No. 34 reporting.

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

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

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

Proprietary Fund Financial Statements

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

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

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fund are sales of CNG fuel. In fiscal year 2015-16, SCAQMD sold the CNG station and ceased to operate it. The activity in the proprietary fund is primarily residual interest on the cash balances.

Fiduciary Fund Financial Statements

Fiduciary Fund financial statements include a Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. These funds represent agency funds which are custodial in nature (assets equal liabilities) and do not involve the recording of revenues and expenses or the measurement of results of operations. The reporting focus is upon net position and changes in net position. Fiduciary funds also include the Retirement Benefits Trust Fund for LACERA OPEB (see fund type in Note 1C). These funds are accounted for in the accrual basis of accounting.

C. Fund Types and Major Funds

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

SCAQMD reports the following major governmental funds:

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

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

- Mobile Sources Air Pollution Reduction Fund – Used to account for 30% of the revenue received by SCAQMD from the motor vehicle registration fees under the provisions of Sections 44243 and 44244 of the California Health and Safety Code. This money is used to provide grants to fund projects for the purpose of reducing air pollution from motor vehicles within the South Coast Air Basin. Total projects to date amount to over \$406 million and over 13,000 tons of emissions reduced. This special fund was established in fiscal year 1992.
- Carl Moyer Program Fund – Established in fiscal year 1999 to account for activities related to the administration of state funds set aside for the

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replacement of diesel-powered vehicles with cleaner-technology vehicles. It has funded over 10,000 vehicles and about 30 infrastructure/charging stations, totaling over \$420 million. It provides incentive funds for the replacement of diesel-fueled on- and off-road vehicles such as refuse haulers, heavy duty trucks, transit and school buses, construction equipment, and marine vessels.

- Carl Moyer Program AB 923 Fund - Established in fiscal year 2008 to provide additional funding for the Carl Moyer Program from an adjustment to the tire fee, and authorizes local air districts to increase motor vehicle registration fees by up to \$2 for programs to reduce air pollution. AB 923 has expanded the Carl Moyer incentive program to include agricultural sources of air pollution as well as buses, cars and on and off-road equipment. The program targets nitrogen oxide hydrocarbon, and particulate matter pollution reductions. About \$4 million per year in AB 923 funds are used to fund projects as match requirement to the Carl Moyer Program.
- Prop 1B Goods Movement Fund - Established in fiscal year 2008 to account for voter approved transportation bond dollars. A portion of these were allocated to CARB and passed through to SCAQMD to implement programs that reduce emissions from movement of freight or “goods” along California’s trade corridors. About 1,600 new diesel and LNG drayage trucks were funded at the Ports of Los Angeles and Long Beach for about \$77 million in Proposition 1B Goods Movement Program funds and \$27 million in other funds that were only used for the LNG trucks. In addition, about 5,000 non-drayage trucks have been funded for about \$227 million in Proposition 1B - Goods Movement Program funds. Furthermore, 10 Tier 4 locomotives have been funded for \$7.5 million, and shore power projects have been implemented at 25 berths at the ports for about \$57 million.

SCAQMD reports the following major proprietary fund:

- Compressed Natural Gas (CNG) Fueling Station Fund - Established during fiscal year 2002 to administer all activities, transactions, and funding relating to the public and SCAQMD’s use of CNG fueling facilities at SCAQMD’s headquarters. The fueling station helps accommodate the growing number of alternative-fuel vehicle fleets. In fiscal year 2015-16, the CNG Station was sold.

SCAQMD also reports the following fiduciary fund types:

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

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

1. Cash, Pooled Cash, and Investments

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

All SCAQMD-directed investments are to diversify SCAQMD's investments and are in compliance with SCAQMD's investment policy and Los Angeles County Treasury investment guidelines. The guidelines limit specific investments to United States Agency securities. The SCAQMD securities portfolio is held by the County Treasurer. Interest earned on investments is recorded as revenue of the fund from which the investment was made. All SCAQMD investments are stated at fair value based on quoted market prices.

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2. Capital Assets and Depreciation

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

Capital assets, which include land, equipment, vehicles, furniture, buildings and improvements, software and other intangible assets are reported at cost unless obtained by donation in which case the assets are recorded at the acquisition value at the date of receipt. Capital asset purchases with values of at least \$5,000 and with an expected useful life of three years or more are capitalized.

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

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

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

3. Inventories

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

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4. Compensated Absences

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

5. Self-Insurance

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

6. Long-term Obligations

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

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

7. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of

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net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

8. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense related to pensions, information about the fiduciary net position of the San Bernardino County Employees' Retirement Association (SBCERA) and Los Angeles County Employees' Retirement Association (LACERA) and additions to/deductions from SBCERA's fiduciary net position have been determined on the same basis as they are reported by SBCERA and LACERA. For this purpose, employer and employee contributions are recognized in the period the related salaries are earned and become measurable pursuant to formal commitments, statutory or contractual requirements, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms, and investments are reported at fair value.

9. Net Position and Fund Balance Classifications

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

Net Investment in Capital Assets

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

Restricted Net Position

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

Unrestricted Net Position

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

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Fund Balance Classifications

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

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

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

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

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

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. SCAQMD’s adopted policy requires the Board to assign amounts to specific purposes.

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

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

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The following schedule shows the details of the fund balances as of June 30, 2017:

	Major Governmental Funds						Total
	General Fund	Mobile Sources Air Pollution Reduction Fund	Carl Moyer Program Fund	CMP AB923 Fund	Prop 1B Goods Movement Fund	Other Governmental Funds	
Fund Balance							
Nonspendable:							
Inventory	\$ 63,688	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 63,688
Total nonspendable	<u>63,688</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,688</u>
Restricted:							
Long term emission reduction projects	-	89,139,295	33,751,579	143,334,068	102,295,544	43,838,064	412,358,550
Total restricted	<u>-</u>	<u>89,139,295</u>	<u>33,751,579</u>	<u>143,334,068</u>	<u>102,295,544</u>	<u>43,838,064</u>	<u>412,358,550</u>
Committed:							
Advance clean air technology	618,845	-	-	-	-	-	618,845
Ensure compliance with clean air rules	2,404,278	-	-	-	-	-	2,404,278
Customer service and business assistance	666,304	-	-	-	-	-	666,304
Develop programs to achieve clean air	490,149	-	-	-	-	-	490,149
Develop rules to achieve clean air	334,273	-	-	-	-	-	334,273
Monitoring air quality	1,300,250	-	-	-	-	-	1,300,250
Timely review of permits	979,484	-	-	-	-	-	979,484
Policy support	588,870	-	-	-	-	-	588,870
Long term emission reduction projects	-	-	-	-	-	54,549,958	54,549,958
Total committed	<u>7,382,453</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,549,958</u>	<u>61,932,411</u>
Assigned:							
Long term emission reduction projects	-	-	-	-	-	142,085,357	142,085,357
For self insurance	2,000,000	-	-	-	-	-	2,000,000
For litigation/enforcement	100,000	-	-	-	-	-	100,000
For unemployment claims	80,000	-	-	-	-	-	80,000
For permitstreamlining	288,385	-	-	-	-	-	288,385
For enhanced compliance activity	883,018	-	-	-	-	-	883,018
For OPEB obligations	2,952,496	-	-	-	-	-	2,952,496
Total assigned	<u>6,303,899</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>142,085,357</u>	<u>148,389,256</u>
Unassigned:							
General Purpose	38,741,459	-	-	-	-	-	38,741,459
Long term emission reduction projects	-	-	-	-	-	(1,554,957)	(1,554,957)
Total unassigned	<u>38,741,459</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,554,957)</u>	<u>37,186,502</u>
Total fund balances	<u>\$ 52,491,499</u>	<u>\$ 89,139,295</u>	<u>\$ 33,751,579</u>	<u>\$ 143,334,068</u>	<u>\$ 102,295,544</u>	<u>\$ 238,918,422</u>	<u>\$ 659,930,407</u>

See accompanying notes to the basic financial statements.

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E. Use of Estimates

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

F. Adoption of New GASB Pronouncements

The GASB has issued Statement No. 74, “Financial Reporting for Postemployment Benefit Plans Other Than Pensions Plans.”

Statement No. 74 replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. This Statement improves financial reporting requirements for governments whose employees are provided with postemployment benefits other than pensions (other postemployment benefits or OPEB). This statement also enhances note disclosures and schedules of required supplementary information of OPEB plans that are administered through trusts that meet the specified criteria. The provisions in Statement No. 74 are effective for fiscal years beginning after June 15, 2016. This Statement is not applicable to SCAQMD.

The GASB has issued Statement No. 77, “Tax Abatement Disclosures.”

The Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. It requires governments that enter into tax abatement agreements to disclose the following information about the agreements: a.) Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients; b.) The gross dollar amount of taxes abated during the period; c.) Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. The provisions in Statement No. 77 are effective for fiscal years beginning after December 15, 2015. This Statement is not applicable to SCAQMD.

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The GASB has issued Statement No. 78, “Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans.”

This Statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The requirements of this Statement No. 78 are effective for reporting periods beginning after December 15, 2015. This Statement is not applicable to SCAQMD.

The GASB has issued Statement No. 79, “Certain External Investment Pools and Pool Participants.”

This Statements addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The requirements of this Statement No. 79 are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. This Statement did not have an impact on SCAQMD’s financial statements.

The GASB has issued Statement No. 80, “Blending Requirements for Certain Component Units.”

This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. A component unit should be included in the reporting entity financial statements using the blending method if the component unit is organized as a not-for-profit corporation in which the primary government is the sole corporate member, as identified in the component unit’s articles of incorporation or bylaws, and the component unit is included in the financial reporting entity pursuant to the provisions in paragraphs 21–37 of Statement 14, as amended. The requirements of this Statement No. 80 are effective for reporting periods beginning after June 15, 2016. This Statement did not have an impact on SCAQMD’s financial statements.

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The GASB has issued Statement No. 82, “Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73.”

This Statement addresses certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer’s pension liability is measured as of a date other than the employer’s most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. SCAQMD adopted this statement as of June 30, 2017.

II. CASH, POOLED CASH AND INVESTMENTS

The following is a summary of the cash, pooled cash, and investments for the primary government (including fiduciary funds) at June 30, 2017.

	<u>Primary Government</u>
Cash on hand	\$ 768,808
Cash in bank	334,317
Pooled cash	626,645,521
Investments	<u>50,103,315</u>
Cash, pooled cash, and investments	<u>\$ 677,851,961</u>

CASH

At June 30, 2017, the carrying amount of SCAQMD’s bank deposits was \$334,317 and the bank balance was \$345,070. The entire amount was covered by Federal Deposit Insurance Corporation (FDIC). Management believes that SCAQMD is not exposed to any significant credit risk related to cash in bank. Cash on hand consists of cash and checks not deposited as of June 30, 2017.

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POOLED CASH

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

Los Angeles County Pooled Surplus Investment Fund Portfolio (PSI)

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

Los Angeles County Specific Purpose Investment Portfolio (SPI)

The Los Angeles County Specific Purpose Investment Portfolio (SPI) is managed by the Los Angeles County Treasurer and is used to purchase specific investments for SCAQMD. In accordance with California Government Code, SCAQMD adopts an investment policy annually that, among other things, authorizes types and concentrations of investments and maximum investment terms. On June 30, 2017, SPI are reported at fair market value.

The SCAQMD Investment Policy authorizes SCAQMD to invest in:

- U.S. Treasuries
- Federal agencies and U.S. government sponsored enterprises
- Los Angeles County Pooled Surplus Investment Portfolio
- State of California Local Agency Investment Fund
- Obligation of State of California or any other local agency within the state - permitted obligations will include bonds payable solely out of revenues from a revenue producing property owned, controlled or operated by the state or any local agency, or by a department, board, agency or authority of the state or local agency. Obligations of the State of California or other local agencies within the state must be rated in a rating category of "A" or its equivalent, or higher by a Nationally Recognized Statistical Rating Organizations (NRSRO).
- Shares of money market mutual funds – shall be limited to ratings of "AAA" by two (2) NRSROs or managed by an investment advisor registered with the Securities Exchange Commission with not less than five-years' experience and

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with assets under management in excess of \$500 million and such investment may not represent more than 10% of the total assets in the money market fund.

- Bankers' acceptances – with maximum maturities of 180 days must be issued by national or state-chartered banks or a state-licensed branch of a foreign bank. Eligible banker's acceptance should have the highest rankings or the highest letter and number rating as provided for by the NRSRO.
- Negotiable certificates of deposit – with maximum maturities of five (5) years must be issued by national or state-chartered banks, a federal or state-licensed branch of a foreign bank, savings associations and state or federal credit unions. Negotiable CDs must be rated in a rating category of "A" or its equivalent by at least one (1) NRSRO.
- Commercial paper – Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a NRSRO. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph a or paragraph b; and may not represent more than 10% of the outstanding paper of the issuing corporation. Maximum maturities are 270 days.
 - a. The entity meets the following criteria:
 - i. Is organized and operating in the United States as a general corporation.
 - ii. Have total assets in excess of one billion dollars (\$1,000,000,000).
 - iii. Has debt other than commercial paper, if any, that is rated in a rating category of "A" or the equivalent by a NRSRO.
 - b. The entity meets the following criteria:
 - i. Is organized within the United States as a special purpose corporation, trust, or limited liability company.
 - ii. Has program-wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond.
 - iii. Has commercial paper that is rated in a rating category of "A-1", or the equivalent or higher, by at least two (2) NRSROs.
- Medium term maturity corporate securities – with maximum maturities of five (5) years shall be rated in a rating category of "A" or its equivalent or higher by a NRSRO.
- Mortgage securities or asset-backed securities – with maximum maturities of five (5) years shall be rated "AAA" or its equivalent or better by a nationally recognized rating service and issued by an issuer having a rating in the category of "AA" or its equivalent, or higher by a NRSRO for its long-term debt.
- Repurchase agreements – with maximum maturity of 30 days and must be collateralized by the U.S. Treasuries or Agencies with a market value of 102% for collateral marked to market daily, entered into with broker-dealer which is a recognized primary dealer and evidenced by a broker-dealer master purchase agreement signed by County Treasurer and approved by SCAQMD.

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- Reverse purchase agreements – are not allowed except as part of investments in the County of Los Angeles Pooled Surplus Investment Portfolio and the State of California Local Agency Investment Fund.
- Variable and floating rate securities – with the maximum security of five (5) years are instruments that have a coupon or interest rate that is adjusted periodically due to changes in a base or benchmark rate. Investments in floating rate securities must utilize commercially available U.S. denominated indices such as U.S. Treasury bills of Federal Funds. Investments in floating rate securities whose reset is calculated using more than one of the above indices are not permitted, i.e. dual index notes. Variable and Floating Rate Securities that are priced based on a single common index are not considered derivative securities.
- Obligations of the State of California or any local agency within the state – permitted obligations will include bonds payable solely out of revenues from a revenue producing property owned, controlled or operated by the state or any local agency, or by a department, board, agency or authority of the state or any local agency. Obligations of the State of California or other local agencies within the state must be rated in a rating category of “A” or its equivalent, or higher by a NRSRO.
- Obligations of Supranational Institutions – permitted obligations will include U.S. dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by any of the supranational institutions identified in California Government Code Section 53601(q), which are eligible for purchase and sale within the U.S. Obligations of supranational institutions must be rated in a rating category of “AA” or its equivalent, or higher by a NRSRO.
- Derivative securities – not allowed as Special Purpose Investments.

State of California Local Agency Investment Fund (LAIF)

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

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

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

The following table summarizes SCAQMD's cash and pooled cash and maturities at June 30, 2017.

	Fair Value	Investment Maturities		
		<1 Year	1-2 years	2-3 years
Cash:				
On hand	\$ 768,808	\$ -	\$ -	\$ -
In bank	334,317	-	-	-
Total cash	<u>1,103,125</u>	<u>-</u>	<u>-</u>	<u>-</u>
Pooled cash:				
Los Angeles County				
Pooled Surplus Investment (PSI)	587,173,674	279,435,951	307,737,723	-
Local Agency				
Investment Fund (LAIF)	<u>39,471,847</u>	<u>39,471,847</u>	<u>-</u>	<u>-</u>
Total pooled cash	<u>626,645,521</u>	<u>318,907,798</u>	<u>307,737,723</u>	<u>-</u>
Total cash and pooled cash investments	\$ <u><u>627,748,646</u></u>	\$ <u><u>318,907,798</u></u>	\$ <u><u>307,737,723</u></u>	\$ <u><u>-</u></u>

INVESTMENTS

SCAQMD's investments are comprised of the following as of June 30, 2017:

	Level 1	Level 2	Level 3
Negotiable certificates of deposits	\$ <u>50,103,315</u>	<u>-</u>	<u>-</u>
Total investments	\$ <u><u>50,103,315</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

SCAQMD categorized its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 is significant unobservable inputs.

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SCAQMD has investments in Federal Farm Credit Banks (FFCB) in the Los Angeles County SPI which are classified as Level 1 as fair market value is determined by observables, unadjusted quoted market price in active or highly liquid and transparent market.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment is, the greater the sensitivity of its fair value to changes in interest rates. As a means of limiting its exposure to declines in fair value, the SCAQMD Investment Policy limits its investment portfolio of SPI with the County of Los Angeles to maturities of less than five years at time of purchase and the weighted average maturity of the SPI portfolio may not exceed three years.

Credit Risk

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

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a investments in a single issuer. SCAQMD's Investment Policy mitigates concentration of credit risk through diversification requirements so that no one type of issuer or issue will have a disproportionate impact on the portfolio. The investments that are represented by SPI consist of negotiable certificates deposit.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, SCAQMD will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Custodial credit risk for investments is the risk that SCAQMD will not be able to recover the value of its investment securities that are in the possession of an outside party. SCAQMD's deposits are fully insured by the FDIC, pooled cash with the Los Angeles County PSI and the State of California LAIF are not subject to custodial credit

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risk, and the investments that are represented by SPI are held by the Los Angeles County Treasurer in the name of SCAQMD.

III. DUE FROM OTHER GOVERNMENT AGENCIES AND ACCOUNTS RECEIVABLE

Due from other government agencies at June 30, 2017 consists of the following:

Department of Motor Vehicles	
AB 2766, SB 1928, AB 923	\$ 16,891,415
Environmental Protection Agency	
Section 105 Air Grant	3,351,907
Targeted Air Shed Grant	12,310
DERA Bus Admin.	119,042
Section 103 Community Scale Air Toxics Grant	70,755
Section 103 PM 2.5 Grant	144,615
National Air Toxics Trend Stations	8,956
Near Road Monitoring	24,725
Department of Homeland Security	483,854
Department of Energy - Zero Emission Cargo Transport	490,810
California Energy Commission	
Natural Gas Engine Development Grants	762,405
DC Fast Charger Infrastructure #2	499,999
Department of Transportation	<u>525,000</u>
Total	<u>\$ 23,385,793</u>

Accounts Receivable consists of the following at June 30, 2017:

Air Toxics "Hot Spots", Emission Fees, Permits, Annuals and Source Testing	\$ 4,170,495
Clean Fuels/Stationary Sources	232,186
Miscellaneous Receivables	<u>482,231</u>
Subtotal	4,884,912
Less: Allowance for Doubtful Accounts	<u>(1,510,188)</u>
Total	<u>\$ 3,374,724</u>

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IV. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Due to/from other funds:

<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	\$ 11,120,244	Air Toxics Fund	\$ 2,642,966
		Air Quality Investment Fund	27,898
		Clean Fuels Program Fund	4,251,768
		Carl Moyer Program Fund	1,434,606
		Tra-Pac School Air Filtration Fund	828
		Hydrogen Fueling Infrastructure Network Fund	44,287
		Air Filtration Fund	3,150
		AB1318 Mitigation Fees Fund	139,507
		Carl Moyer Program AB 923 Fund	797,207
		Prop 1B Goods Movement	1,778,027
	<u>\$ 11,120,244</u>		<u>\$ 11,120,244</u>
Clean Fuels Program Fund	\$ 11,049,231	Advanced Technology, Outreach & Education Fund	\$ 335,296
		Advanced Technology Goods Movement Fund	4,067,474
		Hydrogen Fueling Infrastructure Network Fund	6,646,461
	<u>\$ 11,049,231</u>		<u>\$ 11,049,231</u>
Air Toxics Fund	83,614	General Fund	83,614
AES Settlement Projects Fund	239		239
Rule 1309.1 Priority Reserve Fund	43,280		43,280
Rule 1173 Mitigation Fee Fund	214,203		214,203
BP Arco Settlement Fund	433		433
	<u>\$ 341,769</u>		<u>\$ 341,769</u>
Carl Moyer Program AB923 Fund	<u>925,000</u>	Prop 1B Goods Movement	<u>925,000</u>
Total Receivables	<u>\$ 23,436,244</u>	Total Payables	<u>\$ 23,436,244</u>

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

<u>Fund Transferred From</u>	<u>Fund Transferred To</u>			<u>Total</u>
	<u>General Fund</u>	<u>CMP AB923 Fund</u>	<u>Other Governmental Funds</u>	
Carl Moyer Program Fund	\$ -	\$ 3,073,037	\$ -	\$ 3,073,037
Carl Moyer AB 923 Fund	-	-	2,342,000	2,342,000
Other Governmental Fund	1,550,018	-	1,575,086	3,125,104
	<u>\$ 1,550,018</u>	<u>\$ 3,073,037</u>	<u>\$ 3,917,086</u>	<u>\$ 8,540,141</u>

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SCAQMD's Governing Board approved the following:

- Transfer of \$250,711 from Air Toxics Fund to the General Fund for Air Monitoring projects.
- Transfer of \$139,507 from AB1318 Mitigation Fees Fund to the General Fund for administrative cost.
- Transfer of \$828 from TraPac School Air Filtration Fund to the General Fund for administrative cost.
- Transfer of \$99,761 from AES Settlement Projects Fund to the General Fund for Air Monitoring projects.
- Transfer of \$41,720 from Rule 1309.1 Priority Reserve Fund to the General Fund for Air Monitoring projects.
- Transfer of \$858,567 from BP ARCO Settlement Projects Fund to the General Fund for the Air Toxics Monitoring Program.
- Transfer of \$214,760 from HEROS II Special Revenue Fund to the General Fund for development of a web-based application for the EFMP Program.
- Transfer of \$144,761 from Emission Reduction and Outreach Fund to the General Fund for outreach events and activities.
- Transfer of 13,606 from Air Quality Investment Fund to the General Fund for administrative cost.
- Transfer \$214,203 from the General Fund to Rule 1173 Mitigation Fee Special Revenue Fund for return of unspent funds.
- Transfer of \$3,073,037 from Carl Moyer Fund to the Carl Moyer Program AB923 Special Revenue Fund for accrued interest on temporary loan.
- Transfer of \$275,000 from Carl Moyer Program AB923 Special Revenue Fund to the Advanced Technology, Outreach and Education Fund for DERA projects.
- Transfer of \$2,067,000 from Carl Moyer Program AB923 Special Revenue Fund to the HEROS II Special Revenue Fund to cover the cost of replacement vehicle or alternative mobility option vouchers.
- Transfer of \$1,550,086 from BP ARCO Settlement Projects Fund to the Clean Fuels Program Fund as follows: \$50,086 for the design and demonstration of vessel performance management software and equipment; \$1,500,000 for cost-share construction of an RNG production facility and demonstrate the use of RNG with the next generation natural gas engine.
- Transfer of \$25,000 from Clean Fuels Program Fund to the Natural Gas Vehicle Partnership Fund for SCAQMD's two-year membership for fiscal years 2016-17 and 2017-18.

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V. CAPITAL ASSETS

In compliance with GASB Statement No. 34 reporting, SCAQMD has reported all capital assets in the Government-wide Statement of Net Position. Capital asset activities for the year ended June 30, 2017 were as follows:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2017</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 8,829,792	\$ -	\$ -	\$ 8,829,792
Total capital assets not being depreciated	<u>8,829,792</u>	<u>-</u>	<u>-</u>	<u>8,829,792</u>
Capital Assets being depreciated:				
Buildings and improvements	77,364,596	1,177,647	-	78,542,243
Intangibles (software)	5,676,436	906,857	-	6,583,293
Equipment, vehicles and furniture	26,863,615	2,584,538	(1,168,153)	28,280,000
Total capital assets being depreciated	<u>109,904,647</u>	<u>4,669,042</u>	<u>(1,168,153)</u>	<u>113,405,536</u>
Governmental Activities:				
Less Accumulated Depreciation for:				
Buildings and improvements	(60,482,470)	(2,608,016)	-	(63,090,486)
Intangibles (software)	(1,315,758)	(308,896)	-	(1,624,654)
Equipment, vehicles and furniture	(20,757,822)	(1,803,219)	1,168,153	(21,392,888)
Total accumulated depreciation	<u>(82,556,050)</u>	<u>(4,720,131)</u>	<u>1,168,153</u>	<u>(86,108,028)</u>
Net capital assets being depreciated	27,348,597	(51,089)	-	27,297,508
Net capital assets, governmental activities	<u>\$ 36,178,389</u>	<u>\$ (51,089)</u>	<u>\$ -</u>	<u>\$ 36,127,300</u>
Business-type Activities:				
Compressed natural gas				
Fueling station	\$ -	\$ -	\$ -	\$ -
Total capital assets being depreciated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Less accumulated depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net capital assets, business-type activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
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For the year ended June 30, 2017, the depreciation expense of \$4,720,131 was charged to SCAQMD's functions/programs in the governmental activities as follows:

Advance clean air technology	\$ 230,432
Ensure compliance with clean air rules	1,729,378
Customer service and business assistance	348,076
Develop programs to achieve clean air	265,111
Develop rules to achieve clean air	160,702
Monitoring air quality	1,212,780
Timely review of permits	700,212
Policy support	<u>73,440</u>
Total depreciation expense	<u>\$4,720,131</u>

VI. DEFERRED OUTFLOWS/DEFERRED INFLOWS OF RESOURCES, NET PENSION LIABILITY, AND PENSION EXPENSE

The following is a summary of deferred outflows of resources and deferred inflows of resources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Deferred outflows of resources – Pension (SBCERA) (see note IX for details)	\$ 98,346,117	\$ -
Deferred outflows of resources – Pension (LACERA) (see note IX for details)	40,000	-
Deferred inflows of resources – Pension (SBCERA) (see note IX for details)	-	48,252,966
Total	<u>\$ 98,386,117</u>	<u>\$ 48,252,966</u>

The following is a summary of net pension liability, pension expense, and pension contributions:

	<u>SBCERA</u>	<u>LACERA</u>	<u>Total</u>
Net Pension liability	\$ 199,589,723	\$ -	\$ 199,589,723
Pension expense	\$ 24,420,764	\$ 6,000	\$ 24,426,764
Pension contributions made in fiscal year 2016-17	\$ 23,319,256	\$ 11,000	\$ 23,330,256

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VII. LONG-TERM DEBT

The following is a summary of long-term obligation transactions of SCAQMD for the year ended June 30, 2017:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Addition</u>	<u>Reduction</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>	<u>Amounts Due</u> <u>in More Than</u> <u>One Year</u>
Governmental Activities:						
Claims payable:						
General liability	\$ 50,000	\$ 209,500	\$ 50,929	\$ 208,571	\$ 73,000	\$ 135,571
Workers' compensation	1,266,129	2,760,180	2,431,439	1,594,870	375,186	1,219,684
Compensated absences	13,068,058	2,151,324	1,581,318	13,638,064	1,170,074	12,467,990
Pension Obligation Bonds	<u>29,640,882</u>	<u>-</u>	<u>3,331,010</u>	<u>26,309,872</u>	<u>3,432,798</u>	<u>22,877,074</u>
Total	\$ <u>44,025,069</u>	\$ <u>5,121,004</u>	\$ <u>7,394,696</u>	\$ <u>41,751,377</u>	\$ <u>5,051,058</u>	\$ <u>36,700,319</u>

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

1995 Pension Obligation Bonds

On December 1, 1995, SCAQMD, jointly with the County of San Bernardino, issued bonds to retire the Unfunded Actuarial Accrued Liability (UAAL) due to San Bernardino County Employees' Retirement Association (SBCERA). SCAQMD issued a \$34,261,896 aggregate principal amount to refund its portion of the obligation to SBCERA. The interest rates range from 5.68% to 7.70% with maturity date of August 1, 2021. The purpose of this refunding was to lower the cost to SCAQMD through the issuance of bonds at rates that are lower than those assessed by SBCERA and to restructure its debt service from an ascending to a level-debt-service schedule. At the time of refunding these changes were expected to result in estimated total gross debt service savings of \$20,151,420 through June 30, 2022. During the fiscal year ended June 30, 2017, \$646,010 in principal and \$2,418,990 in interest were paid on the bonds. The principal balance outstanding at June 30, 2017 amounted to \$2,579,872.

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

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 597,798	\$ 2,467,202	\$ 3,065,000
2019	553,110	2,511,890	3,065,000
2020	511,640	2,553,360	3,065,000
2021	475,443	2,589,557	3,065,000
2022	441,881	2,623,119	3,065,000
Total	\$ <u>2,579,872</u>	\$ <u>12,745,128</u>	\$ <u>15,325,000</u>

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Series 2004 Pension Obligation Bonds

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

The Series 2004 Pension Obligation Bonds are payable on a parity with the 1995 Pension Obligation Bonds. SCAQMD may, from time to time, enter into supplemental indentures without the consent of the Bond Owners of the 1995 Bonds or Series 2004 Bonds for the purpose of providing for the issuance of additional series of Pension Obligation Bonds or to refund any other evidences of indebtedness of SCAQMD arising pursuant to the Retirement Law. The interest rates range from 5.27% to 5.93% with maturity date of August 1, 2023. During the fiscal year ended June 30, 2017, \$2,685,000 in principal and \$1,444,492 in interest were paid on the bonds. The principal balance outstanding at June 30, 2017 amounted to \$23,730,000.

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

Year Ending				
<u>June 30</u>		<u>Principal</u>		<u>Interest</u>
				<u>Total</u>
2018	\$	2,835,000	\$	1,289,514
2019		3,000,000		1,125,400
2020		3,175,000		950,622
2021		3,365,000		763,549
2022		3,565,000		563,242
2023-2024		7,790,000		467,633
Total	\$	<u>23,730,000</u>	\$	<u>5,159,960</u>
			\$	<u>28,889,960</u>

Allocation of Interest Expenses

Total interest expenses on long-term debt for the year ended June 30, 2017 amounted to \$3,906,955. These interest expenses on long-term debt are not meaningfully associated with individual functional activities. Hence, this is considered an indirect expense and should be reported in the Statement of Activities as a separate line.

VIII. RISK MANAGEMENT

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

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SCAQMD carries \$200 million of All Risk property insurance including business income, boiler and machinery (with \$25 million of earthquake and flood coverage), \$10 million for Public Officials and Errors and Omissions liability (including employment practices liability) with the following self-insured retentions: \$50,000 for errors and omissions, \$100,000 for employment liability and \$250,000 for bodily injury, property/personal or combination thereof, \$3 million for employee dishonesty and theft, \$10 million for excess general and \$1 million employer's liability losses in excess of self-insured/retained amount of \$250,000 and \$25 million excess workers' compensation for losses over \$750,000. In addition, SCAQMD maintains \$1 million automobile liability/physical damage coverage for hybrid and alternate fuel vehicles under its possession.

As of June 30, 2017, \$208,571 and \$1,594,870, respectively, had been accrued for general liability claims and workers' compensation.

An appropriate amount has been recorded in the General Fund's financial statements to the extent that SCAQMD anticipates that these amounts will be paid from current resources. While the ultimate amount of losses incurred through June 30, 2017 is dependent on future development based upon information from the independent claims' administrator and others involved with the administration of the programs, SCAQMD management believes that the aggregate accrual is adequate to cover such losses.

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

The following represents changes in the aggregate liabilities for claims of SCAQMD's general liability and workers' compensation for the years ended June 30, 2016 and 2017:

	<u>General Liability</u>	<u>Workers' Compensation</u>	<u>Totals</u>
Claims payable, July 1, 2015	\$ 188,000	\$ 517,029	\$ 705,029
Current year claims and changes in estimates	50,000	997,649	1,047,649
Claims payments	(188,000)	(248,549)	(436,549)
Claims payable, June 30, 2016	<u>\$ 50,000</u>	<u>\$ 1,266,129</u>	<u>\$ 1,316,129</u>
Claims payable, July 1, 2016	\$ 50,000	\$ 1,266,129	\$ 1,316,129
Current year claims and changes in estimates	159,500	2,760,180	2,919,680
Claims payments	(929)	(2,431,439)	(2,432,368)
Claims payable, June 30, 2017	<u>\$ 208,571</u>	<u>\$ 1,594,870</u>	<u>\$ 1,803,441</u>

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IX. DEFINED BENEFIT PENSION PLANS

San Bernardino County Employees' Retirement Association

Plan description

SCAQMD participates in the San Bernardino County Employees' Retirement Association (SBCERA) pension plan - a cost-sharing multiple-employer defined benefit pension plan (the Plan). SBCERA administers the Plan which provides benefits for two membership classifications, General and Safety, and those benefits are tiered based upon date of SBCERA membership. SCAQMD only has general membership. Generally, those who become members prior to January 1, 2013 are Tier 1 members. All other members are Tier 2. An employee who is appointed to a regular position, whose service is greater than fifty percent of the full standard of hours required are members of SBCERA, and are provided with pension benefits pursuant to Plan requirements.

The Plan operates under the provisions of the California County Employees' Retirement Law of 1937 (CERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by SBCERA's Board of Retirement (Board). The Plan's authority to establish and amend the benefit terms are set by the CERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the County of San Bernardino Board of Supervisors and/or the SBCERA Board. SBCERA is a tax qualified plan under Section 401(a) of the Internal Revenue Code.

SBCERA is a legally separate entity from SCAQMD, not a component unit, and there is no financial interdependency with the County of San Bernardino. For these reasons, the SCAQMD's comprehensive annual financial report excludes the SBCERA pension plan as of June 30, 2017. SBCERA publishes its own comprehensive annual financial report that includes its financial statements and required supplementary information, that can be obtained by writing SBCERA at, 348 W. Hospitality Lane, Third Floor, San Bernardino, CA 92415-0014 or visiting the website at: www.SBCERA.org.

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Benefits Provided

SBCERA provides retirement, disability, death and survivor benefits. The CERL and PEPRA establish benefit terms. Retirement benefits are calculated on the basis of age, average final compensation and service credit as follows:

	General – Tier 1	General – Tier 2
Final Average Compensation	Highest 12 months	Highest 36 months
Normal Retirement Age	Age 55	Age 55
Early Retirement: Years of service required and/or age eligible for	Age 70 any years	Age 70 any years
	10 years age 50	5 years age 52
	30 years any age	N/A
Benefit percent per year of service for normal retirement age	2% per year of final average compensation for every year of service credit	2.5% per year of final average compensation for every year of service credit
Benefit adjustments	Reduced before age 55, increased after 55 up to age 65	Reduced before age 67
Final Average Compensation Limitation	Internal Revenue Code section 401(a)(17)	Government Code section 7522.10

An automatic cost of living adjustment is provided to benefit recipients based on changes in the local region Consumer Price Index (CPI) up to a maximum of 2% per year. Any increase greater than 2% is banked and may be used in years where the CPI is less than 2%. There is a one-time 7% increase at retirement for members hired before August 19, 1975. The Plan also provides disability and death benefits to eligible members and their beneficiaries, respectively. For retired members, the death benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to benefits based on the members years of service or if the death was caused by employment. General members are also eligible for survivor benefits which are payable upon a member's death.

Contributions

Participating employers and active members are required by statute to contribute a percentage of covered salary to the Plan. This requirement is pursuant to Government Code sections 31453.5 and 31454, for participating employers and Government Code sections 31621.6, 31639.25 and 7522.30 for active members. The contribution requirements are established and may be amended by the SBCERA Board pursuant to Article 1 of the CERL, which is consistent with the Plan's actuarial funding policy. The contribution rates are adopted yearly, based on an annual actuarial valuation, conducted by an independent actuary, that requires actuarial assumptions with regard to mortality, expected future service (including age at entry into the Plan, if applicable, and tier), and compensation increases of the members and beneficiaries. The combined active member and employer contribution rates are expected to finance the costs of benefits for employees that are allocated during the year, with an additional amount to finance any unfunded

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accrued liability. Participating employers may pay a portion of the active members' contributions through negotiations and bargaining agreements.

Employee contribution rates for the fiscal year ended June 30, 2017 ranged between 8.44% and 14.86% for Tier 1 General members, 30 year General member are not required to pay any employee contribution. For Tier 2 General members, the contribution is 7.66%.

Employer contribution rates for the year ended June 30, 2017 are as follows:

	<u>Employer Contribution Rates</u>		<u>Paid by Employer for Employee</u>	
	<u>Tier 1</u>	<u>Tier 2</u>	<u>Tier 1</u>	<u>Tier 2</u>
	<u>Members</u>	<u>Members</u>	<u>Members</u>	<u>Members</u>
Actuarially Determined Required Contribution Percentages	Total	Total	Total	Total
SCAQMD members	32.93%	28.90%	0.00%-5.00%	0.00%

The required employer contributions and the amount paid to SBCERA by the SCAQMD for the year ended June 30, 2017 were \$23,319,256. The SCAQMD's employer contributions were equal to the required employer contributions for the year ended June 30, 2017.

Pension Liability

At June 30, 2017, SCAQMD reported a net pension liability of \$199,589,723 for its proportionate share of the SBCERA's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The SBCERA's publicly available financial report provides details on the change in the net pension liability.

The SCAQMD's proportion of the net pension liability was based on the SCAQMD's contributions received by SBCERA during the measurement period for employer payroll paid dates from July 1, 2015 through June 30, 2016, relative to the total employer contributions received from all of SBCERA's participating employers. At June 30, 2016, the SCAQMD's proportion was 8.086%, which was an increase of 0.29% from its proportion measured as of June 30, 2015.

Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2017, the SCAQMD recognized pension expense of \$24,420,764 for its proportionate share of SBCERA's pension expense. At June 30, 2017, the SCAQMD reported its proportionate share of deferred outflows of

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resources and deferred inflows of resources related to pensions, from the following sources:

	Deferred Outflows of Resources*	Deferred Inflows of Resources*
Changes in proportion and differences between SCAQMD contributions and proportionate share of contributions	\$ 18,008,913	\$ 18,036,392
Changes in actuarial assumptions	13,782,524	-
Net difference between projected and actual earnings on pension plan investments	43,235,424	-
Differences between expected and actual experience	-	30,216,574
SCAQMD contributions paid to SBCERA subsequent to the measurement date	23,319,256	-
Total	\$ 98,346,117	\$ 48,252,966

*See note VI for summary

The \$23,319,256 reported as deferred outflows of resources related to pensions resulting from SCAQMD's contributions to SBCERA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to SBCERA pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2018	\$(1,117,871)
2019	5,887,211
2020	12,008,136
2021	11,333,735
2022	(863,043)
Thereafter	(474,273)

Actuarial Assumptions and Methods

The significant actuarial assumptions and methods used to measure the total pension liability are as follows:

Actuarial valuation date	June 30, 2016
Actuarial experience study	3-year period ending June 30, 2013
Actuarial cost method	Entry age actuarial cost method
Actuarial assumptions:	
Investment rate of return ⁽¹⁾	7.50%
Inflation	3.25%
Projected Salary increases ⁽²⁾	General: 4.60% to 13.75%
Cost of living adjustments	Contingent upon consumer price index with a 2.00% maximum
Administrative Expenses	0.60% of payroll

⁽¹⁾ Includes inflation at 3.25% and is net of pension investment expenses.

⁽²⁾ Includes inflation of 3.25%, plus real across the board salary of 0.50%, plus merit and promotional increases that vary by service.

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The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the three year period of July 1, 2010 – June 30, 2013. The June 30, 2016 actuarial valuation did not reflect any new assumptions compared to the June 30, 2015 actuarial valuation.

For General employees, post-retirement mortality is based on the RP-2000 Combined Healthy Mortality Table projected 20 years to 2020 using Projection with Scale BB.

The long-term expected rate of return on pension plan investments is 7.50%. SBCERA’s actuary prepares an analysis of the long-term expected rate of return on a triennial basis using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, by adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocations (approved by the SBCERA Board) and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumptions are summarized in the following table:

SBCERA’s Long-Term Expected Real Rate of Return

		As of June 30, 2016 Valuation Date	
Asset Class	Investment Classification	Target Allocation(1)	Long-Term Expected Real Rate of Return (Arithmetic)
Large Cap U.S. Equity	Domestic Common and Preferred Stock	5.00%	5.94%
Small Cap U.S. Equity	Domestic Common and Preferred Stock	2.00%	6.50%
Developed International Eq	Foreign Common and Preferred Stock	6.00%	6.87%
Emerging Market Equity	Foreign Common and Preferred Stock	6.00%	8.06%
U.S. Core Fixed Income	U.S. Government and Agency/Corporate Bonds	2.00%	0.69%
High Yield/Credit Strategies	Corporate Bonds/Foreign Bonds	13.00%	3.10%
Global Core Fixed Income	Foreign Bonds	1.00%	0.30%
Emerging Market Debt	Emerging Market Debt	6.00%	4.16%
Real Estate	Real Estate	9.00%	4.96%
Cash & Equivalents	Short-Term Cash Investment Funds	2.00%	-0.03%
International Credit	Foreign Alternatives	10.00%	6.76%
Absolute Return	Domestic Alternatives/Foreign Alternatives	13.00%	2.88%
Real Assets	Domestic Alternatives/Foreign Alternatives	6.00%	6.85%
Long/Short Equity	Domestic Alternatives/Foreign Alternatives	3.00%	4.86%
Private Equity	Domestic Alternatives/Foreign Alternative	16.00%	9.64%
Total	Total	<u>100.00%</u>	

(1) For actuarial purposes, target allocations only change once every three years based on the triennial actuarial experience study.

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Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made based on the actuarially determined rates based on the SBCERA Board's funding policy, which establishes the contractually required rate based on statute. Based on those assumptions, the pension 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis

The following table presents the SCAQMD's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the SCAQMD's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate.

**Sensitivity of Net Pension Liability to Changes in the Discount Rate
As of June 30, 2017**

	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
SCAQMD's proportionate share of the net pension liability	\$300,963,502	\$199,589,723	\$115,585,886

Pension Plan Fiduciary Net Position

Detailed information about the SBCERA's fiduciary net position is available in a separately issued SBCERA comprehensive annual financial report. That report may be obtained on the Internet at www.SBCERA.org; by writing to SBCERA at 348 W. Hospitality Lane, Third Floor, San Bernardino, CA 92415; or by calling (909) 885-7980 or (877) 722-3721.

Payables to the Pension Plan

The amount payable to SBCERA at June 30, 2017 for the legally required contribution is \$2,343,876.

Los Angeles County Employees' Retirement Association

Plan Description

SCAQMD participates in the Los Angeles County Employees Retirement Association Pension Plan (the plan). (LACERA operates as a cost-sharing

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multiple-employer defined benefit plan.) Currently, SCAQMD has only one active member in this plan. For SCAQMD, LACERA is a closed plan which means no new members will be added to the plan. This active member was hired prior to January 1, 2013 and therefore not subject to PEPRA. The Los Angeles County Employees' Retirement Association (LACERA) was established on January 1, 1938. It is governed by the California Constitution; the County Employees Retirement Law of 1937 (CERL); and the regulations, procedures, and policies adopted by LACERA's Board of Retirement and Board of Investments. The Los Angeles County (County) Board of Supervisors may also adopt resolutions, as permitted by CERL, which may affect the benefits of LACERA members.

Benefits Provided

Vesting occurs when a member accumulates five years' creditable service under contributory plans or accumulates 10 years of creditable service under the general service non-contributory plan. Benefits are based upon 12 or 36 months' average compensation, depending on the plan, as well as age at retirement and length of service as of the retirement date, according to applicable statutory formula. Vested members who terminate employment before retirement age are considered terminated vested (deferred) members. Service-connected disability benefits may be granted regardless of length of service consideration. Five years of service are required for nonservice-connected disability eligibility according to applicable statutory formula. Members of the non-contributory plan, who are covered under separate long-term disability provisions not administered by LACERA, are not eligible for disability benefits provided by LACERA.

Contributions

Members and employers contribute to LACERA based on rates recommended by an independent consulting actuary and adopted by the Board of Investments and the Los Angeles County Board of Supervisors. Contributory plan members are required to contribute between approximately 5 percent and 13 percent of their annual covered salary. Member and employer contributions received from the outside districts are considered part of LACERA's pension plan as a whole.

Participating employers are required to contribute the remaining amounts necessary to finance the coverage of their employees (members) through monthly or annual prefunded contributions at actuarially determined rates. Rates for the contributory plan tiers for members who entered the Plan prior to January 1, 2013 are based upon age at entry to the Plan and plan type enrollment.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
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Pension Liability

At June 30, 2017, the proportionate share of SCAQMD's Net Pension Liability was 0%. Updated procedures were used to roll forward the total pension liability to the measurement dates of June 30, 2016.

Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2017, SCAQMD recognized pension expense of \$6,000 for its proportionate share of LACERA's pension expense. At June 30, 2017, SCAQMD reported its proportionate share of deferred outflows of resources and deferred inflows of resources related to pensions, from the following sources:

	Deferred Outflows of Resources*	Deferred Inflows of Resources*
Changes in proportion and differences between SCAQMD contributions and proportionate share of contributions	\$ 29,000	\$ -
SCAQMD contributions paid to LACERA subsequent to the measurement date	11,000	-
Total	\$ 40,000	\$ -

*See note VI for summary

The \$11,000 reported as deferred outflows of resources related to pensions resulting from SCAQMD's contributions to LACERA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to LACERA pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2018	\$6,000
2019	6,000
2020	6,000
2021	6,000
2022	3,000
Thereafter	2,000

Actuarial Assumptions and Methods

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of the actuarial experience study for the period July 1, 2010 to June 30, 2013. LACERA's actuary performs an experience study every three years.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
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<u>Description</u>	<u>Method</u>
Valuation Timing	Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	
Level Percent or level dollar	Level percent
Closed, Open, or layered periods	Layered
Amortization Period for each layer	30 years
Amortization Growth Rate	3.50%
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	3.00%
Investment Rate of Return	7.63%
Cost of Living Adjustments	As noted in the June 30, 2015 actuarial valuation, with one modification: STAR COLA benefits are assumed to be substantively automatic at the 80% purchasing power level until the STAR reserve is projected to be insufficient to pay further STAR benefits.

The allocation of investment assets within the LACERA Defined Benefit Pension Plan (Plan) investment portfolio is approved by the Board of Investments, as outlined in the LACERA Investment Policy statement. The following table displays the Board of Investments approved asset allocation targets for the fiscal year ended June 30, 2016.

**LACERA's Target Allocation and Long-Term Expected Rate of Return
For the Year Ended June 30, 2016**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Rate of Return (Geometric)</u>
Global Equity	41.40%	8.20%
Fixed Income	27.80%	5.10%
Real Estate	11.00%	7.10%
Private Equity	10.00%	9.40%
Commodities	2.80%	4.10%
Hedge Funds	5.00%	5.60%
Other Opportunities	0.00%	7.00%
Cash	2.00%	2.30%
Total	100.00%	7.50%

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Discount Rate

The investment rate of return assumption used for actuarial funding was 7.50 percent for the fiscal year ended June 30, 2016.

GASB 67 requires determination that the Plan's fiduciary net position is projected to be sufficient to make projected benefit payments. The discount rate used to measure the total pension liability was 7.63 percent. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rate and that SCAQMD contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Pension 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 Pension Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis

The following presents the net pension liability, calculated using the discount rate of 7.63 percent, as well as SCAQMD's proportionate share of what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.63 percent) or 1 percentage point higher (8.63 percent) than the current rate (7.63 percent):

**Sensitivity of Net Pension Liability to Changes in the Discount Rate
As of June 30, 2016**

	1.00% Decrease (6.63%)	Current Discount Rate (7.63%)	1.00% Increase (8.63%)
SCAQMD's proportionate share of the net pension liability	\$0	\$0	\$0

Pension Plan Fiduciary Net Position

Detailed information about the LACERA's fiduciary net position is available in a separately issued LACERA comprehensive annual financial report. That report may be obtained on the Internet at www.LACERA.com; by writing to LACERA at 300 N. Lake Avenue, Suite 650, Pasadena, CA 91101; or by calling (626) 564-6000.

Payables to the Pension Plan

The amount payable to LACERA at June 30, 2017 for the legally required contribution is \$3,002.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
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X. OTHER POST EMPLOYMENT BENEFITS (OPEB)

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

Starting July 2007, SCAQMD has reimbursed LACERA for the employer portion of health care costs provided to SCAQMD retirees who retired from LACERA. The cost of the LACERA OPEB is recognized in the Retirement Trust Fund when SCAQMD makes its monthly payment to LACERA based on subsidy allocation as calculated by LACERA. For fiscal year ended June 30, 2017, total payments amounted to \$234,967.

At June 30, 2017, SCAQMD's Retirement Benefit Trust Fund has a balance of \$16,205 to cover the OPEB costs of 68 SCAQMD retirees who retired from LACERA. As of June 30, 2017, there is only one active member.

The OPEB Actuarial Valuation Report in effect as of July 1, 2016 covering the retiree medical, dental/vision and life insurance benefits was issued in conjunction with LACERA actuarial valuation to establish SCAQMD's actuarial liability. The actuarial assumptions used in OPEB actuarial valuations are intended to estimate the future experience of the eligible members for benefit payments and the projected benefit flow and anticipated investment earnings.

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

Activated Cost Method	Projected Unit Credit Actuarial Cost Method
Amortization Method	Rolling 30-year amortization
Actuarial Assumptions	
Investment Rate of Return	4.5%
Projected Salary Increases	3.25%
Implied Inflation Rate	2.75%
Records and Data	Medical, Dental, and Vision Premiums, Financial Information, and the Age, Service and Income Records for Active and Inactive Members and their Survivors
Growth in Membership	No growth in the Active Membership of LACERA

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
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SCAQMD's annual OPEB cost and the percentage of annual OPEB cost contributed to the plan for fiscal years 2017, 2016 and 2015 were as follows:

Fiscal Year Ended June 30:	Annual OPEB Cost Required Contribution	Percentage of Annual OPEB Cost Contributed
2017	\$ 234,967	100%
2016	265,377	100%
2015	246,602	100%

The Schedule of Funding Progress below shows the information from the Actuarial Valuation Report as of July 1, 2016. SCAQMD has its Actuarial Valuation through LACERA every two years.

Actuarial Valuation Date	Accrued Liabilities (a)	Value of Assets (b)	Unfunded Liabilities (UL) (a-b)	Funded Ratio (b/a)	Annual Covered Payroll (c)	UL As a % of Payroll ([a-b]/c)
July 1, 2016	\$3,653,345	\$6,466	\$3,646,879	0.17%	\$60,610	6017%

XI. DEFERRED COMPENSATION PLAN

SCAQMD offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits them to defer a portion of their salary until future years. These funds are not available to employees until termination, retirement, death or unforeseen emergency.

The deferred compensation plan monies are invested in various investment funds as selected by the participating employees. All amounts of compensation deferred under the plan and all income attributed to those amounts are held in trust for the exclusive benefit of plan participants and their beneficiaries.

Effective January 1, 1999, federal legislation requires the Section 457 plan assets to be placed in trust for the exclusive use of the plan participants and their beneficiaries. SCAQMD's deferred compensation administrator, Hartford Life Insurance Co., qualifies as the plan trustee to meet the federal requirements. In accordance with GASB Statement No. 32, SCAQMD no longer reports the plan assets and liabilities in its financial statements. As of June 30, 2017, investments with a fair value of \$161,020,886 are held in a trust.

XII. HEALTH REIMBURSEMENT ARRANGEMENT PLAN

On December 4, 2009, SCAQMD's Governing Board approved the establishment of a Health Reimbursement Arrangement (HRA) plan for SCAQMD employees. This allows active employees to save on a tax-free basis for their future post-retirement

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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health care costs. The Hartford serves as SCAQMD's HRA service provider. Currently, both SCAQMD and the SBCERA do not offer a health reimbursement program nor post-retirement health care to help the employees afford health care in retirement.

Initially, the program was made available to non-represented employees with the understanding that it could be expanded to cover represented employees, based on their approval. In compliance with the rules establishing the HRA, each defined group covered by the plan is required to establish its own criteria on what earnings would be contributed. As of June 30, 2017, Executive Officer, General Counsel and Designated Deputies were the eligible employee classifications that were set up and approved by SCAQMD. Contributions are 100% vacation and sick leave payouts at termination and/or compensation payout at termination per existing leave payment policy. Eligibility shall commence upon termination of employment on account of retirement (whether through disability or service).

XIII. COMMITMENTS

Guaranteed Loans

The Air Quality Assistance Fund (AQAF) was originally established to comply with state legislation which required SCAQMD to allocate a portion of the funds it receives as penalties and settlements from violators of air pollution regulations and to provide financing assistance to small businesses that require financing in order to comply with SCAQMD requirements. This legislation was repealed on January 1, 1999. In June 2000, the Governing Board authorized staff to continue to use the funds to assist small businesses with an improved program for greater participation. Financing assistance includes guaranteeing or otherwise reducing the financial risks of lenders in providing financial assistance to small businesses. The funds are not used for direct loans to small businesses.

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

In October 2007, the Governing Board authorized the transfer of \$1 million to the Dry Cleaners Financial Incentives Grant Program to supplement the existing incentive grant programs. This incentive program assists dry cleaners in making early transitions from perchloroethylene (perc) to alternative cleaning technologies. AQAF's fund balance amounted to \$1,589,083 at fiscal year ended June 30, 2017.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
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Operating Leases

Rental expense for non-cancelable operating leases was \$220,563 for the year ended June 30, 2017. Future minimum lease payments under non-cancelable operating leases of SCAQMD total as follows:

<u>Year Ending</u> <u>June 30:</u>	<u>Amount</u>
2018	\$263,397
2019	265,853
2020	268,308
2021	237,090
2022	<u>92,455</u>
Total	<u>\$1,127,103</u>

The lease for the office equipment expires in December 2021 while the lease of the South Bay satellite office expires in September 2021.

XIV. PENDING LITIGATION

A number of other lawsuits and claims are pending against SCAQMD for alleged damages to persons and property and for other alleged liabilities arising out of its normal operations. SCAQMD's management believes that any liability that may arise from the ultimate resolution of such legal actions will not have a material adverse impact on the financial position as of June 30, 2017.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
GENERAL FUND - BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS) SCHEDULE
For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive (Negative)
Revenues:				
Emission fees	\$ 19,859,100	\$ 19,859,100	\$ 18,964,371	\$ (894,729)
Annual renewal fees	49,842,820	49,842,820	48,930,776	(912,044)
Area Sources	2,549,180	2,549,180	2,090,207	(458,973)
Permit processing fees	16,771,480	16,771,480	20,729,207	3,957,727
Mobile sources / clean fuels	25,724,780	28,245,999	27,305,544	(940,455)
Air toxics "Hot Spots"	2,619,510	2,619,510	2,642,966	23,456
Transportation programs	860,520	860,520	840,322	(20,198)
State subvention	3,947,390	3,947,390	3,945,090	(2,300)
Federal grant	6,414,740	9,763,003	7,252,241	(2,510,762)
Interest revenue	332,060	332,060	644,574	312,514
Lease revenue	136,540	136,540	156,204	19,664
Source test/analysis fees	774,140	774,140	734,258	(39,882)
Hearing Board fees	307,200	307,200	187,733	(119,467)
Penalties/settlements	5,000,000	5,000,000	11,511,570	6,511,570
Other revenue	801,030	801,030	1,407,575	606,545
Total revenues	\$ 135,940,490	\$ 141,809,972	\$ 147,342,638	\$ 5,532,666
Expenditures:				
Current:				
Salaries and employee benefits	\$ 114,841,997	\$ 115,058,674	\$ 110,077,989	\$ 4,980,685
Insurance	1,317,400	1,362,400	1,132,280	230,120
Rent	462,973	593,615	559,041	34,574
Supplies	1,863,510	2,692,367	2,312,912	379,455
Contract and special services	8,989,091	13,138,794	11,087,008	2,051,786
Maintenance	1,420,861	1,648,679	1,179,915	468,764
Travel and auto	852,960	1,025,871	877,137	148,734
Utilities	2,213,288	2,001,448	1,679,503	321,945
Communications	701,000	764,321	601,792	162,529
Uncollectible accounts	-	-	399,092	(399,092)
Other expenditures	1,820,122	2,482,522	1,928,933	553,589
Capital outlays	850,000	4,498,571	4,037,890	460,681
Debt service:				
Principal	2,331,010	2,331,010	2,331,010	-
Interest	3,863,482	3,863,482	3,863,482	-
Total expenditures	\$ 141,527,694	\$ 151,461,754	\$ 142,067,984	\$ 9,393,770
Excess of revenues over expenditures	\$ (5,587,204)	\$ (9,651,782)	\$ 5,274,654	\$ 14,926,436
Other Financing Sources (Uses)				
Transfers in	\$ 505,790	\$ 2,408,303	\$ 1,550,018	\$ (858,285)
Transfers out				-
Total other financing sources/uses	\$ 505,790	\$ 2,408,303	\$ 1,550,018	\$ (858,285)
Net change in budgetary fund balances	\$ (5,081,414)	\$ (7,243,479)	\$ 6,824,672	\$ 14,068,151

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

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

**Schedule of SCAQMD's Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years***

	Measurement Date**			
	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
<u>SBCERA Pension Plan</u>				
SCAQMD's proportion of the net pension liability	8.09%	7.79%	6.45%	7.88%
SCAQMD's proportionate share of the net pension liability	\$ 199,589,723	\$ 151,441,343	\$ 109,655,281	\$ 156,371,863
SCAQMD's covered payroll	\$ 71,247,083	\$ 68,088,547	\$ 75,623,191	\$ 77,748,408
SCAQMD's proportionate share of the net pension liability as a percentage of its covered payroll	280.14%	222.42%	145.00%	201.13%
SBCERA's fiduciary net position as a percentage of the total pension liability	74.10%	79.33%	83.74%	76.28%

	Measurement Date**			
	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
<u>LACERA Pension Plan</u>				
SCAQMD's proportion of the net pension liability	0%	0%	0%	0%
SCAQMD's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -
SCAQMD's covered payroll	\$ 59,557	\$ 59,193	\$ 57,844	\$ 58,597
SCAQMD's proportionate share of the net pension liability as a percentage of its covered payroll	0%	0%	0%	0%
LACERA's fiduciary net position as a percentage of the total pension liability	0%	0%	0%	0%

* Data for FY's ended June 30, 2007 through 2012 is not available in comparable format.

** GASB Statement No. 68 requires this information to be presented as of the measurement date of the net pension liability, which is not the current fiscal year end.

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

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

Schedule of SCAQMD's Contributions Last 10 Fiscal Years*

	Reporting Date**			
	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
<u>SBCERA Pension Plan</u>				
Contractually required contribution	\$ 23,319,256	\$ 21,089,956	\$ 19,384,858	\$ 18,060,910
Contributions in relation to the contractually required contributions	23,319,256	21,089,956	19,384,858	18,060,910
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -
SCAQMD's covered payroll***	\$ 71,559,891	\$ 71,247,083	\$ 68,088,547	\$ 75,623,191
Contributions as a percentage of covered payroll	32.59%	29.60%	28.47%	23.89%

	Reporting Date**			
	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
<u>LACERA Pension Plan</u>				
Contractually required contribution	\$ 11,000	\$ 13,000	\$ 14,000	\$ 14,000
Contributions in relation to the contractually required contributions	11,000	13,000	14,000	14,000
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -
SCAQMD's covered payroll***	\$ 60,610	\$ 59,557	\$ 59,193	\$ 57,844
Contributions as a percentage of covered payroll	18.15%	21.83%	23.65%	24.20%

* Data for FY's ended June 30, 2008 through 2013 is not available in comparable format.

** GASB Statement No. 68 requires this information to be presented as of the most recent fiscal year end.

*** Covered payroll is different from that shown in previously issued reports due to updated information.

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

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017**

NOTE 1 – BUDGETS AND BUDGETARY ACCOUNTING

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

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

Following input from the public, Budget Advisory Committee, and Governing Board, the draft budget for fiscal year 2016-17 was prepared and subsequently adopted at the May 2016 meeting of the Governing Board. The fiscal year 2016-17 Adopted Budget and the final fee schedules became effective on July 1, 2016.

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

SCAQMD presents a comparison of annual budget to actual results for the General Fund. The budgeted expenditure amounts represent the adopted budget adjusted for Governing Board approved supplemental appropriations. The budgeted revenue amounts represent the adopted budget modified for Governing Board approved adjustments which were based upon new or additional revenue sources. Supplemental expenditure appropriations of \$9,934,060 and revenue adjustments of \$7,771,995 were approved by the Governing Board in fiscal year 2016-17.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017**

NOTE 2 – GENERAL FUND BUDGETARY BASIS RECONCILIATION

The General Fund Budgetary Basis under Required Supplementary Information presents comparisons of the legally adopted budget with actual data on a budgetary basis. Accounting principles applied for purposes of developing expenditures data on a budgetary basis differ from those used to present financial statements in conformity with Generally Accepted Accounting Principles (GAAP). The basis of budgeting that differs from GAAP is modified accrual basis plus encumbrances. The following is a reconciliation of differences for the fiscal year ended June 30, 2017:

Expenditures and encumbrances (budgetary basis) June 30, 2017	\$142,067,984
Add: payments on encumbrances open at July 1, 2016	3,610,577
Less: encumbrances open at June 30, 2017	<u>(5,084,490)</u>
Expenditures (GAAP basis), June 30, 2017	<u>\$140,594,071</u>

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

NOTE 3 – USE OF BUDGETARY FUND BALANCE

When the fiscal year 2016-17 budget was adopted the Governing Board approved a budget that required \$5,081,414 of prior-year revenue from Unassigned Fund Balance. Mid-year adjustments appropriated \$100,000 from Assigned Fund Balance and a net of \$2,062,065 from Unassigned Fund Balance which resulted in a negative net change in budgetary fund balance of \$7,243,479.

NOTE 4 – FACTORS AFFECTING PENSION TRENDS SCAQMD’S PROPORTION

As of the June 30, 2016 measurement date, SCAQMD’s proportionate share of SBCERA’s total net pension liability increased from 7.79% to 8.09%. The increase is primarily due to an increase in SCAQMD’s staffing levels and associated SBCERA-eligible compensation (“pensionable compensation” and “compensation earnable”) as compared against the net increase in total SBCERA-eligible compensation from all other SBCERA employers, resulting in an increase in proportionate share of net pension liability.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
OTHER SUPPLEMENTARY INFORMATION
June 30, 2017**

Non-major Governmental Funds

Special Revenue Funds:

- Air Quality Studies Fund - Used to account for contributions made by outside organizations to fund various air quality studies. An independent Planning Review Panel recommends the types of studies to be undertaken and the Executive Officer approves all studies prior to funding. The purpose of the studies is to quantify the cost effectiveness of air pollution control measures.
- Air Toxics Fund - Used to account for fees received from industrial toxic air emitters. These funds are spent on planning and performing health risk evaluations for the purpose of developing a toxic emissions inventory for the South Coast Air Basin.
- Advanced Technology, Outreach and Education Fund - Used to account for monies contributed by companies in lieu of paying fines for violating SCAQMD rules. Contributed amounts must be used to pay costs associated with SCAQMD-sponsored research and development in cleaner burning fuels and other advanced technologies and public outreach and education related to advanced technology and air pollution and its impacts.
- Air Quality Assistance Fund - Used to account for funds set aside for the purpose of underwriting, guaranteeing, or otherwise participating in the provision of financial assistance to small businesses as required by Section 40448.7 of the California Health and Safety Code. (This legislation was repealed by its own terms January 1, 1999). In June 2000, the Governing Board authorized staff to revise the program to increase participation of small businesses. Certain revisions, including participation in the California Capital Access Program (CalCAP) to assist small businesses, were implemented in June 2001.
- Air Quality Improvement Fund - Used to account for 40% of the revenue received by the SCAQMD from motor vehicle registration fees under the provisions of Sections 44243 and 44244 of the California Health and Safety Code. This money is distributed on a quarterly basis to cities and counties within the South Coast Air Basin to implement programs to reduce air pollution from motor vehicles.
- Clean Fuels Conference Fund - Used to account for monies received to fund all Clean Fuels related conferences. These conferences are held to facilitate the development of hydrogen-powered technologies, including motor vehicles, refueling infrastructure, and stationary applications.
- Air Quality Investment Fund – To account for revenue from employers with 250 or more employees at a worksite who are subject to Rule 2202. This revenue is used to

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
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June 30, 2017

purchase emissions reductions credits to meet the required target. To date, \$47.9 million in projects have been awarded to purchase over 34,071 tons of emission reductions.

- RECLAIM AQIP - Established in fiscal year 2001 to separately account for the generation of NO_x (Oxides of Nitrogen) credits at stationary and mobile sources for use by certain small or new RECLAIM (Regional Clean Air Incentives Market) participants. AQIP stands for Air Quality Investment Program.
- RECLAIM and Executive Order Mitigation - Established in fiscal year 2001 to account for mitigation fee payments made by power generators in lieu of emission offsets. Proceeds are used to generate RECLAIM Trading Credits (RTCs) to offset excess emissions.
- Rule 1121 Mitigation Fee Program - Established in fiscal year 2004 to issue program announcements for projects under the Rule 1121 Mitigation Fee Program. Under Rule 1121 - Control of Nitrogen Oxides (NO_x) from Residential Type, Natural Gas Fired Water Heaters, emission mitigation fees are collected from water heater manufacturers to fund stationary and mobile source emission reduction projects targeted at offsetting NO_x emission.
- Clean Fuels Program Fund - Established as a special revenue fund in fiscal year 2000 to account for contract activities and revenues of the Clean Fuels Program. These are activities associated with implementing Clean Fuels stationary source and mobile source research, development, demonstration and deployment projects approved by the Governing Board. Since 1988, the Clean Fuels Program has provided funds for 1,298 projects totaling \$215.4 million.
- Lower-Emission School Bus Fund – Established in fiscal year 2001 to administer state funds set aside in the South Coast Air Basin for the replacement and retrofit of high-emitting diesel-fueled school buses. Between fiscal years 2000 and 2008, \$85 million of Lower Emissions School Bus funds were spent on the replacement of school buses, and the retrofit of newer diesel buses with PM traps. In total, nearly 500 old buses were replaced by brand new, primarily CNG school buses, and nearly 2,700 newer diesel school buses were retrofitted with PM traps. In addition, Lower Emissions School Bus Program provided funds to help school districts to install retrofit trap devices on 11 stationary back-up generators on or near school property.
- Zero Emission Vehicle Incentive Program - Established in fiscal year 2001 to administer the State funds set aside for the implementation of the Zero Emission Vehicle (ZEV) Incentive Program.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
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June 30, 2017

- AES Settlement Projects Fund - Established in fiscal year 2001 for the purpose of accounting for the one-time penalty settlement with AES Corporation for air pollution violations.
- Rule 1309.1 Priority Reserve Fund - Established in fiscal year 2001 to account for mitigation fees paid for Particulate Matter ≤ 10 microns (PM₁₀) credits. Due to the state energy crisis in 2001, Rule 1309.1 was amended to allow new electric generating facilities temporary access to SCAQMD's Priority Reserve Account to offset their PM₁₀ emission increases provided that they meet specific criteria and pay appropriate mitigation fees.
- CARB ERC Bank Fund - Established in fiscal year 2001 to account for the proceeds from the issuance of the Emission Reduction Credits (ERCs) to natural gas turbine power plant peaker units. CARB established the ERC Bank for peaker power plants that need emission offsets to add new or expanded capacity. Proceeds from the issuance of these ERCs will fund emission reduction programs where the new or expanded facility is located.
- LADWP Settlement Fund - Established in fiscal year 2001 for the purpose of accounting for the monies received from the Los Angeles Department of Water and Power as part of the settlement agreement.
- State-Emissions Mitigation Fund - Established during fiscal year 2002 to account for the funds received from California Air Resources Board (CARB) to fund CARB selected projects on emission reductions within the South Coast Air Basin. This is in response to the Governor's statewide program to mitigate excess emissions from peaker power generation units to alleviate the power crisis in California.
- Natural Gas Vehicle Partnership Fund - Established during fiscal year 2002 for creation of the Natural Gas Vehicle Partnership to facilitate the advancement of natural gas vehicle technology and deployment. The contributions received from participating members are accounted for in this fund as well as the expenditures for activities and projects selected by the Partnership.
- State Backup Generators (BUG) Program Fund - Established in fiscal year 2003 to account for the funds received from CARB's Diesel-Fueled Electrical Backup Generator Emissions Mitigation Program. This program funds emission related projects as part of an ongoing effort to expeditiously reduce public exposure to air toxics and other pollutants.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
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June 30, 2017

- Asthma and Brain Cancer Research Fund - Established in fiscal year 2003 to assist in funding research projects relating to asthma and outdoor air quality and the potential link between air pollution and brain cancer.
- Dry Cleaners Financial Incentives Grant Program - Established in fiscal year 2003 to provide financial incentives to dry cleaners to purchase non-toxic alternative dry cleaning equipment.
- Rule 1173 Mitigation Fee Fund - Established in fiscal year 2004 to account for Rule 1173 mitigation fee payments to be used in funding air quality projects which directly benefit the community surrounding the facility. Amendments in December 2002 to Rule 1173 for Refineries and Chemical Plants established a mitigation fee payment provision relating to the release of Volatile Organic Compound (VOC) from an atmospheric Pressure Relief Device (PRD).
- Communities for Better Environment (CBE)/Our Children's Earth (OCE) Settlement Agreement Fund - Established in FY 2004 as part of the settlement agreement to fund PM₁₀ (Particulate Matter ≤ 10 microns) and/or NO_x (Oxides of Nitrogen) reduction projects in disproportionately impacted areas.
- BP ARCO Settlement Projects Fund - Established in fiscal year 2005 to account for the \$25 million civil penalties received in 2005 as part of the settlement with BP ARCO for air pollution violations.
- Health Effects Research Fund - The Health Effects Research Fund was established in fiscal year 2008 to receive 20% of all penalty/settlement monies in excess of \$4 million recognized annually in SCAQMD's General Fund beginning in fiscal year 2009, subject to annual Board approval.
- CEQA Green House Gas Mitigation Fund - This fund was established in fiscal year 2009 under Rule 2702 for Green House Gas (GHG) emission reductions. It received \$1.5 million from Chevron Products Company to offset Green House Gas emission as part of its Product Reliability and Optimization (PRO+) Project Mitigation Monitoring Plan.
- TraPac School Air Filtration Fund - This fund was established in fiscal year 2011 and received \$6,000,000 from City of Los Angeles towards installation and maintenance of air filtration systems for schools in the Wilmington area that were impacted by the expansion of the TraPac Container Terminal Project.
- Emission Reduction and Outreach Fund - This fund was established in fiscal year 2010 due to a \$1,000,000 Supplemental Environmental Project Settlement. These

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
OTHER SUPPLEMENTARY INFORMATION
June 30, 2017

funds are used to enhance compliance of emission reduction policies by providing source education and consumer education.

- Rule 1118 Mitigation Fund - Established in fiscal year 2010 to account for mitigation fees from petroleum refineries that exceed sulfur dioxide emission thresholds from flares and future Rule 1118 mitigation fees and to track the projects funded through these fees.
- Hydrogen Fueling Station Fund - Established in fiscal year 2011 to recognize co-funding from the Department of Energy-National Renewable Energy Laboratory, CARB and CEC, for the maintenance and operation of the City of Burbank hydrogen fueling station and for maintenance and data management services for the hydrogen fueling station at SCAQMD headquarters.
- HEROS II Fund - Established in fiscal year 2011, this fund is used to track funds received and expenditures for SCAQMD's vehicle scrap and replacement program. This voluntary program reduces emissions from high-emitting light and medium-duty vehicles in SCAQMD.
- EL Monte Park Project Settlement Fund - Established in fiscal year 2011 for the purpose of accounting for the monies received from Gregg Industries bankruptcy estate as part of a settlement agreement to finance the construction of park improvements in the City of El Monte.
- AB 1318 Mitigation Fees Fund - Created in fiscal year 2011 to account for revenue of \$53.3 million from a mitigation fee payment for the transfer of emission credits under AB 1318.
- Voucher Incentive Program (VIP) Fund - Established in fiscal year 2012 due to transfer of funds from the Carl Moyer Multidistrict funds originally recorded in Carl Moyer Program Fund, to separately administer the On-Road Heavy-Duty Vehicle Voucher Incentive Program.
- Advanced Technology Goods Movement Fund - Established in fiscal year 2012 to administer funds received through an agreement with Port of Los Angeles and Port of Long Beach to fund projects consistent with the development and demonstration of zero emissions goods movement technologies, including the demonstration of Linear Synchronous Motor (LSM) technology to move cargo containers and the development of two discrete hybrid electric drive systems for heavy-duty vehicles.
- Rule 1470 Risk Reduction Fund – Established in fiscal year 2012 to help fund control equipment costs for public agencies, such as cities, counties, and schools,

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
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June 30, 2017

required to install control equipment on new emergency standby engines in order to comply with Rule 1470.

- Hydrogen Fueling Infrastructure Network Fund – Established in fiscal year 2014 to receive state and federal grant revenue earmarked for hydrogen infrastructure upgrades to support the expected role out of fuel cell cars in the next few years. In fiscal year 2014, the SCAQMD received an award for \$6.69 million from the California Energy Commission (CEC) to upgrade and refurbish existing hydrogen stations in the South Coast Air Basin. Three stations in Burbank, LAX and Torrance have been funded for upgrade through this grant, with these upgrades to be completed by mid 2018.
- Rule 1420.1 Special Revenue Fund – Established in fiscal year 2014 to account for monies received from Exide Technologies and Quemetco to finance the Multi-Metals continuous emission monitoring system (CEMS) and continuous Multi-Metals Ambient Air Monitoring Demonstration Programs.
- BP/SCAQMD Public Benefits Oversight Fund – Established to receive remaining unspent \$177,802 from the 2005 BP Settlement Agreement public benefits payments. Funds will continue to be expended through the approval of the BP/SCAQMD Public Benefits Oversight Committee.
- Rule 1304.1 Special Revenue Fund – Established in fiscal year 2016 to track the deposit of fees paid and the withdrawal of funds for approved projects, pursuant to Rule 1304.1 – Electrical Generating Facility Fee for Use of Offset Exemption.
- Green House Gas (GHG) Reduction Projects Special Revenue Fund – Established in fiscal year 2016 to account for the projects funded by CARB’s Low Carbon Transportation Green House Gas Reduction Fund Investments.
- ExxonMobil Settlement Projects Special Revenue Fund – Established in fiscal year 2016 for the purpose of accounting for the monies received pursuant to a settlement agreement with ExxonMobil for Supplemental Environmental Project (SEP).
- LADWP Variance Special Revenue Fund – Established in fiscal year 2017 to receive environmental fees from the Los Angeles Department of Water and Power as part of an SCAQMD Hearing Board variance. The variance allowed LADWP to burn diesel to 1) recommission and test the turbines, and 2) subsequently to operate them on diesel fuel, only if the natural gas supply to LADWP was curtailed by SoCal Gas.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
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June 30, 2017

- Air Filtration Special Revenue Fund – Established in fiscal year 2017, a Supplemental Environmental Project (SEP) agreement was executed between CARB and the Burlington Northern Santa Fe Railway Company (BANSF) to install air filtration systems at schools in an Environmental Justice community in the South Coast region.
- SoCal Gas Settlement Special Revenue Fund – Established in fiscal year 2017 to execute a contract with KORE Infrastructure Inc in an amount not to exceed \$1 million from the SoCal Gas Settlement Special Revenue Fund to cost-share the commercial field test project.
- Prop 1B Funding – Lower Emission School Bus – Established in fiscal year 2010 to account for the cost of replacing and retrofitting all the public school buses of the districts. CARB approved the allocation of \$71.2 million to SCAQMD. This fund has been used to purchase 467 Level 3 PM traps (Prop 1B funds only), and replace 470 pre-1987 school buses (Prop 1B and AB923 funds) with primarily new CNG school buses.

Capital Projects Fund

- Infrastructure Improvement Fund – Established in fiscal year 2013 to separately account for large-scale and/or multi-year infrastructure improvement projects.

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

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

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2017**

<u>Assets</u>	<u>Special Revenue</u>				
	<u>Air Quality Studies Fund</u>	<u>Air Toxics Fund</u>	<u>Advanced Technology Outreach & Education Fund</u>	<u>Air Quality Assistance Fund</u>	<u>Air Quality Improvement Fund</u>
Cash and cash equivalents	\$ 16,388	\$ 6,016,905	\$ 974,050	\$ 1,583,279	\$ 1,775,276
Investments	-	-	-	-	-
Interest receivable	83	40,365	9,379	5,804	16,338
Due from other governmental agencies	-	-	110,576	-	3,864,059
Due from other funds	-	83,614	-	-	-
Accounts receivable, net	-	587,641	-	-	-
Other assets	-	-	-	-	-
Total assets	<u>\$ 16,471</u>	<u>\$ 6,728,525</u>	<u>\$ 1,094,005</u>	<u>\$ 1,589,083</u>	<u>\$ 5,655,673</u>
 <u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ 329,545	\$ 43,919	\$ -	\$ 5,594,150
Due to other funds	-	2,642,966	335,296	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	<u>-</u>	<u>2,972,511</u>	<u>379,215</u>	<u>-</u>	<u>5,594,150</u>
 Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	-	-	714,790	-	61,523
Committed	-	-	-	-	-
Assigned	16,471	3,756,014	-	1,589,083	-
Unassigned	-	-	-	-	-
Total fund balances	<u>16,471</u>	<u>3,756,014</u>	<u>714,790</u>	<u>1,589,083</u>	<u>61,523</u>
Total liabilities and fund balances	<u>\$ 16,471</u>	<u>\$ 6,728,525</u>	<u>\$ 1,094,005</u>	<u>\$ 1,589,083</u>	<u>\$ 5,655,673</u>

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2017**

<u>Assets</u>	Special Revenue				
	Clean Fuels Conference Fund	Air Quality Investment Fund	Clean Fuels Program Fund	Lower-Emission School Bus Fund	Zero Emission Vehicle Incentive Fund
Cash and cash equivalents	\$ 103,777	\$ 35,538,578	\$ 38,774,319	\$ 8,892,456	\$ 666,566
Investments	-	-	10,030,900	-	-
Interest receivable	-	164,287	182,204	44,961	3,364
Due from other governmental agencies	-	-	3,663,600	-	-
Due from other funds	-	-	11,049,231	-	-
Accounts receivable, net	-	10,331	293,686	-	-
Other assets	-	-	-	-	-
Total assets	<u>\$ 103,777</u>	<u>\$ 35,713,196</u>	<u>\$ 63,993,940</u>	<u>\$ 8,937,417</u>	<u>\$ 669,930</u>
 <u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ 7,551	\$ 2,071,455	\$ -	-
Due to other funds	-	27,898	4,251,768	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	<u>-</u>	<u>35,449</u>	<u>6,323,223</u>	<u>-</u>	<u>-</u>
 Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	8,937,417	669,930
Committed	-	903,597	16,750,937	-	-
Assigned	103,777	34,774,150	40,919,780	-	-
Unassigned	-	-	-	-	-
Total fund balances	<u>103,777</u>	<u>35,677,747</u>	<u>57,670,717</u>	<u>8,937,417</u>	<u>669,930</u>
Total liabilities and fund balances	<u>\$ 103,777</u>	<u>\$ 35,713,196</u>	<u>\$ 63,993,940</u>	<u>\$ 8,937,417</u>	<u>\$ 669,930</u>

Continued

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2017**

<u>Assets</u>	<u>Special Revenue</u>				
	AES Settlement Projects Fund	Rule 1309.1 Priority Reserve Fund	CARB ERC Bank Fund	LADWP Settlement Fund	State-Emission Mitigation Fund
Cash and cash equivalents	\$ 1,028,738	\$ 7,746,297	\$ 593,807	\$ 395,710	\$ 4,448,018
Investments	-	-	-	-	-
Interest receivable	5,406	39,781	2,996	1,996	22,442
Due from other governmental agencies	-	-	-	-	-
Due from other funds	239	43,280	-	-	-
Accounts receivable, net	-	-	-	-	-
Other assets	-	-	-	-	-
Total assets	\$ <u>1,034,383</u>	\$ <u>7,829,358</u>	\$ <u>596,803</u>	\$ <u>397,706</u>	\$ <u>4,470,460</u>
 <u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ 54,087	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	\$ <u>-</u>	\$ <u>54,087</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
 Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	4,470,460
Committed	1,200	2,819,715	-	-	-
Assigned	1,033,183	4,955,556	596,803	397,706	-
Unassigned	-	-	-	-	-
Total fund balances	\$ <u>1,034,383</u>	\$ <u>7,775,271</u>	\$ <u>596,803</u>	\$ <u>397,706</u>	\$ <u>4,470,460</u>
Total liabilities and fund balances	\$ <u>1,034,383</u>	\$ <u>7,829,358</u>	\$ <u>596,803</u>	\$ <u>397,706</u>	\$ <u>4,470,460</u>

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2017**

<u>Assets</u>	Special Revenue				
	Natural Gas Vehicle Partner Fund	State BUG Program Fund	Asthma & Brain Cancer Research Fund	Dry Cleaners Financial Incentives Grant Program Fund	Rule 1173 Mitigation Fee Fund
Cash and cash equivalents	\$ 473,179	\$ 353,202	\$ 100,070	\$ 575,556	\$ 3,016,401
Investments	-	-	-	-	-
Interest receivable	2,421	1,782	506	2,959	14,860
Due from other governmental agencies	-	-	-	-	-
Due from other funds	-	-	-	-	214,203
Accounts receivable, net	55,000	-	-	-	-
Other assets	-	-	-	-	-
Total assets	\$ 530,600	\$ 354,984	\$ 100,576	\$ 578,515	\$ 3,245,464
 <u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 12,500	\$ -	\$ -	\$ 40,000	\$ -
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	12,500	-	-	40,000	-
 Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	-	354,984	-	-	-
Committed	203,440	-	-	-	-
Assigned	314,660	-	100,576	538,515	3,245,464
Unassigned	-	-	-	-	-
Total fund balances	518,100	354,984	100,576	538,515	3,245,464
Total liabilities and fund balances	\$ 530,600	\$ 354,984	\$ 100,576	\$ 578,515	\$ 3,245,464

Continued

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2017**

<u>Assets</u>	Special Revenue				
	CBE / OCE Settlement Agreement Fund	BP ARCO Settlements Project Fund	Health Effects Research Fund	CEQA Green House Gas Mitigation Fund	TraPac School Air Filtration Fund
Cash and cash equivalents	\$ 223,320	\$ 12,644,740	\$ 784,345	\$ 187,007	\$ 1,335,373
Investments	-	-	-	-	-
Interest receivable	-	65,867	6,443	944	6,757
Due from other governmental agencies	-	-	-	-	-
Due from other funds	-	433	-	-	-
Accounts receivable, net	-	-	-	-	-
Other assets	-	-	-	-	-
Total assets	\$ 223,320	\$ 12,711,040	\$ 790,788	\$ 187,951	\$ 1,342,130
 <u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ 34,062	\$ -	\$ -	-
Due to other funds	-	-	-	-	828
Unearned revenue	-	-	-	-	-
Total liabilities	-	34,062	-	-	828
 Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	1,341,302
Committed	-	4,383	-	65,029	-
Assigned	223,320	12,672,595	790,788	122,922	-
Unassigned	-	-	-	-	-
Total fund balances	223,320	12,676,978	790,788	187,951	1,341,302
Total liabilities and fund balances	\$ 223,320	\$ 12,711,040	\$ 790,788	\$ 187,951	\$ 1,342,130

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2017**

<u>Assets</u>	Special Revenue				
	Emission Reduction and Outreach Fund	Rule 1118 Mitigation Fund	Hydrogen Fueling Station Fund	HEROS II Fund	El Monte Park Project Settlement Fund
Cash and cash equivalents	\$ 594	\$ 22,622,292	\$ 8,126	\$ 3,741,994	\$ 922,963
Investments	-	-	-	-	-
Interest receivable	310	113,292	1,122	29,318	4,690
Due from other governmental agencies	-	-	-	-	-
Due from other funds	-	-	-	-	-
Accounts receivable, net	-	-	-	-	-
Other assets	-	-	-	-	-
Total assets	<u>\$ 904</u>	<u>\$ 22,735,584</u>	<u>\$ 9,248</u>	<u>\$ 3,771,312</u>	<u>\$ 927,653</u>
 <u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 597,486	\$ 21,839
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>597,486</u>	<u>21,839</u>
 Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	-	-	9,248	3,173,826	-
Committed	7,500	17,818	-	-	889,824
Assigned	-	22,717,766	-	-	15,990
Unassigned	(6,596)	-	-	-	-
Total fund balances	<u>904</u>	<u>22,735,584</u>	<u>9,248</u>	<u>3,173,826</u>	<u>905,814</u>
Total liabilities and fund balances	<u>\$ 904</u>	<u>\$ 22,735,584</u>	<u>\$ 9,248</u>	<u>\$ 3,771,312</u>	<u>\$ 927,653</u>

Continued

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2017**

<u>Assets</u>	Special Revenue				
	AB 1318 Mitigation Fees Fund	Voucher Incentive Program VIP Fund	Advanced Technology Goods Movement Fund	Rule 1470 Risk Reduction Fund	Hydrogen Fueling Infrastructure Network Fund
Cash and cash equivalents	\$ 22,921,405	\$ 861,422	\$ 11,222,857	\$ 2,445,316	\$ 13,053,638
Investments	5,005,213	-	-	-	-
Interest receivable	123,886	4,944	57,485	12,344	36,178
Due from other governmental agencies	-	-	490,809	-	-
Due from other funds	-	-	-	-	-
Accounts receivable, net	-	-	-	-	-
Other assets	-	-	-	-	-
Total assets	\$ 28,050,504	\$ 866,366	\$ 11,771,151	\$ 2,457,660	\$ 13,089,816
 <u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 853,880	\$ -	\$ 1,401,344	\$ -	-
Due to other funds	139,507	-	4,067,474	-	6,690,748
Unearned revenue	-	-	-	-	-
Total liabilities	993,387	-	5,468,818	-	6,690,748
 Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	-	866,366	-	-	6,399,068
Committed	24,773,208	-	7,850,694	-	-
Assigned	2,283,909	-	-	2,457,660	-
Unassigned	-	-	(1,548,361)	-	-
Total fund balances	27,057,117	866,366	6,302,333	2,457,660	6,399,068
Total liabilities and fund balances	\$ 28,050,504	\$ 866,366	\$ 11,771,151	\$ 2,457,660	\$ 13,089,816

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2017**

<u>Assets</u>	Special Revenue				
	Rule 1420.1 Special Revenue Fund	BP/SCAQMD Public Benefits Oversight Fund	Rule 1304.1 Special Revenue Fund	GHG Reduction Projects Special Revenue Fund	ExxonMobil Settlement Projects Special Revenue Fund
Cash and cash equivalents	\$ 89,727	\$ 185,251	\$ 7,432,844	\$ 6,146,022	\$ 2,787,931
Investments	-	-	-	-	-
Interest receivable	453	1,208	14,629	30,210	13,768
Due from other governmental agencies	-	-	-	-	-
Due from other funds	-	-	-	-	-
Accounts receivable, net	-	-	-	-	-
Other assets	-	-	-	-	-
Total assets	\$ 90,180	\$ 186,459	\$ 7,447,473	\$ 6,176,232	\$ 2,801,699
 <u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 160,136	\$ -
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	-	-	-	160,136	-
 Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	90,180	186,459	7,447,473	6,016,096	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	2,801,699
Unassigned	-	-	-	-	-
Total fund balances	90,180	186,459	7,447,473	6,016,096	2,801,699
Total liabilities and fund balances	\$ 90,180	\$ 186,459	\$ 7,447,473	\$ 6,176,232	\$ 2,801,699

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See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2017**

<u>Assets</u>	Special Revenue			
	LADWP Variance Special Revenue Fund	Air Filtration Special Revenue Fund	SoCal Gas Settlement Special Revenue Fund	Prop 1B Lower Emission School Bus Fund
Cash and cash equivalents	\$ 1,504,014	\$ 625,133	\$ 1,175,000	\$ 207
Investments	-	-	-	-
Interest receivable	6,614	2,202	901	25
Due from other governmental agencies	-	-	-	-
Due from other funds	-	-	-	-
Accounts receivable, net	-	-	-	-
Other assets	-	-	-	-
Total assets	\$ 1,510,628	\$ 627,335	\$ 1,175,901	\$ 232
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	3,150	-	-
Unearned revenue	-	-	-	-
Total liabilities	-	3,150	-	-
Fund Balances:				
Nonspendable	-	-	-	-
Restricted	-	-	-	232
Committed	-	-	175,000	-
Assigned	1,510,628	624,185	1,000,901	-
Unassigned	-	-	-	-
Total fund balances	1,510,628	624,185	1,175,901	232
Total liabilities and fund balances	\$ 1,510,628	\$ 627,335	\$ 1,175,901	\$ 232

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2017**

<u>Assets</u>	<u>Capital Project</u>		<u>Component Unit</u> SCAQMD Building Corporation	<u>Total</u>
	<u>Infrastructure Improvement Fund</u>	<u>Debt Service Fund</u>		
Cash and cash equivalents	\$ 2,402,709	\$ 3,082,914	\$ 190,514	\$ 231,670,230
Investments	-	-	-	15,036,113
Interest receivable	15,646	15,796	-	1,126,966
Due from other governmental agencies	-	-	-	8,129,044
Due from other funds	-	-	-	11,391,000
Accounts receivable, net	-	-	-	946,658
Other assets	-	-	-	-
	<u>2,418,355</u>	<u>3,098,710</u>	<u>190,514</u>	<u>268,300,011</u>
Total assets	<u>\$ 2,418,355</u>	<u>\$ 3,098,710</u>	<u>\$ 190,514</u>	<u>\$ 268,300,011</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 11,221,954
Due to other funds	-	-	-	18,159,635
Unearned revenue	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,381,589</u>
Fund Balances:				
Nonspendable	-	-	-	-
Restricted	-	3,098,710	-	43,838,064
Committed	87,613	-	-	54,549,958
Assigned	2,330,742	-	190,514	142,085,357
Unassigned	-	-	-	(1,554,957)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,554,957)</u>
Total fund balances	<u>2,418,355</u>	<u>3,098,710</u>	<u>190,514</u>	<u>238,918,422</u>
Total liabilities and fund balances	<u>\$ 2,418,355</u>	<u>\$ 3,098,710</u>	<u>\$ 190,514</u>	<u>\$ 268,300,011</u>

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017**

	Special Revenue				
	Air Quality Studies Fund	Air Toxics Fund	Advanced Technology Outreach & Education Fund	Air Quality Assistance Fund	Air Quality Improvement Fund
Revenues:					
Mobile sources/clean fuels	\$ -	\$ -	\$ -	\$ -	\$ 93,790
Air Toxics "Hot Spots"	-	2,678	-	-	-
Federal grant	-	-	2,115,917	-	-
State grant	-	-	-	-	-
Interest revenue	176	70,360	22,856	14,258	37,192
Other revenues	-	-	180,600	-	-
Total revenues	176	73,038	2,319,373	14,258	130,982
Expenditures:					
Salaries and employee benefits	-	-	-	-	-
Insurance	-	-	-	-	-
Rent	-	-	-	-	-
Supplies	-	-	-	-	-
Contract and special services	-	8,585	2,287,511	-	-
Maintenance	-	-	-	-	-
Travel and auto	-	-	-	-	-
Utilities	-	-	-	-	-
Communications	-	-	-	-	-
Uncollectible accounts	-	1,837	-	-	-
Other expenditures	-	2,678	-	-	-
Capital outlay	-	-	-	-	-
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	-	13,100	2,287,511	-	-
Excess (deficiency) of revenues over (under) expenditures before transfers	176	59,938	31,862	14,258	130,982
Other financing sources (uses)					
Transfers in	-	-	275,000	-	-
Transfers out	-	(250,711)	-	-	-
Total other financing sources (uses)	-	(250,711)	275,000	-	-
Net change in fund balances	176	(190,773)	306,862	14,258	130,982
Fund balances, July 1, 2016	16,295	3,946,787	407,928	1,574,825	(69,459)
Fund balances, June 30, 2017	\$ 16,471	\$ 3,756,014	\$ 714,790	\$ 1,589,083	\$ 61,523

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017**

	Special Revenue				
	Clean Fuels Conference Fund	Air Quality Investment Fund	Clean Fuels Program Fund	Lower-Emission School Bus Fund	Zero Emission Vehicle Incentive Fund
Revenues:					
Mobile sources/clean fuels	\$ -	\$ -	\$ 8,358,284	\$ -	\$ -
Air Toxics "Hot Spots"	-	-	-	-	-
Federal grant	-	-	-	-	-
State grant	-	-	3,076,198	-	-
Interest revenue	-	328,707	440,630	95,877	7,165
Other revenues	-	10,953,075	1,875,000	-	-
Total revenues	-	11,281,782	13,750,112	95,877	7,165
Expenditures:					
Salaries and employee benefits	-	-	-	-	-
Insurance	-	-	-	-	-
Rent	-	-	-	-	-
Supplies	-	-	-	-	-
Contract and special services	-	1,059,321	10,428,553	56,552	-
Maintenance	-	-	-	-	-
Travel and auto	-	-	-	-	-
Utilities	-	-	-	-	-
Communications	-	-	-	-	-
Uncollectible accounts	-	-	-	-	-
Other expenditures	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	-	1,059,321	10,428,553	56,552	-
Excess (deficiency) of revenues over (under) expenditures before transfers	-	10,222,461	3,321,559	39,325	7,165
Other financing sources (uses)					
Transfers in	-	-	1,550,086	-	-
Transfers out	-	(13,606)	(25,000)	-	-
Total other financing sources (uses)	-	(13,606)	1,525,086	-	-
Net change in fund balances	-	10,208,855	4,846,645	39,325	7,165
Fund balances, July 1, 2016	103,777	25,468,892	52,824,072	8,898,092	662,765
Fund balances, June 30, 2017	\$ 103,777	\$ 35,677,747	\$ 57,670,717	\$ 8,937,417	\$ 669,930

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See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017**

	Special Revenue				
	AES Settlement Projects Fund	Rule 1309.1 Priority Reserve Fund	CARB ERC Bank Fund	LADWP Settlement Fund	State-Emissions Mitigation Fund
Revenues:					
Mobile sources/clean fuels	\$ -	\$ -	\$ -	\$ -	\$ -
Air Toxics "Hot Spots"	-	-	-	-	-
Federal grant	-	-	-	-	-
State grant	-	-	-	-	-
Interest revenue	11,802	86,389	6,383	4,253	47,809
Other revenues	-	-	-	-	-
Total revenues	<u>11,802</u>	<u>86,389</u>	<u>6,383</u>	<u>4,253</u>	<u>47,809</u>
Expenditures:					
Salaries and employee benefits	-	-	-	-	-
Insurance	-	-	-	-	-
Rent	-	-	-	-	-
Supplies	-	-	-	-	-
Contract and special services	-	617,248	-	-	-
Maintenance	-	-	-	-	-
Travel and auto	-	-	-	-	-
Utilities	-	-	-	-	-
Communications	-	-	-	-	-
Uncollectible accounts	-	-	-	-	-
Other expenditures	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	<u>-</u>	<u>617,248</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures before transfers	<u>11,802</u>	<u>(530,859)</u>	<u>6,383</u>	<u>4,253</u>	<u>47,809</u>
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	(99,761)	(41,720)	-	-	-
Total other financing sources (uses)	<u>(99,761)</u>	<u>(41,720)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(87,959)</u>	<u>(572,579)</u>	<u>6,383</u>	<u>4,253</u>	<u>47,809</u>
Fund balances, July 1, 2016	1,122,342	8,347,850	590,420	393,453	4,422,651
Fund balances, June 30, 2017	<u>\$ 1,034,383</u>	<u>\$ 7,775,271</u>	<u>\$ 596,803</u>	<u>\$ 397,706</u>	<u>\$ 4,470,460</u>

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 NON-MAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2017**

	Special Revenue				
	Natural Gas Vehicle Partner Fund	State BUG Program Fund	Asthma & Brain Cancer Research Fund	Dry Cleaners Financial Incentives Grant Program Fund	Rule 1173 Mitigation Fee Fund
Revenues:					
Mobile sources/clean fuels	\$ -	\$ -	\$ -	\$ -	\$ -
Air Toxics "Hot Spots"	-	-	-	-	-
Federal grant	-	-	-	-	-
State grant	-	-	-	-	-
Interest revenue	5,089	3,796	1,076	6,407	30,545
Other revenues	117,500	-	-	-	350,000
	<u>122,589</u>	<u>3,796</u>	<u>1,076</u>	<u>6,407</u>	<u>380,545</u>
Total revenues	<u>122,589</u>	<u>3,796</u>	<u>1,076</u>	<u>6,407</u>	<u>380,545</u>
Expenditures:					
Salaries and employee benefits	-	-	-	-	-
Insurance	-	-	-	-	-
Rent	-	-	-	-	-
Supplies	-	-	-	-	-
Contract and special services	52,500	-	-	75,000	-
Maintenance	-	-	-	-	-
Travel and auto	-	-	-	-	-
Utilities	-	-	-	-	-
Communications	-	-	-	-	-
Uncollectible accounts	-	-	-	-	-
Other expenditures	389	-	-	-	-
Capital outlay	-	-	-	-	-
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	<u>52,889</u>	<u>-</u>	<u>-</u>	<u>75,000</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures before transfers	<u>69,700</u>	<u>3,796</u>	<u>1,076</u>	<u>(68,593)</u>	<u>380,545</u>
Other financing sources (uses)					
Transfers in	25,000	-	-	-	-
Transfers out	-	-	-	-	214,203
Total other financing sources (uses)	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>214,203</u>
Net change in fund balances	<u>94,700</u>	<u>3,796</u>	<u>1,076</u>	<u>(68,593)</u>	<u>594,748</u>
Fund balances, July 1, 2016	<u>423,400</u>	<u>351,188</u>	<u>99,500</u>	<u>607,108</u>	<u>2,650,716</u>
Fund balances, June 30, 2017	<u>\$ 518,100</u>	<u>\$ 354,984</u>	<u>\$ 100,576</u>	<u>\$ 538,515</u>	<u>\$ 3,245,464</u>

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See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017**

	Special Revenue				
	CBE/OCE Settlement Agreement Fund	BP ARCO Settlements Project Fund	Health Effects Research Fund	CEQA Green House Gas Mitigation Fund	TraPac School Air Filtration Fund
Revenues:					
Mobile sources/clean fuels	\$ -	\$ -	\$ -	\$ -	\$ -
Air Toxics "Hot Spots"	-	-	-	-	-
Federal grant	-	-	-	-	-
State grant	-	-	-	-	-
Interest revenue	-	149,156	13,550	2,010	14,355
Other revenues	-	-	-	-	-
Total revenues	<u>-</u>	<u>149,156</u>	<u>13,550</u>	<u>2,010</u>	<u>14,355</u>
Expenditures:					
Salaries and employee benefits	-	-	-	-	-
Insurance	-	-	-	-	-
Rent	-	-	-	-	-
Supplies	-	-	-	-	-
Contract and special services	-	1,575,215	750,000	-	-
Maintenance	-	-	-	-	-
Travel and auto	-	-	-	-	-
Utilities	-	-	-	-	-
Communications	-	-	-	-	-
Uncollectible accounts	-	-	-	-	-
Other expenditures	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	<u>-</u>	<u>1,575,215</u>	<u>750,000</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures before transfers	<u>-</u>	<u>(1,426,059)</u>	<u>(736,450)</u>	<u>2,010</u>	<u>14,355</u>
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	-	(2,408,653)	-	-	(828)
Total other financing sources (uses)	<u>-</u>	<u>(2,408,653)</u>	<u>-</u>	<u>-</u>	<u>(828)</u>
Net change in fund balances	<u>-</u>	<u>(3,834,712)</u>	<u>(736,450)</u>	<u>2,010</u>	<u>13,527</u>
Fund balances, July 1, 2016	<u>223,320</u>	<u>16,511,690</u>	<u>1,527,238</u>	<u>185,941</u>	<u>1,327,775</u>
Fund balances, June 30, 2017	<u>\$ 223,320</u>	<u>\$ 12,676,978</u>	<u>\$ 790,788</u>	<u>\$ 187,951</u>	<u>\$ 1,341,302</u>

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 NON-MAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2017**

	Special Revenue				
	Emission Reduction and Outreach Fund	Rule 1118 Mitigation Fund	Hydrogen Fueling Station Fund	HEROS II Fund	El Monte Park Project Settlement Fund
Revenues:					
Mobile sources/clean fuels	\$ -	\$ -	\$ -	\$ -	-
Air Toxics "Hot Spots"	-	-	-	-	-
Federal grant	-	-	-	-	-
State grant	-	-	272,352	5,425,000	-
Interest revenue	1,102	242,664	2,199	65,906	10,072
Other revenues	-	20,525	-	-	-
Total revenues	1,102	263,189	274,551	5,490,906	10,072
Expenditures:					
Salaries and employee benefits	-	-	-	-	-
Insurance	-	-	-	-	-
Rent	-	-	-	-	-
Supplies	-	-	-	-	-
Contract and special services	-	172,304	-	6,971,030	54,386
Maintenance	-	-	-	-	-
Travel and auto	-	-	-	-	-
Utilities	-	-	-	-	-
Communications	-	-	-	-	-
Uncollectible accounts	-	-	-	-	-
Other expenditures	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	-	172,304	-	6,971,030	54,386
Excess (deficiency) of revenues over (under) expenditures before transfers	1,102	90,885	274,551	(1,480,124)	(44,314)
Other financing sources (uses)					
Transfers in	-	-	-	2,067,000	-
Transfers out	(144,761)	-	-	(214,760)	-
Total other financing sources (uses)	(144,761)	-	-	1,852,240	-
Net change in fund balances	(143,659)	90,885	274,551	372,116	(44,314)
Fund balances, July 1, 2016	144,563	22,644,699	(265,303)	2,801,710	950,128
Fund balances, June 30, 2017	\$ <u>904</u>	\$ <u>22,735,584</u>	\$ <u>9,248</u>	\$ <u>3,173,826</u>	\$ <u>905,814</u>

Continued

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 NON-MAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2017**

	Special Revenue				
	AB 1318 Mitigation Fees Fund	Voucher Incentive Program VIP Fund	Advanced Technology Goods Movement Fund	Rule 1470 Risk Reduction Fund	Hydrogen Fueling Infrastructure Network Fund
Revenues:					
Mobile sources/clean fuels	\$ -	\$ -	\$ -	\$ -	\$ -
Air Toxics "Hot Spots"	-	-	-	-	-
Federal grant	-	-	5,381,214	-	-
State grant	-	-	-	-	6,640,382
Interest revenue	290,261	11,837	125,226	26,283	74,161
Other revenues	31,430	-	1,185,000	-	-
Total revenues	321,691	11,837	6,691,440	26,283	6,714,543
Expenditures:					
Salaries and employee benefits	-	-	-	-	-
Insurance	-	-	-	-	-
Rent	-	-	-	-	-
Supplies	-	-	-	-	-
Contract and special services	3,750,759	730,000	8,881,855	-	-
Maintenance	-	-	-	-	-
Travel and auto	-	-	-	-	-
Utilities	-	-	-	-	-
Communications	-	-	-	-	-
Uncollectible accounts	-	-	-	-	-
Other expenditures	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	3,750,759	730,000	8,881,855	-	-
Excess (deficiency) of revenues over (under) expenditures before transfers	(3,429,068)	(718,163)	(2,190,415)	26,283	6,714,543
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	(139,507)	-	-	-	-
Total other financing sources (uses)	(139,507)	-	-	-	-
Net change in fund balances	(3,568,575)	(718,163)	(2,190,415)	26,283	6,714,543
Fund balances, July 1, 2016	30,625,692	1,584,529	8,492,748	2,431,377	(315,475)
Fund balances, June 30, 2017	\$ 27,057,117	\$ 866,366	\$ 6,302,333	\$ 2,457,660	\$ 6,399,068

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017**

	Special Revenue				
	Rule 1420.1 Special Revenue Fund	BP/SCAQMD Public Benefits Oversight Fund	Rule 1304.1 Special Revenue Fund	GHG Reduction Projects Special Revenue Fund	ExxonMobil Settlement Projects Special Revenue Fund
Revenues:					
Mobile sources/clean fuels	\$ -	\$ -	\$ -	\$ -	\$ -
Air Toxics "Hot Spots"	-	-	-	-	-
Federal grant	-	-	-	-	-
State grant	-	-	-	-	-
Interest revenue	964	2,735	16,028	65,000	29,867
Other revenues	-	38,653	7,187,646	100,000	-
Total revenues	964	41,388	7,203,674	165,000	29,867
Expenditures:					
Salaries and employee benefits	-	-	-	-	-
Insurance	-	-	-	-	-
Rent	-	-	-	-	-
Supplies	-	-	-	-	-
Contract and special services	-	121,873	-	160,136	-
Maintenance	-	-	-	-	-
Travel and auto	-	-	-	-	-
Utilities	-	-	-	-	-
Communications	-	-	-	-	-
Uncollectible accounts	-	-	-	-	-
Other expenditures	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	-	121,873	-	160,136	-
Excess (deficiency) of revenues over (under) expenditures before transfers	964	(80,485)	7,203,674	4,864	29,867
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balances	964	(80,485)	7,203,674	4,864	29,867
Fund balances, July 1, 2016	89,216	266,944	243,799	6,011,232	2,771,832
Fund balances, June 30, 2017	\$ 90,180	\$ 186,459	\$ 7,447,473	\$ 6,016,096	\$ 2,801,699

Continued

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017**

	Special Revenue			
	LADWP Variance Special Revenue Fund	Air Filtration Special Revenue Fund	SoCal Gas Settlement Special Revenue Fund	Prop 1B Lower Emission School Bus Fund
Revenues:				
Mobile sources/clean fuels	\$ -	\$ -	\$ -	-
Air Toxics "Hot Spots"	-	-	-	-
Federal grant	-	-	-	-
State grant	-	-	-	-
Interest revenue	10,628	2,335	901	-
Other revenues	1,500,000	621,850	2,000,000	-
Total revenues	1,510,628	624,185	2,000,901	-
Expenditures:				
Salaries and employee benefits	-	-	-	-
Insurance	-	-	-	-
Rent	-	-	-	-
Supplies	-	-	-	-
Contract and special services	-	-	825,000	-
Maintenance	-	-	-	-
Travel and auto	-	-	-	-
Utilities	-	-	-	-
Communications	-	-	-	-
Uncollectible accounts	-	-	-	-
Other expenditures	-	-	-	-
Capital outlay	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	-	-	825,000	-
Excess (deficiency) of revenues over (under) expenditures before transfers	1,510,628	624,185	1,175,901	-
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	1,510,628	624,185	1,175,901	-
Fund balances, July 1, 2016	-	-	-	232
Fund balances, June 30, 2017	\$ 1,510,628	\$ 624,185	\$ 1,175,901	\$ 232

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017**

	<u>Capital Project</u>		Component Unit SCAQMD Building Corporation	<u>Total</u>
	<u>Infrastructure Improvement Fund</u>	<u>Debt Service Fund</u>		
Revenues:				
Mobile sources/clean fuels	\$ -	\$ -	\$ -	\$ 8,452,074
Air Toxics "Hot Spots"	-	-	-	2,678
Federal grant	-	-	-	7,497,131
State grant	-	-	-	15,413,932
Interest revenue	35,608	34,599	85	2,448,302
Other revenues	-	-	-	26,161,279
	<u>35,608</u>	<u>34,599</u>	<u>85</u>	<u>59,975,396</u>
Total revenues				
	<u>35,608</u>	<u>34,599</u>	<u>85</u>	<u>59,975,396</u>
Expenditures:				
Salaries and employee benefits	-	-	-	-
Insurance	-	-	-	-
Rent	-	-	-	-
Supplies	-	-	-	-
Contract and special services	-	-	-	38,577,828
Maintenance	-	-	-	-
Travel and auto	-	-	-	-
Utilities	-	-	-	-
Communications	-	-	-	-
Uncollectible accounts	-	-	-	1,837
Other expenditures	-	-	4,380	7,447
Capital outlay	1,213,356	-	-	1,213,356
Debt Service				
Principal	-	1,000,000	-	1,000,000
Interest	-	-	-	-
Total expenditures	<u>1,213,356</u>	<u>1,000,000</u>	<u>4,380</u>	<u>40,800,468</u>
Excess (deficiency) of revenues over (under) expenditures before transfers	<u>(1,177,748)</u>	<u>(965,401)</u>	<u>(4,295)</u>	<u>19,174,928</u>
Other financing sources (uses)				
Transfers in	-	-	-	3,917,086
Transfers out	-	-	-	(3,125,104)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>791,982</u>
Total other financing sources (uses)				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>791,982</u>
Net change in fund balances	<u>(1,177,748)</u>	<u>(965,401)</u>	<u>(4,295)</u>	<u>19,966,910</u>
Fund balances, July 1, 2016	<u>3,596,103</u>	<u>4,064,111</u>	<u>194,809</u>	<u>218,951,512</u>
Fund balances, June 30, 2017	<u>\$ 2,418,355</u>	<u>\$ 3,098,710</u>	<u>\$ 190,514</u>	<u>\$ 238,918,422</u>

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2017**

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
<u>Accounting agency fund</u>				
<u>Assets</u>				
Cash and cash equivalents	\$ 4,356,813	\$ 6,105,032	\$ 10,355,436	\$ 106,409
Total assets	<u>\$ 4,356,813</u>	<u>\$ 6,105,032</u>	<u>\$ 10,355,436</u>	<u>\$ 106,409</u>
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 4,356,813	\$ 6,105,032	\$ 10,355,436	\$ 106,409
Total liabilities	<u>\$ 4,356,813</u>	<u>\$ 6,105,032</u>	<u>\$ 10,355,436</u>	<u>\$ 106,409</u>
 <u>457 Plan Admin Revenue Sharing Fund</u>				
<u>Assets</u>				
Cash and cash equivalents	\$ 15,031	\$ 70,619	\$ 70,624	\$ 15,026
Interest receivable	110	159	110	159
Total assets	<u>\$ 15,141</u>	<u>\$ 70,778</u>	<u>\$ 70,734</u>	<u>\$ 15,185</u>
<u>Liabilities</u>				
Accounts payable and accrued liabilities	15,141	\$ 100,558	\$ 100,514	\$ 15,185
Total liabilities	<u>\$ 15,141</u>	<u>\$ 100,558</u>	<u>\$ 100,514</u>	<u>\$ 15,185</u>
 <u>Total all agency funds</u>				
<u>Assets</u>				
Cash and cash equivalents	\$ 4,371,844	\$ 6,175,651	\$ 10,426,060	\$ 121,435
Interest receivable	110	159	110	159
Total assets	<u>\$ 4,371,954</u>	<u>\$ 6,175,810</u>	<u>\$ 10,426,170</u>	<u>\$ 121,594</u>
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 4,371,954	\$ 6,205,590	\$ 10,455,950	\$ 121,594
Total liabilities	<u>\$ 4,371,954</u>	<u>\$ 6,205,590</u>	<u>\$ 10,455,950</u>	<u>\$ 121,594</u>

See independent auditor's report.

STATISTICAL SECTION

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

Contents

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental Activities:										
Net investment in capital assets	\$ 12,744,539	\$ 16,757,042	\$ 19,695,092	\$ 22,777,709	\$ 25,696,728	\$ 39,667,137	\$ 38,509,847	\$ 36,957,165	\$ 36,178,389	\$ 36,127,300
Restricted for pension assets	3,089,145	(10,334,764)	-	-	1,361,315	3,031,890	4,437,818	-	-	-
Restricted for debt service	17,381,723	-	-	-	-	-	-	-	-	-
Restricted for long-term emission-reduction projects	291,676,023	334,362,120	411,358,339	465,789,699	527,549,463	530,540,932	536,617,440	468,946,402	498,119,549	607,438,908
Unrestricted	20,042,724	47,061,292	50,318,195	34,536,706	29,529,812	21,554,913	29,264,960	(157,555,673)	(152,854,184)	(141,541,447)
Total governmental activities net position	<u>\$ 344,934,154</u>	<u>\$ 387,845,690</u>	<u>\$ 481,371,626</u>	<u>\$ 523,104,114</u>	<u>\$ 584,137,318</u>	<u>\$ 594,794,872</u>	<u>\$ 608,830,065</u>	<u>\$ 348,347,894</u>	<u>\$ 381,443,754</u>	<u>\$ 502,024,761</u>
Business-type Activities:										
Net investment in capital assets	\$ 138,835	\$ 51,664	\$ 4,052	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	144,388	191,356	242,921	370,087	525,078	746,994	875,849	1,123,954	1,235,284	1,253,178
Total business-type activities net position	<u>\$ 283,223</u>	<u>\$ 243,020</u>	<u>\$ 246,973</u>	<u>\$ 370,087</u>	<u>\$ 525,078</u>	<u>\$ 746,994</u>	<u>\$ 875,849</u>	<u>\$ 1,123,954</u>	<u>\$ 1,235,284</u>	<u>\$ 1,253,178</u>
Primary Government:										
Net investment in capital assets	\$ 12,883,374	\$ 16,808,706	\$ 19,699,144	\$ 22,777,709	\$ 25,696,728	\$ 39,667,137	\$ 38,509,847	\$ 36,957,165	\$ 36,178,389	\$ 36,127,300
Restricted for pension asset	3,089,145	(10,334,764)	-	-	1,361,315	3,031,890	4,437,818	-	-	-
Restricted for debt service	17,381,723	-	-	-	-	-	-	-	-	-
Restricted for long-term emission-reduction projects	291,676,023	334,362,120	411,358,339	465,789,699	527,549,463	530,540,932	536,617,440	468,946,402	498,119,549	607,438,908
Unrestricted	20,187,112	47,252,648	50,561,116	34,906,793	30,054,890	22,301,907	30,140,809	(156,431,719)	(151,618,900)	(140,288,269)
Total primary government net position	<u>\$ 345,217,377</u>	<u>\$ 388,088,710</u>	<u>\$ 481,618,599</u>	<u>\$ 523,474,201</u>	<u>\$ 584,662,396</u>	<u>\$ 595,541,866</u>	<u>\$ 609,705,914</u>	<u>\$ 349,471,848</u>	<u>\$ 382,679,038</u>	<u>\$ 503,277,939</u>

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
Schedule 2
Changes in Net Position – Last Ten Fiscal Years
(accrual basis of accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental Activities:										
Advance clean air technology	\$ 7,113,642	\$ 7,111,931	\$ 6,512,144	\$ 6,398,859	\$ 6,672,977	\$ 6,857,959	\$ 6,212,087	\$ 5,539,607	\$ 7,119,417	\$ 7,825,599
Ensure compliance with clean air rules	39,463,040	43,823,112	46,154,574	46,877,017	47,026,449	47,417,956	48,813,991	43,252,162	45,622,680	49,316,129
Customer service and business assistance	6,696,664	7,441,806	7,682,897	7,578,813	7,729,015	8,169,587	8,332,770	6,124,811	8,337,319	9,260,504
Develop programs to achieve clean air	7,969,413	10,216,378	10,861,040	11,780,948	12,130,832	12,317,470	11,147,303	9,727,624	10,444,147	11,335,498
Develop rules to achieve clean air	8,390,762	8,433,410	8,436,415	8,826,846	7,286,149	7,269,414	7,514,210	7,161,179	7,566,089	7,604,041
Monitoring air quality	12,866,270	14,067,041	14,239,509	15,093,093	15,930,225	14,265,601	14,969,083	13,197,801	16,028,394	17,856,869
Timely review of permits	24,580,945	26,205,282	28,530,507	28,045,891	27,241,449	28,621,527	27,821,032	24,431,059	27,891,070	31,520,083
Policy support	3,630,367	4,782,531	1,760,038	1,792,208	1,483,613	1,306,054	1,204,588	331,652	511,705	885,773
Interest on long-term debt	4,614,842	4,325,460	3,871,465	3,277,933	4,691,658	4,605,963	4,102,888	4,031,178	3,884,990	3,906,955
Long-term emission reduction projects	93,109,973	104,277,915	150,362,508	161,904,680	137,800,260	155,998,253	154,939,035	210,229,182	87,079,799	101,008,426
Total govern'tl activities expenses	<u>\$ 208,435,918</u>	<u>\$ 230,684,866</u>	<u>\$ 278,411,097</u>	<u>\$ 291,576,288</u>	<u>\$ 267,992,627</u>	<u>\$ 286,829,784</u>	<u>\$ 285,056,987</u>	<u>\$ 324,026,255</u>	<u>\$ 214,485,609</u>	<u>\$ 240,519,877</u>
Business-type Activities:										
CNG fueling station	\$ 218,048	\$ 210,120	\$ 165,557	\$ 150,418	\$ 135,805	\$ 189,518	\$ 264,221	\$ 168,769	\$ 117,675	\$ 128
Total business-type activities expenses	<u>218,048</u>	<u>210,120</u>	<u>165,557</u>	<u>150,418</u>	<u>135,805</u>	<u>189,518</u>	<u>264,221</u>	<u>168,769</u>	<u>117,675</u>	<u>128</u>
Total primary government expenses	<u>\$ 208,653,966</u>	<u>\$ 230,894,986</u>	<u>\$ 278,576,654</u>	<u>\$ 291,726,706</u>	<u>\$ 268,128,432</u>	<u>\$ 287,019,302</u>	<u>\$ 285,321,208</u>	<u>\$ 324,195,024</u>	<u>\$ 214,603,284</u>	<u>\$ 240,520,005</u>
Program Revenues										
Governmental Activities:										
Fees and Charges										
Stationary sources	\$ 82,825,774	\$ 92,703,725	\$ 81,097,647	\$ 81,291,028	\$ 82,624,489	\$ 85,439,616	\$ 87,160,484	\$ 88,120,829	\$ 89,264,511	\$ 94,279,518
Mobile sources	22,170,323	24,128,436	23,728,238	22,512,790	23,384,894	23,535,070	24,307,527	24,526,008	25,743,988	28,087,131
Operating grants and subventions	114,241,526	141,967,816	252,182,003	216,422,579	213,332,401	173,309,732	164,053,936	149,766,034	122,424,397	222,070,040
Total governmental activities prog. revenues	<u>\$ 219,237,623</u>	<u>\$ 258,799,977</u>	<u>\$ 357,007,888</u>	<u>\$ 320,226,397</u>	<u>\$ 319,341,784</u>	<u>\$ 282,284,418</u>	<u>\$ 275,521,947</u>	<u>\$ 262,412,871</u>	<u>\$ 237,432,896</u>	<u>\$ 344,436,689</u>

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

Schedule 2

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Business-type Activities:										
CNG fueling station	\$ 197,318	\$ 169,917	\$ 169,510	\$ 273,531	\$ 290,796	\$ 411,434	\$ 393,076	\$ 416,874	\$ 229,005	\$ 18,022
Total business-type activities prog. revenues	<u>197,318</u>	<u>169,917</u>	<u>169,510</u>	<u>273,531</u>	<u>290,796</u>	<u>411,434</u>	<u>393,076</u>	<u>416,874</u>	<u>229,005</u>	<u>18,022</u>
Total primary government prog. revenues	<u>\$ 219,434,941</u>	<u>\$ 258,969,894</u>	<u>\$ 357,177,398</u>	<u>\$ 320,499,928</u>	<u>\$ 319,632,580</u>	<u>\$ 282,695,852</u>	<u>\$ 275,915,023</u>	<u>\$ 262,829,745</u>	<u>\$ 237,661,901</u>	<u>\$ 344,454,711</u>
Net (Expense) Revenue										
Governmental activities	\$ 10,801,705	\$ 28,115,112	\$ 78,596,791	\$ 28,650,109	\$ 51,349,157	\$ (4,545,366)	\$ (9,535,040)	\$ (61,613,384)	\$ 22,947,287	\$ 103,916,812
Business-type activities	<u>(20,730)</u>	<u>(40,203)</u>	<u>3,953</u>	<u>123,113</u>	<u>154,991</u>	<u>221,916</u>	<u>128,855</u>	<u>248,105</u>	<u>111,330</u>	<u>17,894</u>
Total primary govnt net (expenses) revenue	<u>\$ 10,780,975</u>	<u>\$ 28,074,909</u>	<u>\$ 78,600,744</u>	<u>\$ 28,773,222</u>	<u>\$ 51,504,148</u>	<u>\$ (4,323,450)</u>	<u>\$ (9,406,185)</u>	<u>\$ (61,365,279)</u>	<u>\$ 23,058,617</u>	<u>\$ 103,934,706</u>
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Grants and subventions not restricted										
to specific stationary source programs	\$ 2,943,638	\$ 2,934,513	\$ 2,926,440	\$ 2,918,779	\$ 2,890,117	\$ 2,889,099	\$ 2,889,884	\$ 2,887,831	\$ 2,885,047	\$ 2,885,535
Interest	3,950,198	1,962,431	976,434	832,444	529,031	343,206	461,444	339,005	435,773	644,574
Lease revenue	366,924	379,440	371,104	-	-	-	-	-	-	-
Penalties/settlement	5,190,492	9,469,694	10,346,122	7,348,657	4,906,391	11,562,529	17,959,410	8,733,773	5,704,685	11,511,570
Subscriptions	11,378	15,519	10,363	7,760	6,095	1,630	3,498	2,136	2,842	1,097
Other	116,842	34,828	298,683	1,631,518	1,352,418	406,456	2,255,997	2,080,950	1,120,226	1,621,419
Transfers	-	-	-	-	-	-	-	-	-	-
Total governmental activities	<u>\$ 12,579,472</u>	<u>\$ 14,796,424</u>	<u>\$ 14,929,145</u>	<u>\$ 12,739,158</u>	<u>\$ 9,684,052</u>	<u>\$ 15,202,920</u>	<u>\$ 23,570,233</u>	<u>\$ 14,043,695</u>	<u>\$ 10,148,573</u>	<u>\$ 16,664,195</u>
Business-type Activities										
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers	-	-	-	-	-	-	-	-	-	-
Total business-type activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government revenue	<u>\$ 12,579,472</u>	<u>\$ 14,796,424</u>	<u>\$ 14,929,145</u>	<u>\$ 12,739,158</u>	<u>\$ 9,684,052</u>	<u>\$ 15,202,920</u>	<u>\$ 23,570,233</u>	<u>\$ 14,043,695</u>	<u>\$ 10,148,573</u>	<u>\$ 16,664,195</u>
Change in Net Position										
Governmental activities	\$ 23,381,177	\$ 42,911,536	\$ 93,525,936	\$ 41,389,267	\$ 61,033,209	\$ 10,657,554	\$ 14,035,193	\$ (47,569,689)	\$ 33,095,860	\$ 120,581,007
Business-type activities	<u>(20,730)</u>	<u>(40,203)</u>	<u>3,953</u>	<u>123,113</u>	<u>154,991</u>	<u>221,916</u>	<u>128,855</u>	<u>248,105</u>	<u>111,330</u>	<u>17,894</u>
Total primary government	<u>\$ 23,360,447</u>	<u>\$ 42,871,333</u>	<u>\$ 93,529,889</u>	<u>\$ 41,512,380</u>	<u>\$ 61,188,200</u>	<u>\$ 10,879,470</u>	<u>\$ 14,164,048</u>	<u>\$ (47,321,584)</u>	<u>\$ 33,207,190</u>	<u>\$ 120,598,901</u>

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

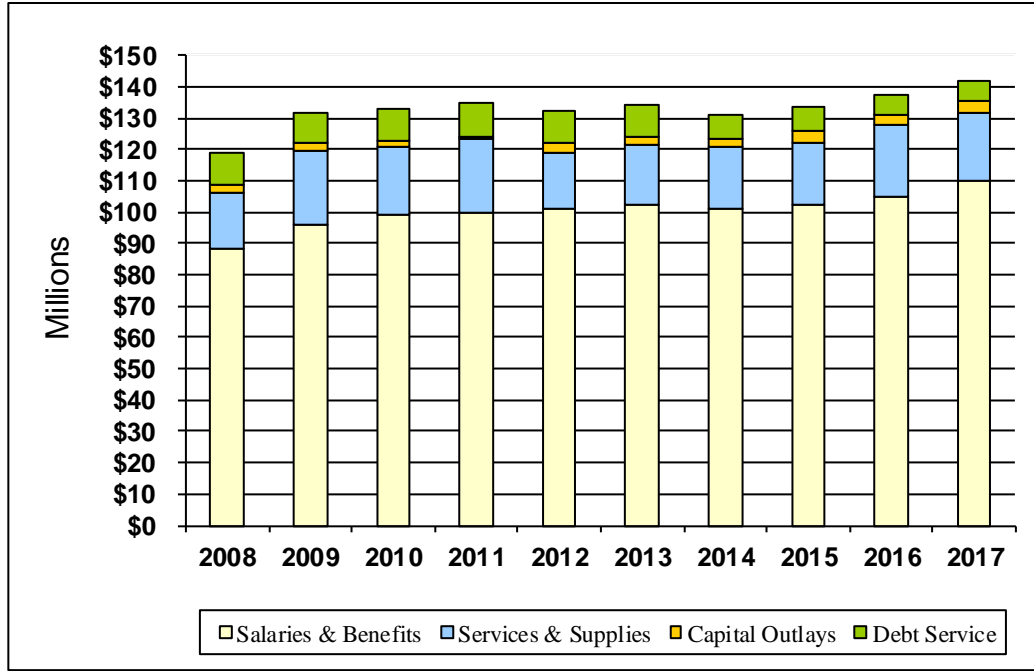
	2008	2009	2010	2011*	2012	2013	2014	2015	2016	2017
General Fund										
Reserved	\$ 7,369,361	\$ 7,318,433	\$ 7,575,462	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	46,073,449	56,309,536	52,814,783	-	-	-	-	-	-	-
Nonspendable	-	-	-	50,315	73,043	71,968	66,703	73,463	65,731	63,688
Committed	-	-	-	8,928,629	6,594,167	6,552,287	5,845,485	6,533,505	6,917,075	7,382,453
Assigned	-	-	-	17,763,384	15,390,753	12,194,651	12,194,650	6,803,899	6,203,899	6,303,899
Unassigned	-	-	-	25,858,045	24,689,814	19,774,006	27,672,310	34,353,647	31,006,208	38,741,459
Total general fund	\$ 53,442,810	\$ 63,627,969	\$ 60,390,245	\$ 52,600,373	\$ 46,747,777	\$ 38,592,912	\$ 45,779,148	\$ 47,764,514	\$ 44,192,913	\$ 52,491,499
All Other Governmental Funds										
Reserved for encumbrances	\$ 131,473,169	\$ 130,688,267	\$ 186,009,142	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reserved for debt service	17,381,723	-	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	160,202,854	203,673,852	237,563,798	-	-	-	-	-	-	-
Restricted	-	-	-	26,138,656	191,730,455	331,962,118	335,633,672	283,454,187	311,026,727	412,358,550
Committed	-	-	-	174,297,108	127,200,107	29,141,240	65,757,643	59,667,932	63,076,528	54,549,958
Assigned	-	-	-	272,132,633	210,588,937	169,437,574	135,253,835	126,111,461	125,654,185	142,085,357
Unassigned	-	-	-	(6,778,697)	(1,970,036)	-	(27,710)	(287,178)	(3,518,332)	(1,554,957)
Total all other governmental funds	\$ 309,057,746	\$ 334,362,119	\$ 423,572,940	\$ 465,789,700	\$ 527,549,463	\$ 530,540,932	\$ 536,617,440	\$ 468,946,402	\$ 496,239,108	\$ 607,438,908

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

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues:										
Emission fees	\$ 23,100,073	\$ 24,826,356	\$ 19,663,671	\$ 21,371,061	\$ 19,714,882	\$ 20,540,391	\$ 20,472,379	\$ 19,838,979	\$ 18,984,919	\$ 18,964,371
Annual renewal fees	38,970,949	43,285,892	41,191,933	41,342,340	42,189,557	43,056,220	44,260,635	45,759,738	47,592,793	48,930,776
Area Sources	-	1,226,651	1,445,715	2,503,791	2,808,927	2,132,263	2,819,001	2,573,959	2,226,172	2,090,207
Permit processing fees	18,105,901	20,396,188	16,316,076	16,007,058	15,658,916	17,210,640	16,945,777	16,668,485	17,239,759	20,729,207
Mobile sources / Clean fuels	69,028,689	66,087,019	65,843,960	63,704,363	69,689,913	67,441,546	69,688,940	70,953,981	73,011,225	75,104,035
Air Toxics "Hot Spots"	1,981,259	2,026,249	1,977,074	1,824,327	1,833,488	1,917,252	1,954,650	2,039,612	2,373,579	2,645,644
Transportation program	914,870	894,440	836,557	885,263	848,829	927,824	877,816	845,236	891,991	840,322
State subvention	4,003,263	3,994,067	3,986,029	3,978,200	3,949,672	3,948,646	3,949,439	3,947,386	3,944,602	3,945,090
Federal grant	7,828,903	12,544,767	13,620,752	15,543,549	27,508,859	19,468,654	23,713,303	32,939,310	11,521,785	15,399,372
State grant	39,677,362	74,017,124	165,001,635	87,403,616	128,099,308	101,432,241	80,762,239	60,717,715	38,050,172	125,988,646
Interest revenue	16,899,125	10,448,326	6,224,115	6,556,895	4,962,021	3,677,620	3,824,484	3,766,327	4,100,302	6,296,761
Lease revenue	366,924	379,440	371,104	380,431	281,284	140,739	133,916	141,878	141,195	156,204
Source test/analysis fees	491,080	579,607	486,075	636,822	759,784	790,824	697,133	746,399	683,328	734,258
Hearing Board fees	411,537	436,385	327,344	201,864	221,709	277,544	342,508	531,879	163,960	187,733
Penalties and settlements	5,190,492	9,469,694	11,346,122	7,348,657	6,006,391	11,642,529	17,959,410	8,733,773	8,475,935	11,511,570
Subscriptions	11,378	15,519	10,363	7,760	6,095	1,630	3,498	2,136	2,842	1,097
Other revenues	4,835,290	2,968,677	23,288,416	63,269,554	4,486,199	2,880,775	10,687,052	6,249,773	18,176,910	27,575,590
Total revenues	\$ 231,817,095	\$ 273,596,401	\$ 371,936,941	\$ 332,965,551	\$ 329,025,834	\$ 297,487,338	\$ 299,092,180	\$ 276,456,566	\$ 247,581,469	\$ 361,100,883
Expenditures:										
Salaries and employee benefits	\$ 88,320,801	\$ 95,793,414	\$ 99,192,010	\$ 99,773,382	\$ 101,364,885	\$ 102,289,888	\$ 101,023,768	\$ 102,127,845	\$ 104,908,690	\$ 110,040,224
Insurance	1,255,842	1,228,273	1,024,939	1,039,020	882,871	1,078,546	1,258,577	1,202,650	1,148,390	1,131,980
Rent	486,487	524,712	535,733	589,248	532,089	620,723	527,991	556,323	509,395	540,386
Supplies	3,365,065	3,035,346	2,997,815	2,600,630	2,371,901	2,894,275	2,647,163	2,588,866	2,519,673	3,035,619
Contract and special services	99,753,587	114,897,344	160,153,501	171,344,881	145,316,505	162,672,155	159,679,349	219,251,382	95,288,291	108,413,444
Maintenance	1,814,293	1,423,541	1,152,411	1,273,060	1,183,238	1,425,557	1,445,271	1,270,417	1,712,754	1,287,341
Travel and auto	622,446	746,705	694,696	707,050	791,042	753,860	739,784	783,720	703,392	877,137
Utilities	1,599,055	1,713,817	1,483,855	1,495,435	1,342,945	1,405,249	1,637,327	1,809,594	1,717,980	1,411,075
Communications	493,285	560,274	598,674	598,958	587,930	580,569	629,542	635,977	679,666	577,753
Uncollectible accounts	649,425	683,945	753,072	891,794	953,792	454,094	1,116,103	7,982	444,485	400,929
Other expenditures	1,063,386	691,833	1,303,225	2,767,725	2,544,090	2,179,367	4,578,992	1,665,715	3,004,689	2,023,075
Capital outlay	1,388,559	3,670,377	2,835,795	2,170,102	2,051,740	3,261,458	3,351,887	3,050,388	4,032,806	4,669,042
Debt service:										
Principal	8,270,000	8,695,000	9,165,000	10,090,000	10,250,000	18,177,007	3,099,025	3,159,384	3,235,598	3,331,010
Interest	4,710,521	4,442,290	4,073,116	3,540,602	2,945,639	4,857,985	4,094,658	4,031,995	3,954,555	3,863,482
Total expenditures	\$ 213,792,752	\$ 238,106,871	\$ 285,963,843	\$ 298,881,886	\$ 273,118,666	\$ 302,650,733	\$ 285,829,437	\$ 342,142,238	\$ 223,860,364	\$ 241,602,497
Excess (deficiency) of revenues over (under) expenditures	18,024,343	35,489,530	85,973,097	34,083,665	55,907,168	(5,163,395)	13,262,743	(65,685,672)	23,721,105	119,498,386
Other financing sources (uses):										
Transfer in	23,973,905	25,907,899	4,362,357	17,056,936	8,670,107	38,364,134	19,653,981	9,768,512	10,777,488	8,540,141
Transfer out	(23,973,905)	(25,907,899)	(4,362,357)	(17,056,936)	(8,670,107)	(38,364,134)	(19,653,981)	(9,768,512)	(10,777,488)	(8,540,141)
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Net change in fund balances	\$ 18,024,343	\$ 35,489,530	\$ 85,973,097	\$ 34,083,665	\$ 55,907,168	\$ (5,163,395)	\$ 13,262,743	\$ (65,685,672)	\$ 23,721,105	\$ 119,498,386
Debt service as a percentage of noncapital expenditures	6.1%	5.6%	4.7%	4.6%	4.9%	7.7%	2.5%	2.1%	3.3%	3.0%

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



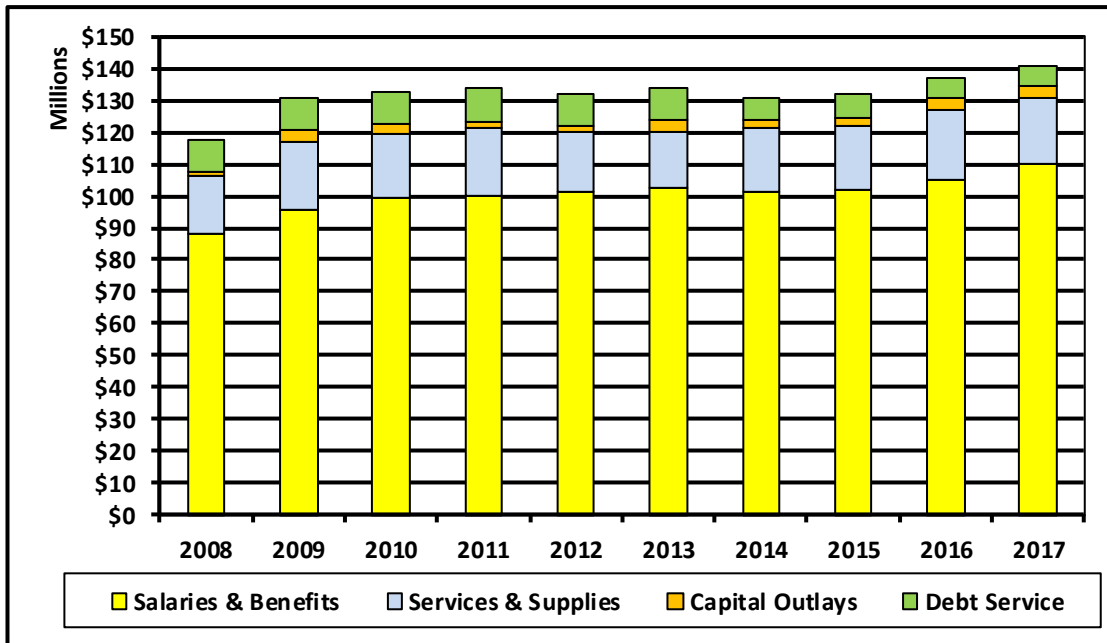
Year	Salaries & Benefits	Services & Supplies	Capital Outlays	Debt Service	Total Expenditures
2008	88,320,801	17,937,120	2,579,407	9,980,521	118,817,849
2009	95,793,414	23,732,428	2,409,605	10,137,290	132,072,737
2010	99,192,009	21,806,505	1,592,415	10,238,116	132,829,044
2011	99,773,382	23,397,710	1,198,178	10,630,602	134,999,872
2012	101,364,885	17,799,716	3,261,876	10,195,639	132,622,116
2013	102,289,888	19,052,813	3,053,754	10,219,978	134,616,433
2014	101,023,768	19,989,096	2,695,286	7,193,683	130,901,833
2015	102,127,842	20,074,713	4,031,026	7,191,379	133,424,960
2016	104,908,689	23,338,580	3,074,374	6,190,153	137,511,796
2017	110,077,989	21,757,613	4,037,890	6,194,492	142,067,984

See Notes Associated with Financial Charts page 119

Source:

South Coast Air Quality Management District Audited Financial Statements

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



Year	Salaries & Benefits	Services & Supplies	Capital Outlays	Debt Service	Total Expenditures
2008	88,320,801	17,992,898	1,388,559	9,980,521	117,682,779
2009	95,793,414	21,227,874	3,670,377	10,137,290	130,828,955
2010	99,192,009	20,335,515	2,835,795	10,238,116	132,601,435
2011	99,773,382	21,403,118	2,170,102	10,630,602	133,977,204
2012	101,364,885	18,706,143	2,051,740	10,195,639	132,318,407
2013	102,289,888	18,066,145	3,261,458	10,219,978	133,837,469
2014	101,023,768	20,469,780	2,203,171	7,193,683	130,890,402
2015	102,127,845	19,683,561	2,910,271	7,191,379	131,913,056
2016	104,908,690	22,007,495	3,674,227	6,190,153	136,780,565
2017	110,040,224	20,903,669	3,455,686	6,194,492	140,594,071

See Notes Associated with Financial Charts page 119

Source:

South Coast Air Quality Management District Audited Financial Statements

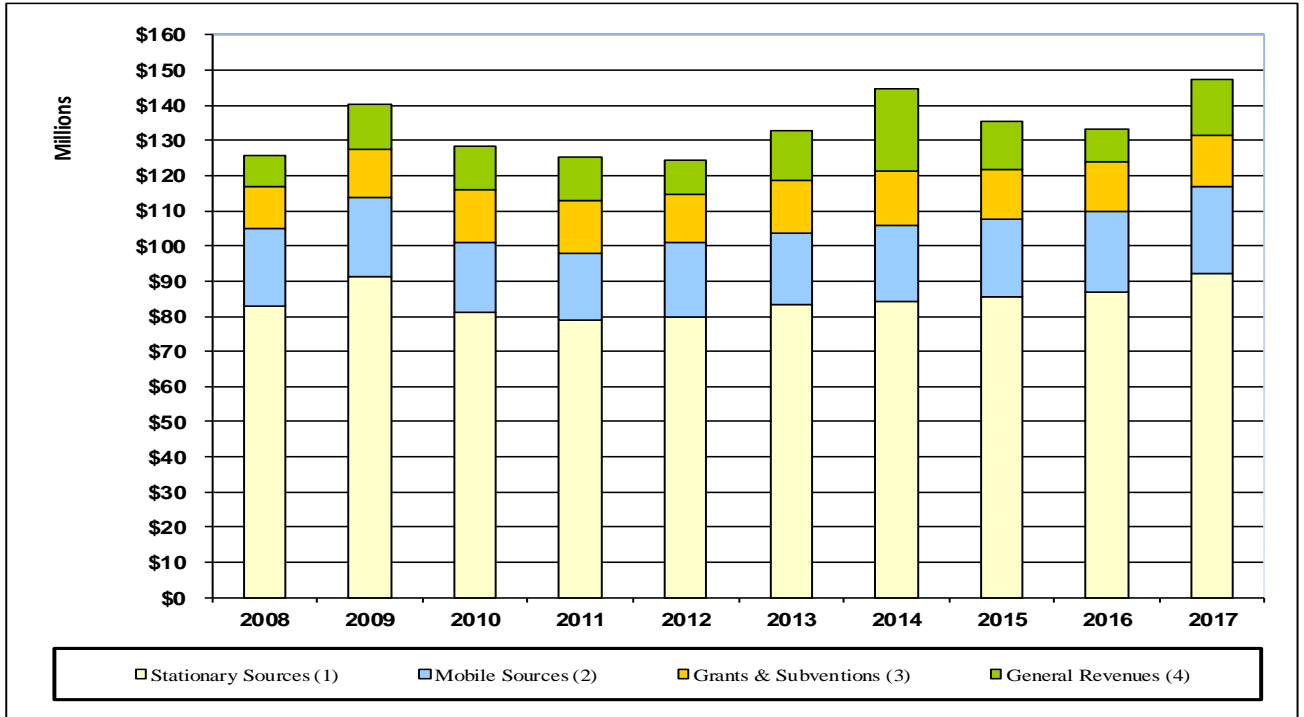
SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
Schedule 7
Debt Capacity
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year	Governmental Activities		Total Primary Government	Percentage of Total Revenues (*)	Number of Customers	Per Customer
	Installment Sale Revenue Bonds	Pension Obligation Bonds				
2008	\$ 35,035	\$ 60,477	\$ 95,512	76.05%	28	3
2009	30,410	56,407	86,817	61.83%	28	3
2010	25,745	51,907	77,652	60.60%	28	3
2011	20,370	47,192	67,562	53.87%	28	2
2012	15,130	42,182	57,312	46.15%	28	2
2013	-	39,135	39,135	29.48%	28	1
2014	-	36,036	36,036	24.89%	27	1
2015	-	32,876	32,876	24.26%	27	1
2016	-	29,641	29,641	22.23%	27	1
2017	-	26,310	26,310	17.86%	26	1

The South Coast Air Quality Management District is a regional government and is not authorized to issue long-term debt (General Obligation Bonds). The Pension Obligation Bonds are refunding bonds of outstanding debt owed the San Bernardino County Employees' Retirement Association. The South Coast Air Quality Management District has no long-term debt limits.

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

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



Year	Stationary Sources (1)	Mobile Sources (2)	Grants & Subventions (3)	General Revenues (4)	Total Revenues
2008	82,800,004	22,170,322	11,802,166	8,821,192	125,593,684
2009	91,472,243	22,166,119	13,679,151	13,093,394	140,410,907
2010	81,097,647	19,994,596	15,039,879	12,002,573	128,134,695
2011	78,787,371	19,109,043	15,189,462	12,324,164	125,410,040
2012	79,815,562	21,149,810	13,611,764	9,602,853	124,179,989
2013	83,307,359	20,324,940	14,853,666	14,446,084	132,932,049
2014	84,341,483	21,654,072	15,285,284	23,499,350	144,780,189
2015	85,546,869	21,833,199	14,399,753	13,729,825	135,509,646
2016	87,038,338	22,859,620	13,934,946	9,489,698	133,322,602
2017	92,189,311	24,574,498	14,768,699	15,810,131	147,342,639

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

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

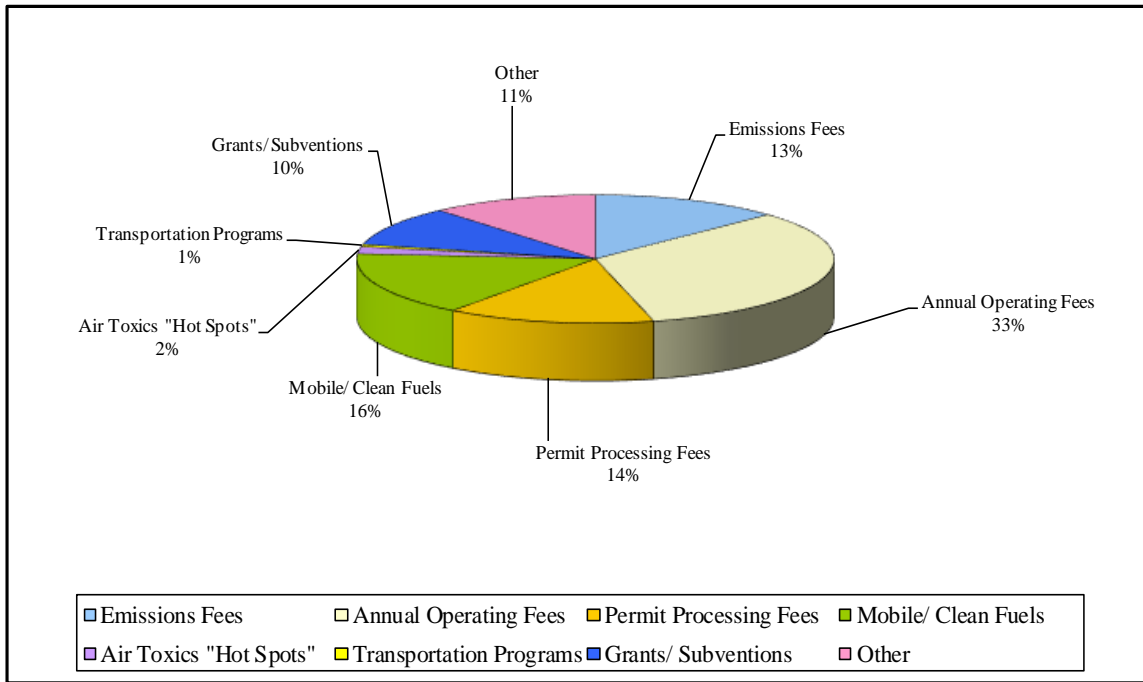
(3) Includes State Subventions, State Grants and Federal Grants

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

See Notes Associated with Financial Charts page 120

Source: South Coast Air Quality Management District Audited Financial Statements

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



Fee Source Revenue									
Year	Emissions Fees	Annual Operating Fees	Permit Processing Fees	Mobile/ Clean Fuels	Air Toxics "Hot Spots"	Transportation Programs	Grants/ Subventions	Other	Total
2008	23,100,073	38,970,949	18,105,901	21,255,452	1,720,464	914,870	11,802,166	9,723,809	125,593,684
2009	24,826,356	43,285,892	20,396,188	21,271,679	1,947,813	894,440	13,679,151	14,109,387	140,410,906
2010	19,663,671	41,191,933	16,316,076	19,158,039	1,666,699	836,557	15,039,879	14,261,841	128,134,695
2011	19,246,061	41,342,340	16,007,058	18,223,780	1,353,226	885,263	15,189,462	13,162,850	125,410,040
2012	19,714,882	42,189,557	15,658,916	20,300,981	1,270,714	848,829	13,611,764	10,584,346	124,179,989
2013	20,540,391	43,056,220	17,210,640	19,397,116	1,431,740	927,824	14,853,666	15,514,452	132,932,049
2014	20,472,379	44,260,635	16,945,777	20,776,256	1,623,051	877,816	15,285,284	24,538,991	144,780,189
2015	19,838,979	45,759,738	16,668,485	20,987,963	2,001,389	845,236	14,399,753	15,008,103	135,509,646
2016	18,984,919	47,592,793	17,239,759	21,967,629	2,373,579	891,991	13,934,946	10,336,986	133,322,602
2017	18,964,371	48,930,776	20,729,207	23,734,176	2,642,966	840,322	14,768,699	16,732,122	147,342,639

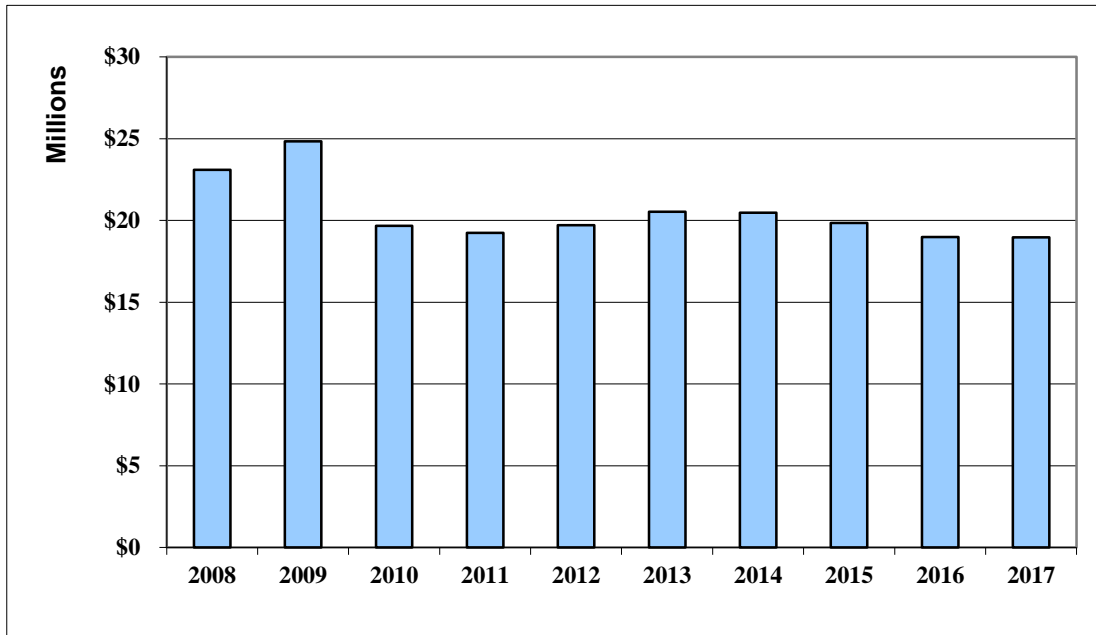
* Other includes Area Sources, Penalties and Settlements, Interest, Source Test/Analysis Fees, Lease Revenue, Hearing Board, Other Revenue and Subscriptions.

See Notes Associated with Financial Charts page 120

Source:

South Coast Air Quality Management District Audited Financial Statements

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



Year	Emission Fees
2008	23,100,073
2009	24,826,356
2010	19,663,671
2011	19,246,061
2012	19,714,882
2013	20,540,391
2014	20,472,379
2015	19,838,979
2016	18,984,919
2017	18,964,371

See Notes Associated with Financial Charts page 121

Source: South Coast Air Quality Management District Audited Financial Statements

Notes Associated with Financial Charts

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

- The increase in 2017 expenditures from 2016 is mainly due to the hiring of some grant funded positions and the contribution rates provided from the San Bernardino County Retirement Association (SBCERA).
- The increase in 2016 expenditures from 2015 includes the costs associated with the three year labor agreement. The rents and leases for equipment also increased. In addition, the professional and special services increased due to new or additional projects for outside building consultants, community outreach, and planning and rule development activities.
- In 2015 the increase in Capital Outlays of approximately \$1.3M is mainly due to large purchases of vehicles and replacements of operational systems.
- The decrease in 2014 expenditures from 2013 is mainly due to a significant reduction in debt. As of June 2013, the 2002 Series Installment Sale Bonds were legally defeased.
- The increase in 2013 expenditures from 2012 is mainly due to the rising retirement and medical insurance costs.
- The decrease in 2012 expenditures is due to a significant reduction in Services and Supplies.
- The increase in 2011 expenditures from 2010 is mainly due to the increase in expenditures for Contract and Special Services.
- The increase in 2010 Salaries & Benefits expenditures from 2009 is mainly due to the hiring of vacant FTEs and rising retirement costs.
- The increase in 2009 expenditures from 2008 is mainly due to the hiring of vacant FTEs and rising retirement costs.
- The decrease in 2008 expenditures from the 2007 level is primarily due to a significant reduction in litigation costs.

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

- The increase in 2017 expenditures from 2016 is mainly due to the hiring of some grant funded positions and the contribution rates provided from the San Bernardino County Retirement Association (SBCERA).
- The increase in 2016 expenditures from 2015 includes the costs associated with the three year labor agreement. The rents and leases for equipment also increased. In addition, the professional and special services increased due to new or additional projects for outside building consultants, community outreach, and planning and rule development activities.
- The small increase in 2015 expenditures from 2014 is mainly due to the rise in the contribution cost for retirement and purchases of vehicles.
- The decrease in 2014 expenditures from 2013 is mainly due to a significant reduction in debt. As of June 2013, the 2002 Series Installment Sale Bonds were legally defeased.
- The increase in 2013 expenditures from 2012 is mainly due to the rising retirement and medical insurance costs. In addition, Capital Outlays expenditures increased due to the large purchase of CNG vehicles and the replacement of some boilers and associated equipment.
- The decrease in 2012 expenditures is due to a significant reduction in Services and Supplies.
- The increase in 2011 expenditures from 2010 is mainly due to the increase in Contract and Special Services.
- The increase in 2010 expenditures from 2009 is mainly due to the hiring of vacant FTEs and rising retirement costs. In addition, Capital Outlays expenditures decreased due to asset retirements.
- The increase in 2009 expenditures from 2008 is mainly due to the hiring of vacant FTEs and rising retirement costs. In addition, Capital Outlays expenditures increased due to payments on prior year encumbrances.
- The decrease in 2008 expenditures from the 2007 level is primarily due to a significant reduction in litigation costs.

Schedule 8 - Revenues by Major Source (General Fund)

- The large increase in 2017 revenue reflects large penalties/settlements from facilities that were found not to be in compliance with SCAQMD rules and regulations, which increased the General Revenue category.
- The decrease in 2016 revenue from 2015 is mainly due to the decrease in Penalties & Settlements in the General Revenues category.
- The large decrease in 2015 revenues is mainly due to the decrease in Penalties & Settlements for violations of permit conditions, SCAQMD Rules, or state law.
- Revenues increased significantly in 2014 because the SCAQMD received several large penalties/settlements from facilities that were found to be not in compliance with SCAQMD rules and regulations.
- Revenues increased significantly in 2013 because the SCAQMD received several large penalties/settlements from facilities that were found to be not in compliance with SCAQMD rules and regulations.
- The decrease in 2012 revenue is due to the decrease in Penalties & Settlements in General Revenues, and the reduction in Grants & Subventions.
- In 2011 the decrease in the Stationary Sources and Mobile Sources revenues are mainly due to the decrease in all the fee source revenues.
- The decrease in 2010 revenue is attributable to the economic downturn and declining emissions; however, the overall decline is mitigated by several large, unanticipated one time penalties/settlements.
- The increase in 2009 General Revenue reflects the fact that the number and magnitude of penalties and settlements can vary from year to year.
- The decrease in 2008 revenue from 2007 is mainly due to declining Penalties and Settlements revenues offset by a 10% increase in Emissions Fees, Annual Operating Fees, and Permit Processing Fees.

Schedule 9 - Revenues by Fee Source (General Fund)

- Other revenues increased significantly in 2017 because the SCAQMD received large penalties/settlements from facilities that were found not to be in compliance with SCAQMD rules and regulations, which increased the General Revenue category.
- The decrease in 2016 revenue from 2015 is mainly due to the decrease in Penalties & Settlements in the Other Revenues category.
- The large decrease in 2015 revenues is mainly due to the decrease in Penalties & Settlements for violations of permit conditions, SCAQMD Rules, or state law.
- Revenues increased significantly in 2014 because the SCAQMD received several large penalties/settlements from facilities that were found to be not in compliance with SCAQMD rules and regulations.
- Other revenues increased significantly in 2013 because the SCAQMD received several large penalties/settlements from facilities that were found to be not in compliance with SCAQMD rules and regulations.
- The decrease in 2012 revenue is due to the decrease in Penalties & Settlements in General Revenues, and the reduction in Grants & Subventions.
- The decrease in 2011 revenue from 2010 is mainly due to the decreases in Mobile Source revenue and Penalties and Settlements revenue.
- In 2010, all fee source revenues declined. The increase in Grants/Subventions revenue is attributable to a full year of administrative cost reimbursement for Prop 1B.
- In 2009, Annual Operating Fees and Permit Fees increased by 10% in 2009.
- The decrease in 2008 revenue from 2007 is mainly due to declining Penalties and Settlements revenues offset by a 10% increase in Emissions Fees, Annual Operating Fees, and Permit Processing Fees.

Schedule 10 – Emission Fee Revenues

- There was a small decrease in Emission Fees revenue in 2017 due to gradually decreasing emissions.
- There was a small decrease in Emission Fees revenue in 2016 due to gradually decreasing emissions.
- There was a small decrease in Emission Fees revenue in 2015. Emission fees vary with the non-RECLAIM and RECLAIM emissions, and the flat emission fees of active facilities.
- The small increase in 2013 is due to a fee increase that was effective July 1, 2012.
- In 2010, Emission Fees decreased as a result of reduced emissions at major refineries and large facilities.
- The 2009 Emission Fees increased due to a 10% fee increase; offset by continued declining emissions.
- There was an increase in Emission Fees revenue in 2008 related to a 10% fee increase. However, the impact on the revenue is lower than the 10% due to a general decline in emissions.

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

Payer	FY 2016-2017			FY 2006-2007		
	Payment	Rank	% of Total Emission Fee	Payment	Rank	% of Total Emission Fee
Chevron Products	\$1,919,763	1	10.1%	\$1,452,642	3	6.7%
BP West Coast Products (now Tesoro)*	1,885,278	2	9.9%	2,197,320	1	10.1%
Tesoro Refining and Marketing (Formerly Equilon)	1,311,062	3	6.9%	1,395,754	4	6.4%
Torrance Refinery Co LLC	913,624	4	4.8%	-	-	-
Phillips 66 Company (Formerly Conoco and formerly Tosco Refining Co)*	892,474	5	4.7%	1,220,844	5	5.6%
Exxon Mobil Corporation (Formerly Mobil Oil Corporation)	807,676	6	4.3%	1,940,009	2	8.9%
Phillips 66 Company (Formerly Conoco and formerly Tosco Refining Co)*	694,337	7	3.7%	556,107	8	2.6%
Ultramar Incorporated	625,085	8	3.3%	617,737	7	2.8%
Tesoro Refining and Marketing (formerly BP ARCO West Coast Products)*	451,945	9	2.4%	302,988	10	1.4%
City of Long Beach, SERRF Project	221,964	10	1.2%	211,183	15	1.0%
Owens Brockway Glass Container Inc	210,735	11	1.1%	-	-	-
Desert View Power	179,758	12	0.9%	-	-	-
Dart Container Corp of California	178,787	13	0.9%	213,789	14	1.0%
Anheuser-Busch Incorporated	149,439	14	0.8%	252,535	13	1.2%
LA County Sanitation District	146,807	15	0.8%	-	-	-
New Indy Ontario LLC	144,087	16	0.8%	-	-	-
Cal Portland Cement Company	138,438	17	0.7%	719,092	6	3.3%
Beta Off Shore	113,881	18	0.6%	-	-	-
Equilon Enterprises, LLC, Shell Oil Products US (formerly Texaco Refining)	110,852	19	0.6%	-	-	-
Tamco	101,473	20	0.5%	116,112	19	0.5%
Rhodia Incorporated	-	-	-	380,623	9	1.7%
Paramount Petroleum Company	-	-	-	272,324	11	1.3%
MCP Foods	-	-	-	270,035	12	1.2%
Lasco Bathware, Inc.	-	-	-	183,893	16	0.8%
Colmac Energy	-	-	-	122,705	17	0.6%
Aera Energy	-	-	-	116,234	18	0.5%
California Steel Industries	-	-	-	114,017	20	0.5%
Total Paid by Largest Payers at a Single Location	<u>\$ 11,197,465</u>		59.0%	<u>\$ 12,655,943</u>		58.1%
Total Emissions Based Fees Paid by All Emitters	<u>\$ 18,964,371</u>			<u>\$ 21,771,497</u>		

*Located at separate sites.

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

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

Measuring 4,084 square miles, *Los Angeles County* is one of the nation's largest counties. It is the most populated county in the state of California and contains the most populated city in the state, the City of Los Angeles. Before World War II, Los Angeles County was one of the nation's foremost agricultural producers. As agricultural production declined, the economy has evolved into diverse areas that include trade, transportation, and utilities, government, educational and health services, professional and business services, and manufacturing. Tourism and entertainment as well as international trade also play a vital role in the county's economy. The county is home to the twin seaports of Los Angeles and Long Beach, together the nation's largest, as well as the single largest fixed source of air pollution in the region. The two ports are responsible for more smog-forming nitrogen oxide emissions than 7 million cars.

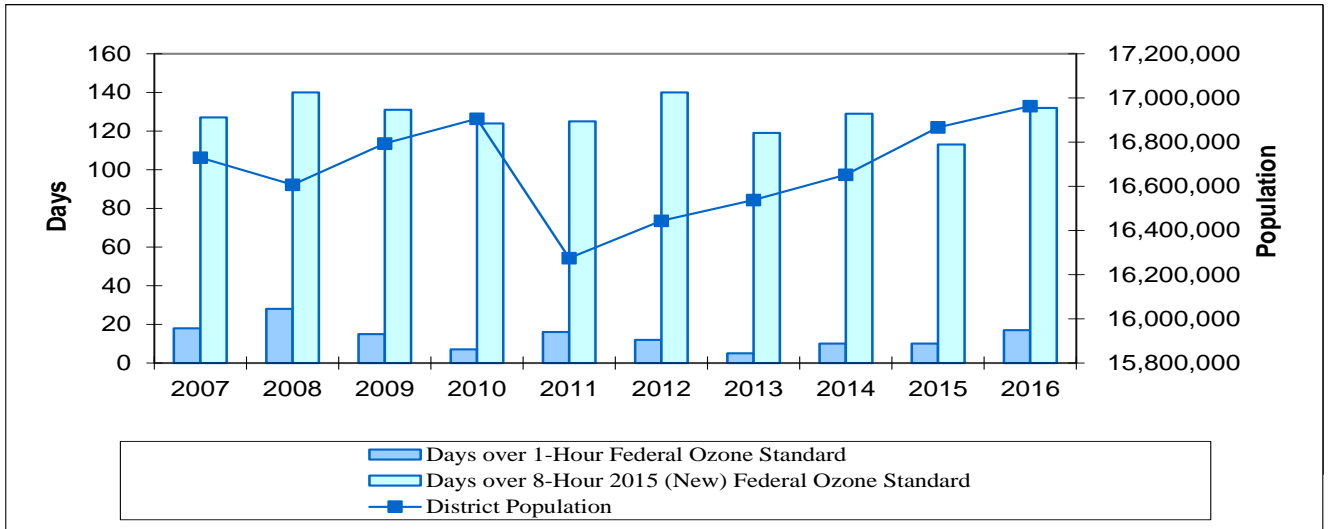
Orange County is the third most populated county in the state and lies south of Los Angeles County. When created in 1889, Orange County was named for its abundance of orange groves and thriving agricultural industry. Today, the largest industry employers are trade, transportation, and utilities, professional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

The varied topography of *Riverside County* is characterized by fertile river valleys to rolling plains and foothills to deserts below sea level and mountain peaks above 10,000 feet. Recent years have brought dramatic population growth to Riverside County. The population is expected to increase by 1.3 percent in 2016. Annual growth in the 2016 - 2021 period is expected to average 1.5 percent. The county's early years were linked to the agriculture industry, but commerce, construction, manufacturing, transportation, and tourism have contributed to the county's substantial growth. The County is also a major distribution center for Southern California and the Pacific Rim.

Roughly 90 percent of *San Bernardino County* is desert and the remaining portion consists of the San Bernardino Valley and San Bernardino Mountains. San Bernardino County and Riverside County are collectively known as the Inland Empire. San Bernardino ranks as the fifth-highest populated county in California from 2016 to 2021, population growth is expected to average 1.0 percent per year. The economy is led by services, government, retail trade, and manufacturing industries. Additionally, the county consistently ranks in the top fifteen agricultural-producing counties in the state.

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

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



Year	Days over 1-Hour Federal Ozone Standard	Days over 8-Hour 2015 (New) Federal Ozone Standard	District Population
2007	18	127	16,730,092
2008	28	140	16,607,472
2009	15	131	16,793,784
2010	7	124	16,906,456
2011	16	125	16,274,797
2012	12	140	16,444,162
2013	5	119	16,538,490
2014	10	129	16,652,810
2015	10	113	16,866,350
2016	17	132	16,962,478

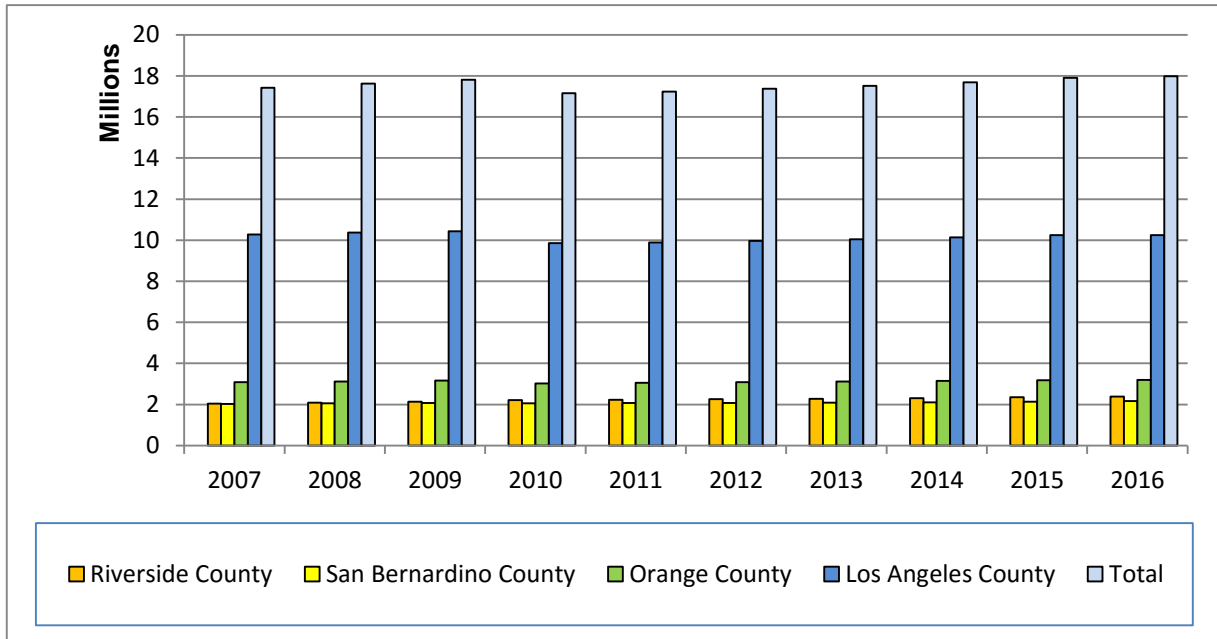
Notes:

- The average number of days exceeding the federal ozone standard in the Basin decreased by 54% between the three-year period of 1976-78 and 2011-13.
- Favorable weather conditions and continued implementation of the air pollution control strategy contributed to the significant decrease in Days over the 1-Hour Ozone Standard in the recent decades.
- In 1997, the federal government implemented the 8-hour ozone National Ambient Air Quality Standard. The standard was revised in 2015 from 75 ppb to 70 ppb.

Source:

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

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



Year	Riverside County	San Bernardino County	Orange County	Los Angeles County	Total	% Increase
2007	2,034,840	2,026,325	3,089,707	10,275,914	17,426,786	0.79%
2008	2,088,322	2,055,766	3,121,251	10,363,850	17,629,189	1.16%
2009	2,139,535	2,073,149	3,166,461	10,441,080	17,820,225	1.08%
2010	2,217,778	2,052,397	3,029,859	9,858,989	17,159,023	-3.71%
2011	2,227,577	2,063,919	3,055,792	9,884,632	17,231,920	0.42%
2012	2,255,059	2,076,274	3,081,804	9,958,091	17,371,228	0.81%
2013	2,279,967	2,085,669	3,113,991	10,041,797	17,521,424	1.68%
2014	2,308,441	2,104,291	3,147,655	10,136,559	17,696,946	1.00%
2015	2,347,828	2,139,570	3,183,011	10,241,335	17,911,744	1.21%
2016	2,384,783	2,160,256	3,194,024	10,241,278	17,980,341	0.38%

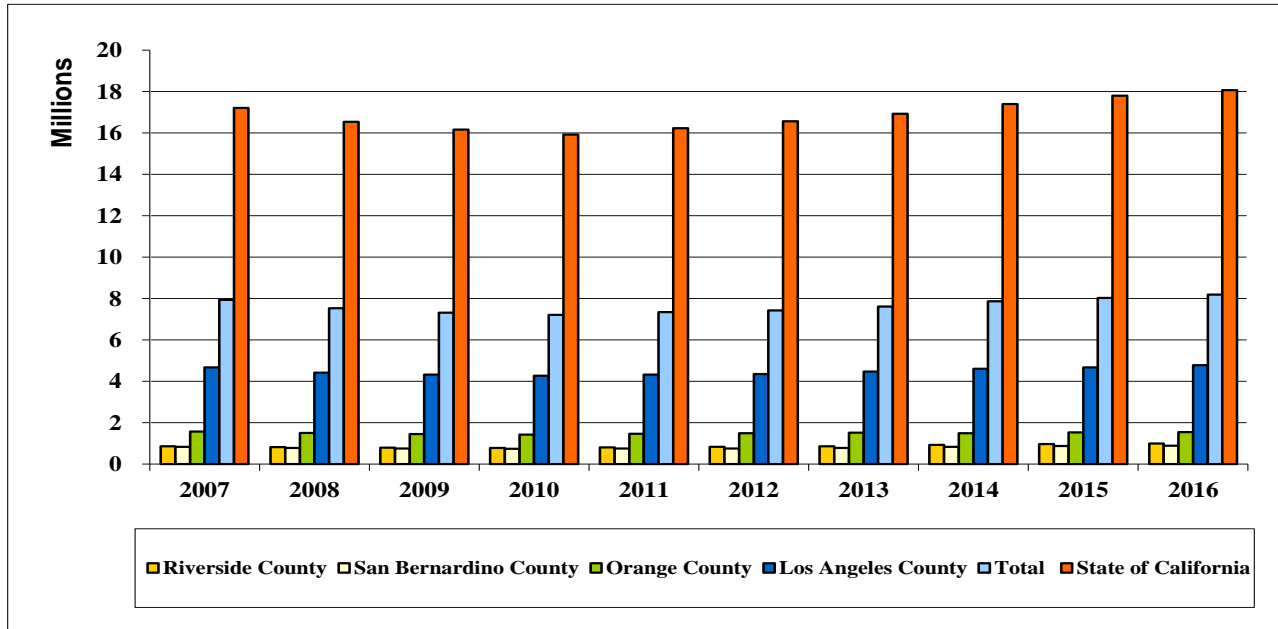
SCAQMD encompasses all of Orange County and parts of the Los Angeles, Riverside, and San Bernardino Counties, representing over 17.9 million residents.

Source:

California Department of Finance - Demographic Research Unit

www.dof.ca.gov/budgeting/documents

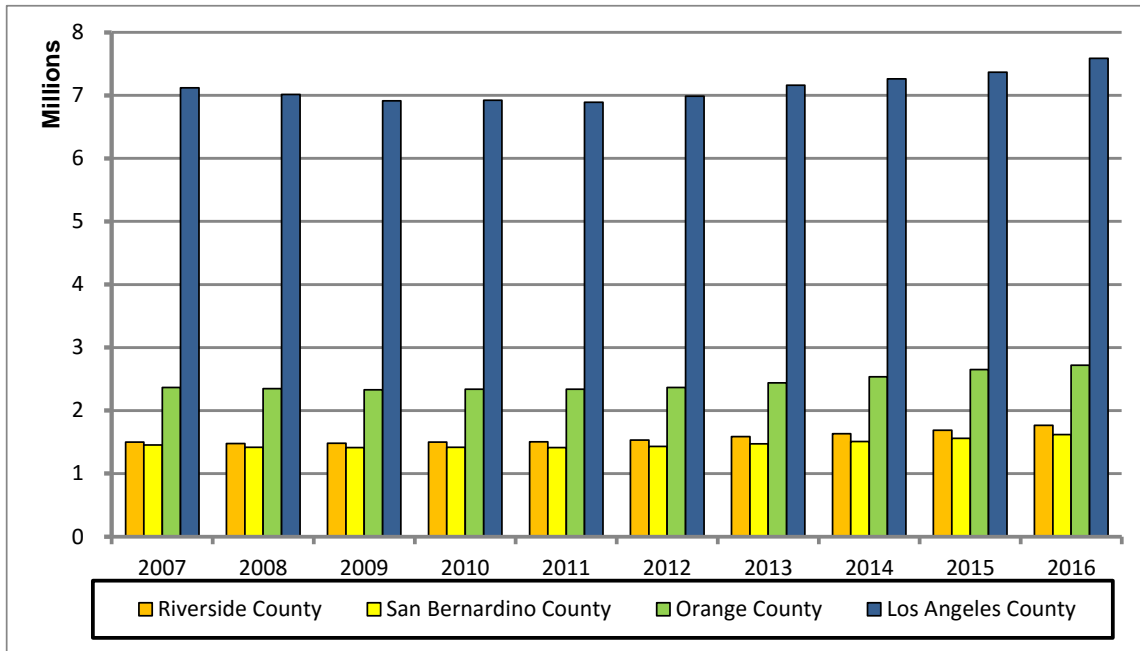
SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
 Schedule 14
 Los Angeles, Orange, Riverside, San Bernardino
 Counties, and State of California Civilian Employment
 Last Ten Calendar Years



Year	Riverside County	San Bernardino County	Orange County	Los Angeles County	Total	State of California
2007	853,800	835,100	1,568,800	4,675,300	7,933,000	17,208,900
2008	813,800	781,400	1,507,300	4,422,900	7,525,400	16,531,700
2009	790,000	751,600	1,451,000	4,328,600	7,321,200	16,163,900
2010	779,500	733,800	1,429,700	4,262,300	7,205,300	15,916,300
2011	810,600	747,100	1,464,400	4,318,900	7,341,000	16,226,600
2012	828,800	758,000	1,496,000	4,345,700	7,428,500	16,560,300
2013	855,300	778,100	1,510,600	4,470,700	7,614,700	16,933,300
2014	927,300	836,000	1,489,200	4,610,800	7,863,300	17,397,100
2015	965,500	866,800	1,525,600	4,674,800	8,032,700	17,798,600
2016	988,000	882,200	1,538,000	4,778,800	8,187,000	18,065,000

Source:
 State of California: Employment Development Department
www.labormarketinfo.edd.ca.gov/cgi/dataanalysis

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



Year	Riverside County	San Bernardino County	Orange County	Los Angeles County	Total District
2007	1,498,957	1,453,252	2,367,673	7,121,385	12,441,267
2008	1,476,725	1,418,934	2,345,325	7,012,263	12,253,247
2009	1,480,616	1,410,411	2,327,428	6,913,586	12,132,041
2010	1,497,595	1,417,354	2,337,837	6,920,671	12,173,457
2011	1,502,571	1,412,652	2,336,315	6,892,687	12,144,225
2012	1,532,040	1,428,725	2,367,745	6,984,730	12,313,240
2013	1,587,494	1,470,974	2,440,330	7,159,182	12,657,980
2014	1,630,405	1,507,903	2,536,833	7,263,982	12,939,123
2015	1,689,523	1,557,196	2,649,420	7,368,979	13,265,118
2016	1,765,545	1,618,573	2,716,672	7,585,269	13,686,059

SCAQMD encompasses all of Orange County, and parts of Los Angeles, Riverside, and San Bernardino counties.

Source:

California Department of Motor Vehicles - Estimated Vehicles Registered by County

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

FUNCTION:	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Executive Office	10	9	10	10	10	9	10	8	9	6
Clerk of the Boards	6	5	6	6	6	6	6	6	6	6
District Counsel	11	13	13	12	11	-	-	-	-	-
District Prosecutor	19	19	19	20	21	-	-	-	-	-
Legal *	-	-	-	-	-	29	31	32	29	27
Finance	44	44	45	43	42	41	44	41	40	42
Administrative & Human Resources	36	37	36	34	32	32	31	32	30	33
Information Management	50	49	48	49	48	47	47	46	47	45
Planning, Rule Development & Area Sources	102	108	105	103	96	88	85	85	85	94
Legislative and Public Affairs	37	42	42	40	39	40	38	38	41	44
Science & Technology	151	160	156	146	143	144	144	150	148	145
Engineering & Compliance **	304	310	299	300	286	273	261	259	-	-
Engineering & Permitting	-	-	-	-	-	-	-	-	136	133
Compliance & Enforcement	-	-	-	-	-	-	-	-	110	127
Total	770	796	779	763	734	709	697	697	681	702

* In fiscal year 2013, District Counsel and District Prosecutor merged to become the Legal department.

**In fiscal year 2016, Engineering & Compliance was split into two divisions Engineering & Permitting and Compliance & Enforcement.

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

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

<u>Program Category</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Advance Clean Air Technology										
Contracts awarded	295	292	530	526	556	938	523	1,047	421	403
Total Funding awarded	\$ 91,309,725	\$ 89,421,125	\$ 180,669,515	\$ 131,399,287	\$ 82,536,619	\$ 207,181,573	\$ 216,085,526	\$ 123,181,473	\$ 153,900,867	\$ 137,406,323
Ensure Compliance with Clean Air Rules										
Inspections	33,742	40,558	33,735	33,560	34,191	32,535	29,501	22,871	24,037	21,419
Notices of Violations	1,321	1,908	1,530	1,254	1,211	965	956	811	499	632
Hearing Board Orders for Abatement	30	36	35	47	93	51	46	41	23	27
Hearing Board Appeals	22	19	20	2	7	3	7	-	3	3
Customer Service										
Public Information Requests	3,528	4,962	3,821	3,410	3,543	3,460	4,505	4,012	4,958	5,282
Community/Public Meetings attended	145	198	202	190	274	294	264	217	239	210
Small Business Assistance Contacts	2,680	2,662	2,578	2,497	2,574	2,266	1,850	1,711	1,865	2,834
Develop Programs to Achieve Clean Air										
Transportation Plans processed	1,534	1,412	1,372	1,385	1,392	1,371	1,333	1,329	1,337	1,348
Emission Inventory Updates	439	586	703	521	530	408	460	336	356	244
Develop Rules to Achieve Clean Air										
Rules Developed	29	32	15	40	8	20	24	24	16	15
Monitoring Air Quality										
Samples Analyzed by the Laboratory	31,530	25,400	29,685	28,915	29,520	32,520	29,340	30,824	32,400	38,541
Source Testing Analyses/Evaluations/Reviews	794	718	740	1,030	952	1,035	968	996	936	952
Timely Review of Permits										
Applications Processed	9,599	11,564	9,627	13,044	12,225	14,153	13,217	9,495	9,482	11,780
Applications Received-Small Business	-	627	694	798	732	615	514	629	594	535
Applications Received-All Others	9,297	10,954	10,941	10,769	11,682	11,709	11,156	9,961	9,894	8,376
Policy Support										
News releases	51	76	69	64	57	61	62	76	89	86
Media Calls	684	334	313	252	520	1,131	774	532	1,450	1,201
Media Inquiries Completed	684	334	313	252	520	1,131	774	532	1,450	1,201

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

<u>Function/Program</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Ensure Compliance with Clean Air Rules					
Number of vehicles assigned to field inspection	121	112	108	100	98
Monitoring Air Quality					
Number of air monitoring stations	40	42	42	42	43
Number of air monitoring instruments installed in the air monitoring stations to measure air quality	292	260	208	223	222

South Coast Air Quality Management District

Demographic and Miscellaneous Statistics

<u>Established:</u>	February 1, 1977
<u>Area Covered:</u>	10,743 Square Miles
<u>Counties Included in District:</u>	All of Orange County and parts of Los Angeles, Riverside, and San Bernardino Counties
<u>Population:</u>	16,962,478 (In 2016)
<u>Average Unemployment Rate:</u>	Los Angeles County (5.2%), Orange (4.0%), Riverside (6.1%), and San Bernardino (5.7%) counties (In 2016)
<u>Transportation:</u>	Two transcontinental railroads – Burlington Northern Santa Fe and the Union Pacific Six Commercial Airports – Los Angeles International, Burbank, Long Beach, Ontario International, Orange County, and Palm Springs Freeways – Three major interstate freeways including four bypass routes, U.S. 101, and nine State freeway routes Two major adjoining ports – Port of Long Beach and Port of Los Angeles
<u>Visitor Destinations:</u>	Disneyland, Knott’s Berry Farm, Magic Mountain, motion picture and television studios and the Rose Bowl
<u>Number of Registered Vehicles Within SCAQMD Jurisdiction:</u>	13,686,059 (In 2016)
<u>Average Daily Miles Traveled Per Vehicle:</u>	28 (CY 2016 data)
<u>Examples of Stationary Sources of Air Pollution Regulated:</u>	Oil Refineries, power plants, paint spray booths, incinerators, manufacturing facilities, dry cleaners, and service stations.
<u>Number of Sources:</u>	26,052 operating locations with 68,205 permits.
<u>Number of Air Monitoring Stations:</u>	43
<u>Full-time Authorized Positions:</u>	815
<u>Adopted FY 2017-18 Budget:</u>	\$149,878,906
<u>Key Federal, State, and Local Air Agencies:</u>	EPA Region IX (Environmental Protection Agency), CARB (California Air Resources Board), CAPCOA (California Air Pollution Control Officer’s Association), NACAA (National Association of Clean Air Agencies), ALAPCO (Association of Local Air Pollution Control Officials). There are 35 local air pollution control districts in California.

Air Quality Historical Timeline



Photo courtesy of Los Angeles Times Collection, Department of Special Collections, UCLA Library

First recognized episodes of smog occur in Los Angeles in the summer of 1943.

1943

1950

Orange County APCD established.



1966



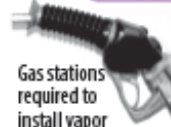
California adopts first automobile tailpipe emission standards in the nation.

1970

Federal Clean Air Act is enacted, establishing the basic U.S. program for controlling air pollution.



1978



Gas stations required to install vapor recovery "boots" on gas nozzles.

1947

Los Angeles County Air Pollution Control District (APCD) established—the first of its kind in the nation.



1957

San Bernardino and Riverside County APCDs formed.



1968

California Air Resources Board (CARB) holds its first meeting with Dr. Arie J. Haagen-Smit as its first chairman.

1971

U.S. EPA, created in 1970, adopts first national air quality standards.

SCAQMD formed through merger of Los Angeles, Orange, Riverside and San Bernardino APCDs.

1977



1984



California's Smog Check program takes effect.

1989

SCAQMD adopts first Air Quality Management Plan to show attainment of clean air standards.



California Global Warming Solutions Act of 2006 (AB 32) enacted to establish first ever comprehensive program to reduce greenhouse gases.

2006



2014-2027

Projected achievement of current air quality health standards in South Coast air basin.



2002

SCAQMD adopts the nation's first phase-out of the toxic chemical perchloroethylene (or "perc") used at dry cleaners.

2008

SCAQMD adopts Climate Change Policy.

1990

Federal Clean Air Act Amendments of 1990 enacted. Established new programs aimed at curbing urban ozone, toxic emissions, and vehicle emissions.

1998

The Carl Moyer Program established to reduce mobile source emissions.

1993

RECLAIM (Regional Clean Air Incentives Market) emissions trading program adopted.



2003

SCAQMD Mow Down Air Pollution Electric Lawnmower Exchange Program begins.



2011

Federal agencies and the State of California establish single timeframe for corporate average fuel economy (CAFE) and greenhouse gas standards for the next generation of cars and light-duty trucks.

1987



SCAQMD establishes ridesharing requirements for region's employers.



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