BAY AREA AIR QUALITY

MANAGEMENT DISTRICT

Basic Financial Statements
With Independent Auditor's Report

For the Year Ended June 30, 2020

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Basic Financial Statements
For the Year Ended June 30, 2020

Table of Contents

SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS
BRAINARD C. SIMPSON, CPA
MELBA W. SIMPSON, CPA

U.S. BANK TOWER
633 WEST 5TH STREET, SUITE 3320
LOS ANGELES, CA 90071
(213) 736-6664 TELEPHONE
(213) 736-6692 FAX
www.simpsonandsimpsoncpas.com

Independent Auditor's Report

The Board of Directors of
Bay Area Air Quality Management District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and each major fund of the **Bay Area Air Quality Management District** (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the Bay Area Air Quality Management District as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 and the required supplementary information on pages 47 through 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The supplementary information on page 54 is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Simpson & Simpson

Los Angeles, California
April 6, 2021

This discussion and analysis of the Bay Area Air Quality Management District (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2020. Please read it in conjunction with the accompanying basic financial statements and notes.

A. Financial Highlights

- During the fiscal year 2019-2020, the District commenced remodeling of additional office space at 375 Beale Street and completed Phase 1 office space renovation of Richmond Headquarters East office building. The District also entered into a funding agreement with Bay Area Housing Authority (BAHA) to provide $3 million towards build out of the office space on the first floor of Beale Street in exchange for shared use of the space and share in any future operating income generated from the space.

- At the close of the fiscal year 2019-2020, the District's net position is $207,977,053. Total net position includes $52.7 million for net investment in capital assets, $167.7 million for restricted net position and a negative $12.4 million for unrestricted net position.

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the fiscal year 2019-20, increasing the District's overall (net position) by $16.6 million or 8.7%.

- The District's governmental funds reported a total fund balance of $244,497,143; $161,970,388 for the Special Revenue Fund and $82,526,755 for the General Fund. The entire fund balance of the Special Revenue Fund in the amount of $161,970,388 is reserved for air quality grants and projects. The $82,526,755 General Fund balance consists of $30,324,696 representing the assigned fund balance, $5,717,573 restricted, $954,940 committed or nonspendable and the remaining balance of $45,529,546 unassigned.

Table 1 presents the General Fund detail of fund balances as of June 30, 2020, and June 30, 2019.

Table 1. General Fund Balances as of June 30, 2020 and 2019

Category	General Fund June 30, 2020	General Fund June 30, 2019	Increase/ (Decrease)
Fund Balances:			
Nonspendable:			
Prepaid Expenses	$ 954,940	$ 937,780	$ 17,160
Restricted:			
Air Quality Grants and Projects	649,872	925,631	(275,759)
Post-Employment Benefits	3,520,969	3,406,018	114,951
Debt service	1,546,732	1,171,636	375,096
Assigned:			-
PERS Funding and Post Employment Benefits	3,000,000	2,000,000	1,000,000
Building and Facilities	-	209,489	(209,489)
Air Quality Grants and Projects	22,489,782	22,728,264	(238,482)
Other Assigned	4,834,914	4,614,289	220,625
Unassigned:	45,529,546	41,479,538	4,050,008
Total Fund Balance	**$ 82,526,755**	**$ 77,472,645**	**$ 5,054,110**

B. Overview of the Financial Statements

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

Government-Wide Financial Statements

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

B. Overview of the Financial Statements, Continued

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

The Statement of Net Position reports all assets, deferred outflows of resources, liabilities owed by the District, and deferred inflows of resources on a full accrual basis. The difference between the assets held and deferred outflows of resources, and the liabilities owed and deferred inflows of resources, is reported as *Net Position*. The net position total is comparable to total stockholder's equity presented on the balance sheet of a private enterprise. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The Statement of Net Position as of June 30, 2020 is presented on page 13.

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

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

Fund Financial Statements

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

B. Overview of the Financial Statements, Continued

Governmental Funds

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

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

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

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

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 19 to 46.

Required and Other Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the District's other post-employment benefit (OPEB) liabilities, retirement pension liabilities held by California Public Employees Retirement System (PERS), general fund and special revenue fund budget comparison schedules, and supplementary information concerning the District's TFCA and Carl Moyer program expenditures on pages 47 to 54.

C. Government-Wide Financial Analysis

The government-wide financial analyses focus on net position and changes in net position of the District's governmental activities. Table 2 below shows a condensed Statement of Net Position as of June 30, 2020 compared to the fiscal year ended June 30, 2019.

Table 2. Statement of Net Position as of June 30, 2020 and June 30, 2019

	Governmental Activities June 30, 2020	Governmental Activities June 30, 2019	Increase/ (Decrease)
Current & Other Assets	$ 391,951,663	$ 324,330,353	$ 67,621,310
Capital Assets	71,542,917	70,696,145	846,772
Total Assets	**463,494,580**	**395,026,498**	**68,468,082**
Deferred Outflows of Resources	22,867,292	26,624,823	(3,757,531)
Current Liabilities	148,578,743	96,980,498	51,598,245
Noncurrent Liabilities	120,217,761	125,787,760	(5,569,999)
Total Liabilities	**268,796,504**	**222,768,258**	**46,028,246**
Deferred Inflows of Resources	9,588,315	3,763,409	5,824,906
Net Position			
Invested in Capital Assets	52,654,146	50,980,564	1,673,582
Restricted	167,687,961	155,915,850	11,772,111
Unrestricted net position	(12,365,054)	(15,526,760)	3,161,706
Total Net Position	**$ 207,977,053**	**$ 191,369,654**	**$ 16,607,399**

At June 30, 2020 the District's total assets and deferred outflows of resources exceeded its total liabilities and deferred inflows of resources by $208 million, an increase of $16.6 million over the previous fiscal year.

As noted earlier, total net position may serve over time as a useful indicator of the District's financial position. Restricted net position is to be used for specific programs and purposes according to legal terms and conditions. The remaining portion of the District's net position is unrestricted and at the end of the fiscal year had a negative balance of $12.4 million which is mainly due to the implementation of GASB Statement 68 and 75; which requires the District to report its current obligations for Pension and Other Post-Employment Benefits.

C. Government-Wide Financial Analysis, Continued

Table 3 below provides changes in net position for the fiscal year ending June 30, 2020 compared with the fiscal year ended June 30, 2019.

Table 3. Statement of Activities for Fiscal Years 2019-20 and 2018-19

	Governmental Activities FY 2019-20	Governmental Activities FY 2018-19	Dollar Increase / (Decrease)	Percentage Increase / (Decrease)
Revenues:				
Program Revenue:				
Charges for services	$ 55,722,285	$ 56,094,102	$ (371,817)	-1%
Operating grants and contributions	93,896,048	81,116,395	12,779,653	16%
Total Program Revenue	149,618,333	137,210,497	12,407,836	9%
General Revenues:				
County Apportionments	37,558,118	35,823,934	1,734,184	5%
Investment income not restricted for a specific program	1,383,522	1,622,927	(239,405)	-15%
Other	377,239	502,969	(125,730)	-25%
Total General Revenues	39,318,879	37,949,830	1,369,049	4%
Total Revenues	**188,937,212**	**175,160,327**	**13,776,885**	**8%**
Expenses:				
Primary Government	102,830,973	93,525,653	9,305,320	10%
California Goods Movement Program	9,110,363	7,467,502	1,642,861	22%
Vehicle Settlement	443,295	162,364		
Interest Expense	462,577	550,307	(87,730)	-16%
TFCA/MSIF, CMP, & Other programs:				
TFCA / MSIF & other program distribution	36,335,378	38,262,656	(1,927,278)	-5%
Carl Moyer Program	23,147,227	16,108,629	7,038,598	44%
Total Expenses	**172,329,813**	**156,077,111**	**16,252,702**	**10%**
Change in Net Position	**16,607,399**	**19,083,216**	**(2,475,817)**	**-13%**
Net Position-beginning of year	**191,369,654**	**172,286,438**	**19,083,216**	**11%**
Net Position-ending of year	**$ 207,977,053**	**$ 191,369,654**	**$ 16,607,399**	**9%**

C. Government-Wide Financial Analysis, Continued

Governmental Activities

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

The Statement of Activities presents information showing how the District's net position changed during the fiscal year 2019-2020. All changes in net position are reported as soon as the underlying event occurs regardless of the timing of the cash flows.

Governmental functions of the District are predominately supported by fees, property taxes, subvention, grants, and penalties and settlements. The penalties and settlements are one-time revenues which are over and above the regular revenues directly related to the programs. The primary governmental activities of the District are: to advance clean air technology, ensure compliance with clean air rules, develop programs to achieve clean air, develop rules to achieve clean air, monitor air quality, permit review and Special Revenue Fund activities.

At June 30, 2020, the District's governmental activities reported ending net position of $207,977,053, an increase of $16,607,399 in comparison to the prior year. The primary reason is due to increased activities in the following programs: California Goods Movement, Carl Moyer Program, Community Air Protection Implementation Grant (AB617) and Clean Cars for All.

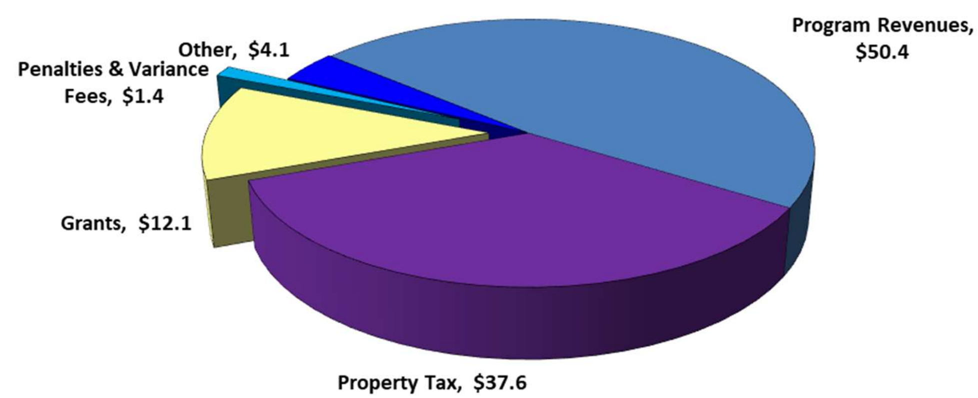
- Overall governmental revenues are $188,937,212; an increase of $13,776,885 from the prior year. Of the $13.8 million increase, approximately $24 million relates to grant activities for the following programs: California Goods Movement locomotive program, Carl Moyer's AB134 Community Incentive programs, AB617 Implementation program, Clean Cars for All program, Goodwill Program and County apportionment from higher assessed valuations in the Bay Area. The increase is offset by $10.2 million reductions in TFCA/MSIF programs and permitting fees related to a change in the anniversary date of some fee payers from prior year.

- Overall governmental expenditures are $172,329,813; an increase of $16,252,702 over the prior year. Of this $16.3 million increase, $7.0 million relates to increase in grant activities in Carl Moyer AB134 Community Incentive, Goodwill Industries Electric Delivery Vehicle Project and Goods Movement programs. The remaining increase of $9.3 million in the General Government Program primary due to payment associated with the Bay Area Headquarters Authority funding agreement for shared cost towards the construction of the first-floor office space at 375 Beale Street and continued implementation of the AB 617 program.

D. General Fund Financial Analysis

Figure 1 below provides a pie chart of the District's General Fund revenues (net of other financing sources) for fiscal year 2019-2020. The General Fund recognized total revenue of $105,605,824 in fiscal year 2019-20, an increase of $1.8 million over fiscal year 2018-19. This increase is mainly comprised of increased revenues in property tax due to increased economic activities, and increased funding from State for AB617 grant program. This increase is offset by reduction permit fees due to change in anniversary date for certain fee payers. Program Revenues includes: Permit, AB2588, Title V, and Asbestos fees. Program revenues are the largest General Fund revenue source in fiscal 2019-20 ($50.4 million), followed by Property Tax ($37.6 million), Grants ($12.1 million), Other revenues ($4.1 million), and Penalties ($1.4 million).

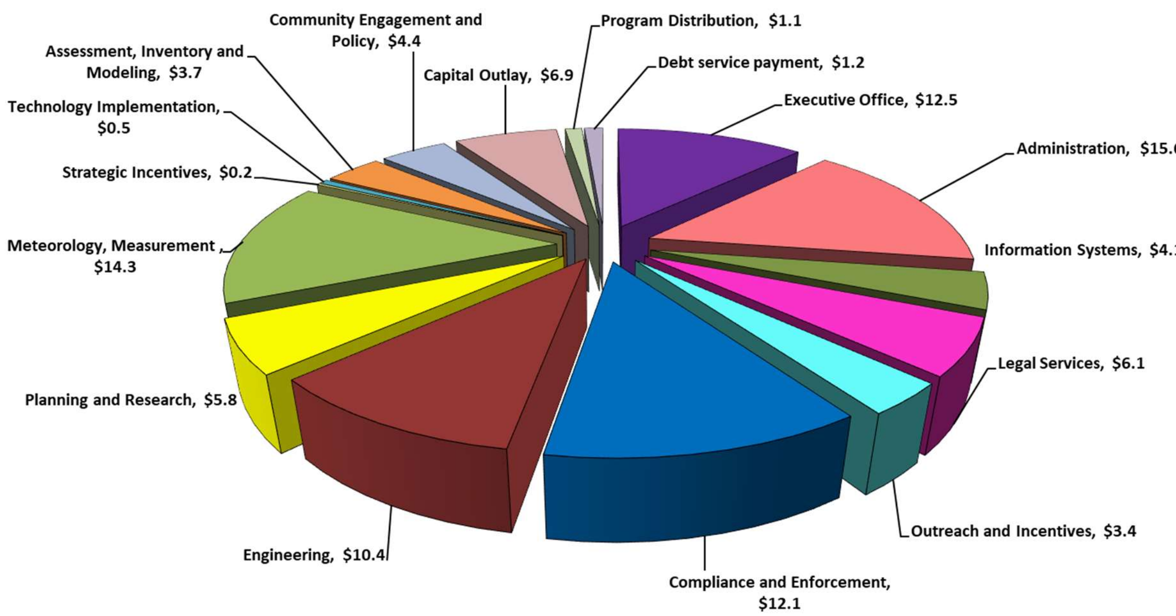
Figure 1. Fiscal Year 2019-2020
General Fund Revenues (Figures in Millions)



D. General Fund Financial Analysis, Continued

Figure 2 below provides a graph of General Fund operating expenditures (net of other financing uses) for fiscal year 2019-20. General Fund operating expenditures totaled $102,217,558 which is a decrease of $753,308 over fiscal year 2018-19. This decrease is a mainly related to the purchased office space at 375 Beale Street and a new facility in Richmond in prior year, offset by increased personnel & benefit cost associated with increase in staffing levels and increased professional services across various programs of District and AB617 implementation. General Fund expenditures represent the District's general government operating costs categorized into the following operating divisions: Compliance and Enforcement ($12.1 million), Engineering ($10.4 million), Administration ($15.6 million), Information Systems ($4.1 million), Meteorology, Measurements and Rules ($14.3 million), Executive Office ($12.5 million), Planning & Research ($5.8 million), Outreach & Incentives ($3.4 million), Strategic Incentives ($0.2 million), Assessment, Inventory and Modeling ($3.7 million, Community Engagement and Policy ($4.4 million), Technology Implementation ($0.5 million) and Legal Services ($6.1 million). Capital Outlay ($6.9 million), Debt Service Payments ($1.2 million) and Program Distribution ($1.1 million) are not operating divisions, but rather categories capturing expenditures related to capital assets, COPs financing and special projects, respectively. General Fund operating revenues exceeded operating expenditures by $3.4 million in fiscal year 2019-20.

Figure 2. Fiscal Year 2019-2020
General Fund Expenditures (Figures in Millions)



The General Fund is the operating fund of the District and at the end of the fiscal year, the total fund balance of the General Fund was $82.5 million. The assigned fund balance was $30.3 million, restricted $5.7 million, non-spendable $0.9 million, and the remaining $45.5 million is unassigned. The unassigned fund balance represents 45% of the total General Fund expenditures, while the total fund balance represents 81% of the total General Fund expenditures. The District has available funds for unanticipated emergencies.

D. General Fund Financial Analysis, Continued

The FY 2019-20 amended budget compared to the adopted budget reflect an increase in appropriations of $26.3 million. The changes to the budget were the result of Governing Board actions that allocated additional funding after the budget was adopted and approved appropriations related to multi-year projects and obligations that will carry over to the next fiscal year. The FY 2019-20 actual revenues were above the final budget by $6.1 million resulting from increased economic activities related to property tax receipts, asbestos fees and additional grant revenues.

E. Capital Assets

Capital assets include land, buildings, laboratory equipment, air monitoring stations, computers, office furniture and District fleet vehicles. As of June 30, 2020, the District's investment in capital assets was $75.5 million net of accumulated depreciation, an increase of $0.9 million or 1.2% from prior year. This increase is comprised of a combination of office improvements, enterprise application and equipment purchases.

F. Long-Term Liabilities

At the end of current fiscal year, the District had total long-term liabilities of $126.3 million. Of this amount, $101.8 million comprises of the District's Net Pension Liability and Net OPEB Liability, while $18.5 million pertains to the District's outstanding Certificate of Participation (COPs). Total Long-Term Liabilities decreased from the prior year by $7.7 million or 5.7%. This decrease is mainly related to changes in the Net Pension Liability and Net OPEB valuations.

G. Economic Factors and Next Year's Budget

The District receives approximately 36% of its General Fund revenue from property taxes levied in nine Bay Area counties and 44% from permit fees charged to local businesses. Consequently, District revenues are impacted by changes in the state and local economy. The District takes a fiscally conservative approach to its budget and it strives to balance its budget within available current revenues. To address the economic slowdown related to the COVID-19 pandemic, there were no increases to the Air District's Existing Fee Schedules, however, a new Community Health Impact Fee was added. There were no increases to Services and Supplies budgets, building improvements to the Richmond Office was postponed, and $5.2 million from reserved was used to balance the FYE 2021 budget. The District continues to focus on long term financial planning to ensure the vitality and effectiveness of its programs and recently prepared a Five-Year Financial Plan to project the District's financial health based on key economic assumptions.

H. Requests for Information

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

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Statement of Net Position
June 30, 2020

	Governmental Activities
Assets:	
Cash and cash equivalents	$ 82,063,330
Restricted cash and cash equivalents	287,821,848
Receivables	17,059,825
Due from other governments	3,834,300
Prepaids, deposits, and other assets	1,172,360
Capital assets:	
Non-depreciable	5,095,406
Depreciable	104,458,187
Less: accumulated depreciation	(38,010,676)
Total capital assets, net of depreciation	71,542,917
Total Assets	463,494,580
Deferred Outflows of Resources	22,867,292
Liabilities:	
Accounts payable	6,002,599
Accrued liabilities	2,165,662
Other liabilities	2,043,945
Unearned revenue	132,307,766
Long-term liabilities	
Portion due within one year:	
Compensated absences	5,270,000
Certificates of participation	400,000
Capital lease obligation	388,771
Portion due after one year:	
Compensated absences	337,675
Certificates of participation	18,100,000
Net pension liability	83,411,702
Net OPEB liability	18,368,384
Total Liabilities	268,796,504
Deferred Inflows of Resources	9,588,315
Net Position:	
Net investment in capital assets	52,654,146
Restricted for:	
Air quality grants and projects	162,620,260
Post-employment benefits	3,520,969
Debt service	1,546,732
Unrestricted	(12,365,054)
Total Net Position	$ 207,977,053

See accompanying notes to basic financial statements.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Statement of Activities
Year Ended June 30, 2020

Functions/programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Governmental activities:				
Primary government	$102,830,973	$53,483,347	$13,875,056	$ (35,472,570)
California Goods Movement Program	9,110,363	-	9,131,584	21,221
Vehicle settlement	443,295	2,238,938	-	1,795,643
Interest expense	462,577	-	-	(462,577)
TFCA / MSIF, CPM & other programs:				
TFCA / MSIF & other program distribution	36,335,378	-	46,998,497	10,663,119
Carl Moyer Program	23,147,227	-	23,890,911	743,684
Total Governmental Activities	$172,329,813	$55,722,285	$93,896,048	(22,711,480)
General revenues:				
County apportionment				37,558,118
Investment income not restricted for a specific program				1,383,522
Other				377,239
Total General Revenues				39,318,879
Change in Net Position				16,607,399
Net Position – Beginning of Year				191,369,654
Net Position – End of Year				$207,977,053

See accompanying notes to basic financial statements.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Balance Sheet

Governmental Funds

June 30, 2020

	General	Special Revenue	Total Governmental
Assets:			
Cash and cash equivalents	$ 82,063,330	$ -	$ 82,063,330
Restricted cash and cash equivalents	5,067,701	282,754,147	287,821,848
Receivables	9,270,980	7,788,845	17,059,825
Due from other governments	2,928,726	905,574	3,834,300
Due from other funds	6,503,849	-	6,503,849
Prepaids, deposits, and other assets	1,131,756	40,604	1,172,360
Total Assets	106,966,342	291,489,170	398,455,512
Liabilities and Fund Balances:			
Accounts payable	3,583,460	2,419,139	6,002,599
Accrued liabilities	2,165,662	-	2,165,662
Due to other funds	-	6,503,849	6,503,849
Other liabilities	2,043,945	-	2,043,945
Unearned revenue	11,711,972	120,595,794	132,307,766
Total Liabilities	19,505,039	129,518,782	149,023,821
Deferred Inflows of Resources:			
Unavailable revenue	4,934,548	-	4,934,548
Fund Balances:			
Nonspendable:			
Prepaid items	954,940	-	954,940
Restricted:			
Air quality grants and projects	649,872	161,970,388	162,620,260
Postemployment benefits	3,520,969	-	3,520,969
Debt service	1,546,732	-	1,546,732
Assigned:			
Pension and postemployment	3,000,000	-	3,000,000
Air quality grants and projects	22,489,782	-	22,489,782
Other assigned	4,834,914	-	4,834,914
Unassigned	45,529,546	-	45,529,546
Total Fund Balances	82,526,755	161,970,388	244,497,143
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 106,966,342	$ 291,489,170	$ 398,455,512

See accompanying notes to basic financial statements.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2020

Total Fund balances - Governmental Funds	$ 244,497,143
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is $109,591,167 and accumulated depreciation is $38,010,676 .	71,542,917
Receivables that will be collected in the following year and therefore are not available soon enough to pay for current period's expenditures and therefore are not reported in the governmental funds.	4,934,548
Long-term liabilities, including legal settlements, compensated absences, COPs liability, and capital lease obligation are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(24,496,446)
Proportionate share of net pension liability and related deferred inflow/outflow of resources are not reported in the governmental funds.	(69,608,015)
Net other post-employment benefits liability and related deferred inflow/outflow of resources are not reported in the governmental funds.	(18,893,094)
Total Net Position - Governmental Activities	$ 207,977,053

See accompanying notes to basic financial statements.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2020

	General	Special Revenue	Total Governmental
Revenues:			
TFCA / MSIF DMV fees	$ -	$ 34,752,161	$ 34,752,161
Permit fees	45,980,721	-	45,980,721
County apportionment	37,558,118	-	37,558,118
California Goods Movement	-	9,131,584	9,131,584
Carl Moyer Program	-	23,890,911	23,890,911
Federal grants	4,324,806	2,081,820	6,406,626
Penalties and variance fees	1,386,571	-	1,386,571
Asbestos fees	4,380,504	-	4,380,504
State subvention	1,743,099	-	1,743,099
State and other grants	7,807,151	10,164,516	17,971,667
Portable equipment registration program (PERP)	660,827	-	660,827
Vehicle settlement	-	2,238,938	2,238,938
Other revenues	377,239	-	377,239
Interest and investment gain (loss)	1,383,522	-	1,383,522
Special environmental projects	3,266	-	3,266
Total Revenues	105,605,824	82,259,930	187,865,754
Expenditures:			
General government:			
Program distribution	1,117,417	-	1,117,417
Executive office	12,498,813	-	12,498,813
Administration	15,578,042	-	15,578,042
Information systems	4,090,080	-	4,090,080
Legal services	6,106,835	-	6,106,835
Outreach and incentives	3,382,302	-	3,382,302
Compliance and enforcement	12,093,780	-	12,093,780
Engineering	10,373,006	-	10,373,006
Planning and research	5,803,846	-	5,803,846
Meteorology, measurement and rules	14,281,482	-	14,281,482
Strategic incentives division	183,027	-	183,027
Technology implementation	549,552	-	549,552
Assessment, Inventory and Modeling	3,662,261	-	3,662,261
Community Engagement and Policy	4,391,626	-	4,391,626
TFCA / MSIF & other programs:			
Program distribution	-	26,355,074	26,355,074
Commuter assistance	-	66,361	66,361
Intermittent control	-	1,764,853	1,764,853
TFCA administration	-	1,285,998	1,285,998
Vehicle buy-back	-	3,476,348	3,476,348
Mobile source incentive	-	179,005	179,005
Miscellaneous incentive program	-	190,356	190,356
Regional electric vehicle deployment	-	1,393,917	1,393,917
Enhanced mobile source inspection	-	17,810	17,810
Carl Moyer Program			
Project funding	-	21,619,168	21,619,168
Grant administration	-	1,528,059	1,528,059
California Goods Movement Program & other			
Project funding	-	9,067,682	9,067,682
Grant administration	-	42,681	42,681
Vehicle settlement			
Project funding		1,605,656	1,605,656
Grant administration	-	443,295	443,295
Debt Service:			-
Principal	778,445	-	778,445
Interest	462,577	-	462,577
Capital outlay	6,864,467	-	6,864,467
Total Expenditures	102,217,558	69,036,263	171,253,821
Excess of Revenues Over Expenditures	3,388,266	13,223,667	16,611,933
Other Financing Sources (Uses):			
Transfers in	1,665,844	-	1,665,844
Transfers out	-	(1,665,844)	(1,665,844)
Total Other Financing Sources (Uses)	1,665,844	(1,665,844)	-
Net Changes in Fund Balances	5,054,110	11,557,823	16,611,933
Fund Balances, July 1, 2019	77,472,645	150,412,565	227,885,210
Fund Balances, June 30, 2020	$ 82,526,755	$ 161,970,388	$ 244,497,143

See accompanying notes to basic financial statements.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
and Changes in Fund Balances to the Statement of Activities
Year Ended June 30, 2020

Net Changes in Fund Balances - Governmental Funds	$16,611,933
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	846,772
Repayment on debt principal are reported as expenditures in the governmental funds, but constitute reductions to liabilities in the statement of net position.	826,810
Legal settlements are recognized in the governmental funds when due and payable but is recognized in the government wide statements as soon as the underlying event has occurred.	3,750,000
In the statement of activities, compensated absences are measured by the amounts the employees earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	(527,172)
Because certain revenues will not be collected soon enough to be considered "available" revenues for this year.	1,071,458
Actuarial pension expense is recognized in the government wide statements and actual pension contributions are reclassified in the current year as deferred outflow of resources.	(6,326,573)
Actuarial OPEB revenue is recognized in the government wide statements and actual OPEB contributions are reclassified in the current year as deferred outflow of resources.	354,171
Changes in Net Position of Governmental Activities	$16,607,399

See accompanying notes to basic financial statements.

(1) Summary of Significant Accounting Policies

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

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

(a) Reporting Entity

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

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

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

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

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

(b) Government-wide and Fund Financial Statements

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

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

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

(c) Basis of Accounting

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

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

The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 (sixty) days after year end, with the exception of revenues related to CMAQ Spare the Air, which are included in revenue if received within seven months after year end.

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

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

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

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

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

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

(d) Fund Accounting

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

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

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

(e) Cash and Investments

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

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

(f) Receivables

During the course of normal operations, the District carries various receivable balances for taxes. interest, and permitting operations. The District considers receivables to be fully collectible; accordingly, no allowance for doubtful accounts has been provided. If amounts become uncollectible, they will be charged to operations when that determination is made.

(g) Short-term Interfund Receivables/Payables

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

(h) Capital Assets

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

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

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

Assets	Years
Buildings, grounds & improvements	15 - 20
Equipment	5 - 15

(i) Deferred Outflows / Deferred Inflows

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

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

(j) Compensated Absences

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

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

(k) Pensions

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

(l) Use of Management Estimates

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

(m) Net Position / Fund Balance

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

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

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

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

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

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

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

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

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

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

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

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

(2) Cash, Cash Equivalents, and Investments

Cash and Investments

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

Cash, cash equivalents, and investments as of June 30, 2020, are classified in the accompanying financial statements as follows:

Cash and cash equivalents	$	82,063,330
Restricted cash and cash equivalents		287,821,848
Total cash, cash equivalents and investments	$	369,885,178

Cash, cash equivalents and investments as of June 30, 2020 consist of the following:

Cash and investments in San Mateo Pooled Fund Investment Program	$	364,817,477
Cash, cash equivalents, and investments with fiscal agent		5,067,701
Total cash, cash equivalents and investments	$	369,885,178

Cash in County Treasury

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

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

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

Investments Authorized by the District's Investment Policy

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

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

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

Investments Authorized by Debt Agreements

The District's cash, cash equivalents. and investments with fiscal agent in the General Fund in the amount of $1,546,732represent funds which are restricted for specific purposes under terms of the debt agreement at June 30, 2020.

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

Derivative Investments

The District did not directly enter into any derivative investments, and the County Pool was not holding derivative investments at June 30, 2020.

Disclosures Related to Interest Rate Risk and Credit Risk

Generally, credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. State law and the District's investment policy limit the District's investments in banker's acceptances, commercial paper, negotiable certificates of deposit collateralized certificates of deposit, and repurchase agreements to the rating of A-l/P-1/F- l or better by two of the three nationally recognized rating services (Standard & Poor's, Moody's Investors Service, or Fitch Ratings). Corporate securities are required to have a rating of A or better at the time of purchase, and the amount invested in corporate securities in the A rating category shouldn't exceed 90% of permitted corporate allocation. . U.S. government securities are required to have a rating of AA, long-term, or A-1, short-term, or better by two of the three rating services. Asset-backed securities are required to have a rating of AAA or higher by two of the three rating services.

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

The District's cash, cash equivalents, and investments were categorized as follows at June 30, 2020:

	Ratings:			
	Moody's	**S&P**	**Maturities**	**Fair Value**
AIG Fixed Annuity	Not Rated	Not Rated	Current	$ 3,520,969
Dreyfus Treasury Securities	Aaa-mf	AAAm	Current	1,546,732
Investments in San Mateo Pooled Fund Investment Program	Aaa to P-1	AAA to A-1	1.71Years	364,817,477
Total cash, cash equivalents, and investments				$ 369,885,178

Restricted Cash, Cash Equivalents, and Investments

The District's restricted cash, cash equivalents, and investments are $287,821,848 at June 30, 2020.

Included in this restricted balance is $282,754,147 for air quality grants and projects, $1,546,732 for debt service, and $3,520,969 restricted for postemployment benefits.

Fair Value Measurement

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

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

(3) Receivable

At June 30, 2020, the District had the following accounts receivable:

General Fund:		
Permit and other fees	$ 7,068,130	
County apportionments	422,724	
Interest	313,111	
Other	1,467,015	
Total General Fund		$ 9,270,980
Special Revenue Fund		
TFCA DMV fees	$ 4,545,264	
MSIF DMV fees	2,150,935	
Interest	1,092,646	
Total Special Revenue Fund		$ 7,788,845
Total Receivables		$ 17,059,825

(4) Interfund Transactions

Current interfund balances (due to/from other funds) arise in the normal course of business and represent short-term borrowings occurring as a result of expenditures which are paid prior to the receipt of revenues. These balances are expected to be repaid shortly after the end of the fiscal year when revenues are received. At June 30, 2020, the General Fund was owed $6,503,849 by the Special Revenue Fund.

With Board approval, resources are transferred from one fund to another. The purpose of the majority of transfers is to move approved administrative revenue charged to restricted programs in the Special Revenue Fund to the General Fund. Interfund transfers for the year ended June 30, 2020 were as follows:

Fund Receiving Transfer	Fund Making Transfer	Amount Transferred
General Fund	Special Revenue Fund	$1,665,844

(5) Capital Assets

The District's capital assets were comprised of the following at June 30, 2020:

	Balance at 7/1/2019	Additions	Transfers	Balance at 6/30/2020
Nondepreciable Assets:				
Land	$ 3,974,267	$ -	$ -	$ 3,974,267
Construction in progress	3,224,515	1,121,139	(3,224,515)	1,121,139
Total nondepreciable assets	7,198,782	1,121,139	(3,224,515)	5,095,406
Depreciable assets:				
Building	36,950,205	-	-	36,950,205
Building & Grounds	4,665,579	1,804,943	-	6,470,522
Leasehold Improvements	2,908,329	-	-	2,908,329
Office Equipment	419,207	-	-	419,207
Computer & Network Equipment	10,602,697	77,506	-	10,680,203
Enterprise application	25,163,344	5,833,134	-	30,996,478
Motorized Equip (vehicle)	410,702	51,291	-	461,993
Lab & Monitoring Equipment	11,092,420	941,790	-	12,034,210
Communication Equipment	2,943,055	214,160	-	3,157,215
Furniture	158,950	7,445	-	166,395
General Equipment	213,430	-	-	213,430
Total depreciable assets	95,527,918	8,930,269	-	104,458,187
Building	3,538,028	1,847,510	-	5,385,538
Building & Grounds	351,190	262,995	-	614,185
Leasehold Improvements	2,742,168	10,114	-	2,752,282
Office Equipment	366,365	12,968	-	379,333
Computer & Network Equipment	7,468,830	1,091,811	-	8,560,641
Enterprise application	5,119,615	1,891,307	-	7,010,922
Motorized Equip (vehicle)	164,221	72,588	-	236,809
Lab & Monitoring Equipment	9,135,597	661,347	-	9,796,944
Communication Equipment	2,786,357	128,885	-	2,915,242
Furniture	151,202	596	-	151,798
General Equipment	206,982	-	-	206,982
Total accumulated depreciation	32,030,555	5,980,121	-	38,010,676
Total depreciable assets, net	63,497,363	2,950,148	-	66,447,511
Total capital assets, net	$ 70,696,145	$ 4,071,287	$ (3,224,515)	$ 71,542,917

Depreciation expense by function for capital assets for the year ended June 30, 2020, is as follows:

Primary Government:

Executive	$ 1,071,489
Administrative services	728,153
Legal services	167,777
Communications Office	62,900
TIO	28,208
Compliance & Enforcement	664,916
Engineering	533,868
AIM	183,417
Planning	214,001
CEP	167,215
Meteorology, Measurements & Rules	1,023,535
Information Systems	1,127,084
Strategic Incentives Division	7,558
Total depreciation expense	$ 5,980,121

(6) Unearned / Unavailable Revenue

The governmental fund financial statements report unavailable revenues as a deferred inflow of resources in connection with receivables for revenues that are not available when they are not collectible within the current period or soon enough thereafter to pay for liabilities of the current period. The District reports a liability for unearned revenue in connection with resources that have been received, but not yet earned. As of June 30, 2020, the various components of unavailable revenue and unearned revenue reported were as follows:

	Unearned Revenue	Unavailable Revenue	Total
General Fund:			
Permits and licenses	$ -	$ 4,934,548	$ 4,934,548
Community Air Protection Program	11,711,972	-	11,711,972
Total General Fund	11,711,972	4,934,548	16,646,520
Special Revenue Fund:			
GMB - Administration	1,363,311	-	1,363,311
GMB - On-Road Projects	15,345,245	-	15,345,245
Shore Power Projects	4,233,242	-	4,233,242
TRUs	50,746	-	50,746
Locomotive	7,430	-	7,430
Carl Moyer Program	82,000,827	-	82,000,827
Carl Moyer Program Administration	3,310,523	-	3,310,523
Low Carbon Project Funding	9,635,996	-	9,635,996
Low Carbon Program Administration	1,137,434	-	1,137,434
Vehicle Settlement	1,936,819	-	1,936,819
Special Projects	1,574,221	-	1,574,221
Total Special Revenue Fund	120,595,794	-	120,595,794
Total Unearned and Unavailable Revenue	$ 132,307,766	$ 4,934,548	$ 137,242,314

(7) Deferred Outflows and Inflows of Resources

District's deferred outflows and inflows of resources as of June 30, 2020 are comprised of the following:

	Deferred Outflows	Deferred Inflows
Changes of assumptions - Pension	$ 4,377,067	$ 1,046,100
Changes of assumptions - OPEB	2,360,309	—
Differences between expected and actual experience - Pension	3,304,178	895,476
Differences between expected and actual experience - OPEB	—	6,336,203
Net differences between projected and actual earnings on plan investments - Pension	—	1,310,536
Net differences between projected and actual earnings on plan investments - OPEB	49,715	—
Pension contributions subsequent to measurement date	9,374,554	—
OPEB contributions subsequent to measurement date	3,401,469	—
Total	$ 22,867,292	$ 9,588,315

(8) Long-Term Liabilities

(a) Certificate of Participation

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

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

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

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

Total payments of principal and interest are structured as follows:

Fiscal Year	Total Annual Payments	
2021	$	1,200,000
2022		1,200,000
2023		1,200,000
2024		1,200,000
2025		1,200,000
2026-2030		6,510,000
2031-2035		6,850,000
2036-2040		6,850,000
2041-2045		6,850,000
	$	33,060,000

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

(b) Capital Lease

Capital lease is related to hardware, software and services for IT infrastructure located at the new building at 375 Beale Street which includes but is not limited to servers, storage, Voice Over IP, computer networks, and security systems. The capital lease agreement had a total principal amount of $2,300,000 of which the District borrowed $2,275,000. The fair value of fixed assets purchased with the capital lease is $2,275,000. The capital lease expense during the year ended June 30, 2020 was $426,810.

(c) Summary of Long-Term Liabilities

A schedule of changes in general long-term debt for the year ended June 30, 2020, is shown below:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Due Within One Year
Governmental Activities					
Certificates of participation (COPs)	$ 18,900,000	$ -	$ (400,000)	$ 18,500,000	$ 400,000
Compensated absences	5,080,503	3,915,735	(3,388,563)	5,607,675	5,270,000
Capital lease	815,581	-	(426,810)	388,771	388,771
Total	$ 24,796,084	$3,915,735	$(4,215,373)	$ 24,496,446	$ 6,058,771

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

Future annual payments on COPs are as follows:

Year Ending June 30	Certificates of Participation	
	Principal	**Interest**
2021	$ 400,000	$ 246,050
2022	400,000	240,730
2023	500,000	235,410
2024	500,000	228,760
2025	500,000	222,110
2026-2030	2,800,000	1,006,810
2031-2035	3,500,000	803,320
2036-2040	4,100,000	551,950
2041-2045	4,800,000	262,010
2046	1,000,000	13,300
	$ 18,500,000	$ 3,810,450

COPs bears a variable interest rate structure with preset interest rate caps. The interest rate is based on an agreed upon spread of 120 basis point or 1.2% plus a commonly used interest rate index published by the Securities Industry and Financial Markets Association (SIFMA). The SIMFA index rate used to calculate the interest rate is determined by the Index Agent on (1) each Index Rate Determination Date determined by the Index Agent, plus (2) the applicable spread of .13%; the sum of which is subject to the preset interest rate cap as follows:

Preset Interest Rate Caps structure:

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

The District utilized the SIFMA rate as the end of the fiscal year ending June 30, 2020 to calculate the interest based on the predetermined principal payment schedule above.

(9) Operating Leases

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

Fiscal Year Ending		Amount
2021	$	1,428,659
2022		1,067,269
2023		868,497
2024		688,941
2025		380,075
2026-2030		998,243
2031-2035		762,564
2036-2040		832,588
	$	7,026,836

Air-monitoring station leases are renewable with minor escalations.

Rental expense for lease agreements above during the year ended June 30, 2020, was $1,814,831.

(10) County Apportionment Revenue

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

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

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

County apportionment revenue recognized as of June 30, 2020, is as follows:

County	Amount
Alameda	$ 6,733,882
Contra Costa	4,134,514
Marin	1,648,621
Napa	1,204,466
Santa Clara	5,793,645
San Francisco	5,177,940
San Mateo	10,311,534
Solano	894,376
Sonoma	1,659,140
Total county apportionment revenue	**$ 37,558,118**

(11) Pension Plan

Plan Description

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

Benefits Provided

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

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

The Plan's provisions and benefits in effect at June 30, 2020, are summarized as follows:

	Classic	**PEPRA**
Hiring date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age: minimum	50	52
Monthly benefit, as a % of eligible compensation	1.43% - 2.42%	1.00 % - 2.50%
Required employee contribution rates	7.00%	6.00%
Required employer contribution rates	23.073%	23.073%

Employees Covered

At June 30, 2020, the following employees were covered by the benefit terms for the Plan:

Inactive employees or beneficiaries currently receiving benefits	271
Inactive employees entitled to but not yet receiving benefits	95
Active employees	362
	728

Contributions

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

For the year ended June 30, 2020, the contributions to the Plan amounted to $9,374,554.

Net Pension Liability

The District's net pension liability for the Plan of $83,411,702 at June 30, 2020 is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2019, using an annual actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability of the Plan is shown below.

The total pension liability in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Actuarial cost method	Entry-Age Normal
Actuarial assumptions	
Discount rate	7.15%
Inflation	2.50%
Salary increases	Varies by entry age and service
Investment rate of return	7.15%
Mortality rate table [(1)]	Derived using CalPERS' membership data for all funds
Post retirement benefit increase	The lesser of contract COLA or 2.00% until purchasing power protection allowance floor on purchasing power applies, 2.50% thereafter

[(1)] The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

All other actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increases, mortality and retirement dates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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

Asset Class	Current Target Allocation	Real Return Years 1 - 10 [a]	Real Return Years 11+ [b]
Global equity	50.0%	4.80%	5.98%
Fixed income	28.0	1.00	2.62
Inflation assets	—	0.77	1.81
Private equity	8.0	6.30	7.23
Real assets	13.0	3.75	4.93
Liquidity	1.0	—	(0.92)
Total	100.00%		

[a] An expected inflation of 2.00% used for this period.

[b] An expected inflation of 2.92% used for this period.

Changes in the Net Pension Liability

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a-b)
Balance at June 30, 2019	$ 315,887,816	$ 239,215,593	$ 76,672,223
Changes recognized for the measurement period:			
Service cost	5,823,771	–	5,823,771
Interest on the total pension liability	22,580,042	–	22,580,042
Differences between expected and actual experience	4,336,733	–	4,336,733
Changes of assumptions	–	–	-
Plan to plan resource movement	–	–	-
Contributions from the employer	–	7,628,075	(7,628,075)
Contributions from employees	–	2,815,780	(2,815,780)
Net investment income	–	15,727,365	(15,727,365)
Benefit payments, including refunds of employee contributions	(14,663,313)	(14,663,313)	–
Other miscellaneous income (expense)	–	556	(556)
Administrative expense	–	(170,709)	170,709
Net changes	18,077,233	11,337,754	6,739,479
Balance at June 30, 2020	$ 333,965,049	$ 250,553,347	$ 83,411,702

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

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

	1.00% Decrease (6.15%)	Current Discount Rate (7.15%)	1.00% Increase (8.15%)
District's net pension liability	$ 124,702,274	$ 83,411,702	$ 48,873,652

Pension Plan Fiduciary Net Position

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

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

For the year ended June 30, 2020, the District recognized pension expense of $6,326,573 for the Plan. As of June 30, 2020, the District reported deferred outflows and deferred inflows of resources related to the Plan as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 4,377,067	$ 1,046,100
Differences between expected and actual experience	3,304,178	895,476
Net differences between projected and actual earnings on pension plan investments		1,310,536
District contributions subsequent to the measurement date	9,374,554	—
Total	$ 17,055,799	$ 3,252,112

The amounts above are net of outflows and inflows recognized in the 2019-20 measurement period expense.

The $9,374,554 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in future pension expense as follows:

Year ended June 30	Deferred Outflows (Inflows) of Resources
2021	$ 4,772,549
2022	(1,298,188)
2023	509,781
2024	444,991

Payable to the Pension Plan

The District's contribution for all members to the Plan for the fiscal year ended June 30, 2020 was in accordance with the required contribution rate calculated by the CalPERS actuary. Hence, no payable to the pension plan is recognized for the fiscal year ended June 30, 2020.

(12) Postemployment Benefits – Health and Welfare for Retirees

Plan Description

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

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

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

Additionally, the plan maintains a closed group of retirees receiving coverage through a separate life insurance policy with American International Group, Inc. (AIG). The District makes contributions to the AIG Retiree Life Reserve Fund on an annual basis as needed to ensure that Fund's balance is equal to the present value of expected claims for the retirees covered by the policy. The AIG Retiree Reserve Fund can only be applied towards the benefits provided under the program. As of June 30, 2020, the AIG Retiree Life Insurance Fund had a total asset balance of $520,883, making up 1.0% of the total Plan Fiduciary Net Position of $53,796,903. All activities of the AIG Retiree Life Reserve Fund are accounted for in the measurement of the District's net OPEB liability.

Employees Covered

As of June 30, 2019, actuarial valuation, the following current and former employees were covered by the benefit terms under the District's OPEB Plan:

Active employees	362
Inactive employees or beneficiaries currently receiving benefits	224
Inactive employees entitled to, but not yet receiving benefits	0
Total	586

Contributions

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

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

For fiscal year 2019-20, the District contributed a total of $3,401,469 to the plan that includes $559,032 identified as implicit contributions.

Net OPEB Liability

The District's net OPEB liability of $18,368,385 at June 30, 2020 is measured as the total OPEB liability, less the OPEB plan's fiduciary net position. The net OPEB liability is measured using an annual actuarial valuation as of June 30, 2019. The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	June 30, 2019
Measurement date	June 30, 2019
Actuarial cost method	Entry Age Normal Cost
Discount rate	6.50%
Inflation	2.50% per year
Salary increases	3.00% per year; since benefits do not depend on pay, this is used only to allocate the cost of benefits between service years and to develop the amortization payment portion of the actuarially determined contributions.
Investment rate of return	6.50%, net of plan investment and trust administrative expenses.
Mortality improvement	MacLeod Watts Scale 2018 applied generationally from 2015.
Healthcare trend rates	Medical plan premiums, claims costs by age, and Medicare Part B premiums are assumed to increase once each year. The increases over the prior year's levels are assumed to be effective as shown below:

2020 - Actual	2060-66 - 4.80%
2021 - 5.40%	2067 - 4.70%
2022 - 5.30%	2068 - 4.60%
2023-26 - 5.20%	2069 - 4.50%
2027-46 - 5.30%	2070-71 - 4.40%
2047 - 5.20%	2072 - 4.30%
2048-49 - 5.10%	2073-74 - 4.20%
2050-53 - 5.00%	2075 - 4.10%
2054-59 - 4.90%	2076 & later - 4.00%

The Public Employee's Medical and Hospital Care Act (PEMHCA) Minimum Employer Contribution is assumed to increase at 4.0% per year.

Note: Demographic actuarial assumptions used in this valuation are based on the 2017 experience study of the California Public Employees Retirement System (CalPERS) using data from 1997 to 2015, except for mortality improvement as noted above.

Changes of Assumptions

The following changes were recognized during the current measurement period:

- Trust rate of return and discount rate: Decreased from 6.80% to 6.50%, reflecting updated projections of the long term return on trust assets.
- Demographic assumptions: Assumed mortality, termination, and retirement rates were updated from those provided in the 2014 experience study report to those provided in the 2017 experience study report of CalPERS.
- Mortality improvement: Updated from MacLeod Watts Scale 2017 to MacLeod Watts Scale 2018, reflecting continued updates in available information about expected future mortality.
- General inflation rate: Decreased from 2.75% to 2.50%.
- Salary increase: Decreased from 3.25% to 3.0% per year.
- Medical trend: Updated to use the Getzen model.
- Trend on PEMHCA minimum employer contribution (MEC) Benefit: PEMHCA MEC is assumed to increase by 4% per year, rather than the 4.5% per year, following review of recent historical and future expected trends of the medical component of the CPI.
- Excise tax repeal: Exclusion of the excise tax for high cost retiree coverage due to its December 2019 repeal.

Discount Rate

The discount rate used to measure the total OPEB liability 6.50%. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

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

Asset Class	Target Allocation	1-10 Year Expected Real Rate of Return [1]	11-60 Year Expected Real Rate of Return [2]
Global equity	59.00%	4.80%	5.98%
Fixed income	25.00	1.10	2.62
Treasury inflation protected securities (TIPS)	5.00	0.25	1.46
Global real estate (REITs)	8.00	3.20	5.00
Commodities	3.00	1.50	2.87
Total	100.00%		

[1] Real rates of return come from a geometric representation of returns that assume a general inflation rate of 2.00%.

[2] Real rates of return come from a geometric representation of returns that assume a general inflation rate of 2.92%.

Changes in the OPEB Liability

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

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a-b)
Beginning Balance at June 30, 2019	$ 75,721,962	$ 47,004,063	$ 28,717,899
Changes recognized for the measurement period			
Service cost	1,801,428	-	1,801,428
Interest on the total OPEB liability	5,164,087	-	5,164,087
Differences between expected and actual experience	(7,536,242)	-	(7,536,242)
Change of assumptions	175,927	-	175,927
Benefit payments	(3,161,874)	(3,161,874)	-
Contributions - employer	-	7,161,874	(7,161,874)
Net investment income	-	2,802,806	(2,802,806)
Other expenses - administrative expense	-	(9,966)	9,966
Net changes	(3,556,674)	6,792,840	(10,349,514)
Balance at June 30, 2020	$ 72,165,288	$ 53,796,903	$ 18,368,385

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

The following table illustrates the impact of interest rate sensitivity on the Net OPEB Liability of the District if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate for fiscal year ended June 30, 2020:

	1.00% Decrease (5.50%)	Current Discount Rate (6.50%)	1.00% Increase (7.50%)
Net OPEB liability	$ 26,251,888	$ 18,368,385	$ 10,218,157

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

The following presents the net OPEB liability of the District if it were calculated using health care cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rate, for measurement period ended June 30, 2020:

	1.00% Decrease	Trend Rate (1)	1.00% Increase
Net OPEB liability	$ 12,498,876	$ 18,368,385	$ 22,490,440

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

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

For the fiscal year ended June 30, 2020, the District recognized OPEB expense of $354,171. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 2,360,309	$ —
Net difference between expected and actual earnings on OPEB plan investments	49,715	—
Difference between expected and actual experience	—	6,336,203
District contributions subsequent to the measurement date	3,401,469	—
Total	$ 5,811,493	$ 6,336,203

The $3,401,469 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction in net OPEB liability in the year ending June 30, 2021.

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

Year ended June 30	Deferred Outflows (Inflows) of Resources
2021	$ (596,245)
2022	(596,245)
2023	(438,997)
2024	(794,501)
Thereafter	(1,500,191)

(13) Risk Management

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

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

As of June 30, 2020, the District had no material claims outstanding for general liability or for workers' compensation cases.

(14) Commitments and Contingencies

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

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

REQUIRED SUPPLEMENTARY INFORMATION

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Required Supplementary Information
Schedule of Changes in the Net OPEB Liability and Related Ratios*
For the Year Ended June 30, 2020
(unaudited)

	2017-2018	2018-2019	2019-2020
Total OPEB Liability			
Service cost	$ 1,531,801	$ 1,581,585	$ 1,801,428
Interest on the total OPEB liability	4,722,673	4,980,026	5,164,087
Changes of assumptions	-	3,506,193	175,927
Differences between expected and actual experience	-	-	(7,536,242)
Benefit payments	(2,600,577)	(2,908,537)	(3,161,874)
Net change in total OPEB liability	3,653,897	7,159,267	(3,556,674)
Total OPEB liability – beginning	64,908,798	68,562,695	75,721,962
Total OPEB liability – ending (a)	$ 68,562,695	$ 75,721,962	$ 72,165,288
Plan fiduciary net position			
Contributions – employer	$ 6,600,577	$ 6,817,699	$ 7,161,874
Net investment income	3,304,360	3,139,604	2,802,806
Benefit payments	(2,600,577)	(2,908,537)	(3,161,874)
Administrative expense	(17,180)	(73,126)	(9,966)
Net change in plan fiduciary net position	7,287,180	6,975,640	6,792,840
Plan fiduciary net position – beginning	32,741,243	40,028,423	47,004,063
Plan fiduciary net position – ending (b)	40,028,423	47,004,063	53,796,903
Net OPEB liability – ending (a) - (b)	$ 28,534,272	$ 28,717,899	$ 18,368,385
Plan fiduciary net position as a percentage of the total OPEB liability	58.4%	62.1%	74.5%
Covered – employee payroll	$ 35,433,438	$ 37,405,253	$ 40,462,747
Net OPEB liability as percentage of covered – employee payroll	80.53%	76.78%	45.40%

* Fiscal year 2017-18 was the first year of implementation, therefore only three years are shown.

See accompanying independent auditor’s report.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Required Supplementary Information
Schedule of Contributions - OPEB*
For the Year Ended June 30, 2020
(unaudited)

	2017-2018	2018-2019	2019-2020
Actuarially determined contribution	$ 6,081,000	$ 5,655,362	$ 4,721,343
Contributions in relation to the actuarially determined contributions	6,817,699	7,161,874	3,401,469
Contribution deficiency (excess)	$ (736,699)	$ (1,506,512)	$ 1,319,874
Covered - employee payroll	$ 37,405,252	$ 40,734,161	$ 44,766,317
Contributions as a percentage of covered employee payroll	18.23%	17.58%	7.60%

Notes to Schedule:

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

	2017-2018	2018-2019	2019-2020
Valuation date	6/30/2015	7/1/2017	6/30/2019
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level percentage of pay	Level percentage of pay	Level percentage of pay
Amortization period	10 years	9 years	8 years
Asset valuation method	CERBT - 5-year smoothed market AIG Fund - contract value	Market value of assets	Market value of assets
Inflation	3.00%	2.75%	2.50%
Healthcare cost trend rates	Non-Med - 2015: Actual; 2016: Actual; 2017: 7.0%; 2018: 6.5%; 2019: 6.0%; 2020: 5.5%; 2021+: 5.0% Medicare - 2015: Actual; 2016: Actual; 2017: 7.2%; 2018: 6.7%; 2019: 6.1%; 2020: 5.6%; 2021+: 5.0%	Medical Premium Increase - Effective January 1: 2018: 8.00%, 2019: 7.50%, 2020: 7.00%, 2021: 6.50%, 2022: 6.00%, 2023: 5.50%, 2024: 5.00%, & later: 5.00% Dental and vision premiums are assumed to increase by 3% per year. The PEMHCA Minimum Employer Contribution is assumed to increase at 4.5% per year. Life insurance premiums are assumed to remain fixed at current levels in all future years.	Medical Premium Increase - Effective January 1: 2021: 5.40%, 2022: 5.30%, 2023-26: 5.20%, 2027-46: 5.30%, 2047: 5.20%, 2048-49: 5.10%, 2050-53: 5.00%, 2054-59: 4.90%, 2060-66: 4.80%, 2067: 4.70%, 2068: 4.60%, 2069: 4.50%, 2070-71: 4.40%, 2072: 4.30%, 2073-74: 4.20%, 2075: 4.10%, 2076 & later: 4.00% The PEMHCA Minimum Employer Contribution is assumed to increase at 4.0% per year. Life insurance premiums are assumed to remain fixed at current levels in all future years.
Salary increases	3.25%	3.25% per year; used to determine amortization payments if developed on a level percent of pay basis	3.00% per year; since benefits do not depend on pay, this is used only to allocate the cost of benefits between service years and to develop the amortization payment portion of the actuarially determined contributions
Investment rate of return	7.25%	7.25%	6.50%
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007	The probabilities of retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011	The probabilities of retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Fully generational with Scale MP-2014 modified to converge to ultimate improvement rates in 2022 for pre and post-retirement mortality	The representative mortality rates were those published by CalPERS in their 2014 study, adjusted to back out 20 years of Scale BB to central year 2008.	The representative mortality rates were those published by CalPERS in their 2017 study, adjusted to back out 15 years of Scale MP 2016 to central year 2015.

* Fiscal year 2017-18 was the first year of implementation, therefore only three years are shown.

See accompanying independent auditor’s report.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Required Supplementary Information

Schedule of Changes in the Net Pension Liability and Related Ratios *

California Public Employees' Retirement System (CalPERS) – Miscellaneous Plan

For the Year Ended June 30, 2020

(unaudited)

	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
Total Pension Liability						
Service Cost	$ 4,509,169	$ 4,405,494	$ 4,402,254	$ 5,251,175	$ 5,588,151	$ 5,823,771
Interest on total pension liability	18,144,590	19,019,896	19,929,495	20,568,801	21,332,712	22,580,042
Changes in assumptions	—	(4,479,434)	—	16,314,523	(1,997,101)	—
Differences between expected and actual experience	—	(1,508,680)	(584,236)	(2,082,303)	(643,002)	4,336,733
Benefit payments, including refunds of employee contributions	(9,459,410)	(10,371,769)	(11,526,958)	(12,131,353)	(13,197,195)	(14,663,313)
Net change in total pension liability	13,194,349	7,065,507	12,220,555	27,920,843	11,083,565	18,077,233
Total pension liability – beginning	244,402,997	257,597,346	264,662,853	276,883,408	304,804,251	315,887,816
Total pension liability – ending (a)	257,597,346	264,662,853	276,883,408	304,804,251	315,887,816	333,965,049
Plan fiduciary net position						
Contributions – employer	3,815,653	4,268,315	5,253,802	5,682,917	6,359,880	7,628,075
Contributions – employee	2,622,951	2,372,392	2,502,885	2,429,913	2,514,609	2,815,780
Net investment income	31,178,442	4,871,767	1,102,999	22,856,288	19,071,946	15,727,365
Plan to plan resource movement	—	—	—	—	(556)	—
Benefit payments, including refunds of employee contributions	(9,459,410)	(10,371,769)	(11,526,958)	(12,131,353)	(13,197,195)	(14,663,313)
Other miscellaneous income (expense) (1)	—	—	—	—	(667,255)	556
Administrative expense	—	(236,125)	(127,831)	(305,553)	(351,369)	(170,709)
Net change in plan fiduciary net position	28,157,636	904,580	(2,795,103)	18,532,212	13,730,060	11,337,754
Plan fiduciary net position – beginning	180,686,208	208,843,844	209,748,424	206,953,321	225,485,533	239,215,593
Plan fiduciary net position – ending (b)	208,843,844	209,748,424	206,953,321	225,485,533	239,215,593	250,553,347
Net pension liability – ending (a) - (b)	$ 48,753,502	$ 54,914,429	$ 69,930,087	$ 79,318,718	$ 76,672,223	$ 83,411,702
Plan fiduciary net position as a percentage of the total pension liability	81.07%	79.25%	74.74%	73.98%	75.73%	75.02%
Covered – employee payroll	$ 32,010,647	$ 33,133,499	$ 34,119,169	$ 35,433,438	$ 37,405,253	$ 40,734,161
Net pension liability as percentage of covered – employee payroll	152.30%	165.74%	204.96%	223.85%	204.98%	204.77%

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

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

Notes to Schedule:

Benefit Changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2017 and June 30, 2016 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

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

See accompanying independent auditor's report.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Required Supplementary Information
Schedule of Contributions - Pension *
California Public Employees' Retirement System (CalPERS) – Miscellaneous Plan
For the Year Ended June 30, 2020
(unaudited)

	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
Actuarially determined contribution	$ 4,268,315	$ 5,365,344	$ 5,685,584	$ 6,407,096	$ 7,675,962	$ 9,374,554
Contributions in relation to the actuarially determined contributions	(4,268,315)	(5,365,344)	(5,685,584)	(6,407,096)	(7,675,962)	(9,374,554)
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —	$ —
Covered – employee payroll	$ 33,133,499	$ 34,119,169	$ 35,433,438	$ 37,405,253	$ 40,734,161	$ 40,734,161
Contributions as a percentage of covered – employee payroll	12.88%	15.73%	16.05%	17.13%	18.84%	23.01%

Notes to Schedule:

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

Valuation date	6/30/2012	6/30/2013	6/30/2014	6/30/2015	6/30/2016	6/30/2017
Actuarial cost method	Entry age normal cost method	Entry age normal cost method	Entry age normal cost method	Entry age normal cost method	Entry age normal cost method	Entry age normal cost method
Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll	Level percent of payroll	Level percent of payroll	Level percent of payroll
Asset valuation method	Actuarial value of assets	Market value of assets	Market value of assets	Market value of assets	Market value of assets	Market value of assets
Inflation	2.75% compounded annually	2.75% compounded annually	2.75% compounded annually	2.75% compounded annually	2.75% compounded annually	2.625% compounded annually
Salary increases	Varies by entry age and service	Varies by entry age and service	Varies by entry age and service	Varies by entry age and service	Varies by entry age and service	Varies by entry age and service
Payroll Growth	3.00%	3.00%	3.00%	3.00%	3.00%	2.875%
Investment rate of return	7.50% net of pension plan investment and administrative expenses; includes inflation.	7.50% net of pension plan investment and administrative expenses; includes inflation.	7.50% net of pension plan investment and administrative expenses; includes inflation.	7.50% net of pension plan investment and administrative expenses; includes inflation.	7.375% net of pension plan investment and administrative expenses; includes inflation.	7.25% net of pension plan investment and administrative expenses.
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.	The probabilities of retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.	The probabilities of retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.	The probabilities of retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.	The probabilities of retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
	Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.	Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.	Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.	Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.	Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.	Post-retirement mortality rates above include 15 years of projected on-going mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries.

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

See accompanying independent auditor's report.

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
Year Ended June 30, 2020

	Budgeted Amounts		Actual	Final Budget
	Original	**Final**	**(Budgetary Basis)**	**Positive (Negative)**
Revenues:				
Permit fees	$ 39,143,795	$ 39,143,795	$ 39,288,862	$ 145,067
Title V permit fees	5,982,811	5,982,811	6,111,526	128,715
Asbestos fees	3,250,000	3,250,000	4,380,504	1,130,504
Penalties and variance fees	2,750,000	2,750,000	1,349,478	(1,400,522)
Hearing board fees	15,000	15,000	37,093	22,093
State subvention	1,734,600	1,734,600	1,743,099	8,499
AB 2588 income	65,000	65,000	580,333	515,333
Miscellaneous	100,000	100,000	377,239	277,239
Federal grant -EPA	1,701,565	1,701,565	2,289,072	587,507
Federal grant - DHS	1,349,776	1,349,776	1,209,057	(140,719)
CMAQ Spare The Air	1,000,000	1,000,000	826,677	(173,323)
Other grants	4,800,000	4,800,000	7,807,151	3,007,151
Portable equipment registration program (PERP)/Inspection Fees	450,000	450,000	660,827	210,827
Interest/Investment	979,660	979,660	1,383,522	403,862
County apportionment	36,186,420	36,186,420	37,558,118	1,371,698
Special environmental projects			3,266	3,266
Total revenues	99,508,627	99,508,627	105,605,824	6,097,197
Expenditures:				
Executive office	11,919,426	12,812,229	12,498,813	(313,416)
Administration	11,603,105	16,573,462	15,578,042	(995,420)
Information systems	5,938,608	5,918,633	4,090,080	(1,828,553)
Legal services	3,357,699	6,118,423	6,106,835	(11,588)
Communication & Outreach	3,845,187	4,568,212	3,382,302	(1,185,910)
Compliance and enforcement	15,662,228	15,707,525	12,093,780	(3,613,745)
Engineering	12,728,693	13,692,150	10,373,006	(3,319,144)
Planning and research	4,251,578	7,782,200	5,803,846	(1,978,354)
Assessment, Inventory and Modeling	4,244,310	4,928,851	3,662,261	(1,266,590)
Meteorology, Measurement and Rules	14,619,074	16,249,574	14,281,482	(1,968,092)
Strategic incentives division	571,975	596,975	183,027	(413,948)
Technology Implementation Office	812,066	4,149,160	549,552	(3,599,608)
Community Engagement and Policy	5,120,106	6,648,637	4,391,626	(2,257,011)
Program Distribution	838,391	1,117,417	1,117,417	-
1% Vacancy Savings	(2,297,214)	(2,297,214)	-	2,297,214
Total current expenditures	93,215,232	114,566,234	94,112,069	(20,454,165)
Capital outlay	9,004,737	13,971,067	6,864,467	(7,106,600)
Debt Service: Principal	778,445	778,445	778,445	-
Debt Service: Interest	462,577	462,577	462,577	-
Total expenditures	103,460,991	129,778,323	102,217,558	(27,560,765)
Excess of Revenues Over Expenditures	(3,952,364)	(30,269,696)	3,388,266	33,657,962
Other Financing Sources				
Transfers in	1,106,205	1,106,205	1,665,844	559,639
Total other financing sources	1,106,205	1,106,205	1,665,844	559,639
Net Change in Fund Balance	$ (2,846,159)	$ (29,163,491)	5,054,110	$ 34,217,601
Beginning Budgetary Fund Balance			77,472,645	
Ending Budgetary Fund Balance			$ 82,526,755	

BAY AREA AIR QUALITY MANAGEMENT DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Special Revenue Fund
Year Ended June 30, 2020

	Budgeted Amounts		Actual	Final Budget
	Original	**Final**	**(Budgetary Basis)**	**Positive (Negative)**
Revenues:				
TFCA/MSIF DMV fee	$ 35,488,059	$ 63,937,065	$ 23,194,338	$ (40,742,727)
Carl Moyer Program	48,536,139	54,841,070	23,890,911	(30,950,159)
Other grants/funding	17,094,764	22,879,102	10,164,516	(12,714,586)
Federal grants	-	-	2,081,820	2,081,820
California Goods Movement	197,631	9,267,521	9,131,584	(135,937)
Vehicle settlement	47,573,675	48,864,636	2,238,938	(46,625,698)
Total revenues	148,890,268	199,789,394	70,702,107	(129,087,287)
Expenditures:				
TFCA/MSIF & Other Programs				
Program distribution	38,818,916	64,499,841	26,355,074	(38,144,767)
Intermittent control	1,825,094	3,110,397	1,764,853	(1,345,544)
TFCA administration	1,547,269	1,824,439	1,285,998	(538,441)
Miscellaneous incentive program	154,260	241,729	190,356	(51,373)
Regional electric vehicle deployment	1,528,002	7,224,871	1,393,917	(5,830,954)
Enhanced mobile source inspection	36,271	36,271	17,810	(18,461)
Mobile source incentive	497,683	501,036	179,005	(322,031)
Vehicle buy-back	7,251,950	8,454,209	3,476,348	(4,977,861)
Commuter assistance	167,370	167,370	66,361	(101,009)
Carl Moyer Program				
Project funding	46,666,008	52,961,431	21,619,168	(31,342,263)
Grant administration	1,870,131	1,879,639	1,528,059	(351,580)
California Goods Movement Program				
Project funding	-	9,067,682	9,067,682	
Grant administration	245,266	247,470	42,681	(204,789)
Vehicle settlement				
Project funding	45,840,773	46,970,773	1,605,656	(45,365,117)
Grant administration	1,335,070	1,496,031	443,295	(1,052,736)
Total expenditures	147,784,063	198,683,189	69,036,263	(129,646,926)
Excess of Revenues Over Expenditures	1,106,205	1,106,205	1,665,844	559,639
Other Financing Uses				
Transfers out	(1,106,205)	(1,106,205)	(1,665,844)	$ (559,639)
Total other financing uses				
Net Change in Fund Balance	$ -	$ -	-	
Beginning Budgetary Fund Balance				
Ending Budgetary Fund Balance			$ -	

Budgetary Principles

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

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

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

a) The Board of Directors adopts an annual budget by resolution prior to July 1 of each fiscal year. The annual budget indicates appropriations by fund and by program. The Board of Directors may also adopt supplemental appropriations during the year. At the fund level, expenditures may not legally exceed appropriations. The Air Pollution Control Officer (APCO) is authorized to transfer budgeted amounts between divisions and programs within any fund.

b) Budgets are adopted on a basis that is consistent with Generally Accepted Accounting Principles (GAAP) with the exception of recognition of certain revenue, as discussed below. Annual appropriated budgets are adopted for the General and Special Revenue funds.

c) Supplementary budgetary revenue and expenditure appropriations were adopted by the Board of Directors during the fiscal year. These supplemental appropriations have been included in the Budgeted Amounts - Final column of the Budgetary Comparison Schedules.

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

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

	Special Revenue Fund
Revenues - Budgetary Basis	$ 70,702,107
Revenue recognition adjustments	11,557,823
Revenues - GAAP Basis	$ 82,259,930

SUPPLEMENTARY INFORMATION

BAY AREA AIR QUALITY MANAGEMENT DISTRICT
Transportation Fund for Clean Air (TFCA) Program,
Mobile Source Incentive Fund Program & Other Programs
Schedule of Expenditures
Year Ended June 30, 2020

Programs	Salaries and Benefits	Services and Supplies	Program Distribution	Total
Program distribution	$ -	$ -	$ 26,355,074	$ 26,355,074
Intermittent control	536,770	1,228,083	-	1,764,853
TFCA administration	1,196,204	89,794	-	1,285,998
Miscellaneous incentive program	146,869	43,494	-	190,363
Regional electric vehicles deployment	855,628	538,289	-	1,393,917
Enhanced mobile source inspection	6,894	10,916	-	17,810
Commuter assistance	66,361	-	-	66,361
Vehicle buy-back	7,427	3,468,921	-	3,476,348
Mobile source incentive	177,044	1,961	-	179,005
Total expenditures	$2,993,197	$ 5,381,458	$ 26,355,074	$ 34,729,729