

FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT  
MEMORANDUM  
06/04/2018

TO: FRAQMD BOARD OF DIRECTORS  
FROM: Christopher D. Brown, AICP, APCO  
SUBJECT: Approve the FY 2016/17 Independent Audit.

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RECOMMENDATION:

Receive and accept the auditor's independent report.

ALTERNATIVES:

Do not receive and accept the FY2016/17 Independent Audit

BACKGROUND:

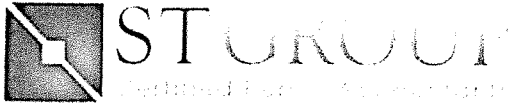
An independent audit was performed for fiscal year ending 2017 by ST Group. Mr. Andrew Topchiy has in the past conducted independent audits for Yuba County and as the District retains funding with the Yuba County Auditor; Mr. Topchiy is familiar with both District and County Funds.

DISCUSSION:

There was one Finding (Condition) the auditor did list in the previous audit and on Page 26 finding, #2016-1: Financial Statement Preparation, has been corrected.

The District is continuing to implement the new system with the assistance of Tenney and Associates, a Yuba City located CPA firm.

Mr. Topchiy will be present to report on the audit and take any questions from the Board of Directors.



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February 23, 2018

To the Board of Directors  
Feather River Air Quality Management District  
Yuba City, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Feather River Air Quality Management District, (the "District") for the year ended June 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 16, 2017. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2017. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the District's financial statements was :

Management's estimate of the Pension Plan liability and is based on actuarial assumptions  
We evaluated the key factors and assumptions used to develop Pension Plan liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the financial statements was:

The disclosure of Pension Plan liability in the notes to the financial statements

The financial statement disclosures are neutral, consistent, and clear.

##### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

##### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole. Summary of adjustment listed on page 3.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated February 23, 2018.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

We applied certain limited procedures to RSI (budgets and pension plan information), which are (is) required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on budgets and pension plan information which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

### Restriction on Use

This information is intended solely for the information and use of board of directors and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*ST Group P.C.*

Sacramento, California

February 23, 2018

Feather River Air Quality Management District

Summary of Adjusting Entries

06/30/17

| Pension AJE     | beg. Balance<br>6/30/2016 | DR                | CR                | end. Balance<br>6/30/2017 |
|-----------------|---------------------------|-------------------|-------------------|---------------------------|
| 175 Out flow    | \$ 167,691                | \$ 166,160        |                   | \$ 333,851                |
| 275 Pension Net | \$ 577,897                |                   | \$ 158,854        | \$ 736,751                |
| 280 Inflow      | \$ 57,055                 |                   | \$ 65,517         | \$ 122,572                |
| Pension Exp     |                           | \$ 58,211         |                   |                           |
|                 |                           | <u>\$ 224,371</u> | <u>\$ 224,371</u> |                           |

FEATHER RIVER  
AIR QUALITY MANAGEMENT DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2017

FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT

Table of Contents

FINANCIAL SECTION

Independent Auditor’s Report..... 1

Management’s Discussion and Analysis ..... 2

General Purpose Financial Statements

    Government-Wide Financial Statements:

        Statement of Net Position..... 5

        Statement of Activities ..... 6

    Fund Financial Statements:

        Balance Sheet..... 7

        Reconciliation of Government Funds Balance to the  
            Statement of Net Position ..... 8

        Statement of Revenues, Expenditures and Changes  
            in Fund Balance-Governmental Funds ..... 9

        Reconciliation of the Statement of Revenues, Expenditures and  
            Changes in Fund Balance of the Governmental Funds to the  
            Statement of Activities..... 10

        Notes to the Financial Statements ..... 11

REQUIRED SUPPLEMENTARY INFORMATION

    Schedule of Revenues, Expenditures and Changes in Fund Balances  
        General Fund – Budget and Actual ..... 22

    Schedule of the Plan’s Proportionate Share of the Net Pension Liability  
        and Related Ratios as of Measurement Date..... 23

    Schedule of Plan Contributions..... 23

    Notes to Required Supplementary Information ..... 24

Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on and Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards ..... 25

Summary schedule of prior year audit findings ..... 26



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Feather River Air Quality Management District  
Yuba City, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Feather River Air Quality Management District (the "District"), as of and for the year ended June 30, 2017, 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Feather River Air Quality Management District as of June 30, 2017, and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and Schedule of Proportionate Share of the Net Pension Liability and Contributions identified in the table of contents 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 Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 23, 2018, 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 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.

*ST Group P.C.*

Sacramento, California  
February 23, 2018



*Serving Sutter and Yuba Counties*

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Christopher D. Brown  
Air Pollution Control Officer

February 23, 2018

Citizens of Sutter and Yuba Counties and  
Members of the Board of Directors

This discussion and analysis of the Feather River Air Quality Management District (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with accompanying basic financial statements.

#### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources at the close fiscal year 2016-17 by \$3,834,628 (net position). For governmental activities, \$1,584,673 is unrestricted, \$1,970,989 is restricted and must only be used for specific purposes and \$278,966 is the net investment in capital assets.
- The District's total net position for the primary government increased by \$507,789 over the prior year. Of this amount, net investment in capital assets, increased \$8,827(net) and represents the District's continued investment in capital projects. The District's total long-term liabilities increased by \$149,476 primarily as a result of an increase in the District's net pension liability.
- As of June 30, 2017, the District's governmental funds reported combined fund balances of \$4,125,900, an increase of \$603,568 in comparison with the prior year. Amounts available for spending include restricted, committed, assigned and unassigned fund balances and total of \$4,125,900 of ending fund balance. Of this amount, \$1,970,989 restricted by law or externally imposed requirements, \$38,327 is committed for specific purposes and \$439,959 is assigned for specific purposes based on the intent of the Board of Supervisors.
- At the end of the fiscal year, unassigned fund balance for the General Fund, the District's largest fund, was \$1,676,625 or 78% of total General Fund balance.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three sections: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. These sections are described as follows:

##### Government-wide Financial Statements

The *government-wide financial statements* are comprised of the *Statement of Net Position* and the *Statement of Activities* which provide broad financial information and present a longer-term view of District's finances. These statements are reported using the accrual basis of accounting which is similar to the accounting used by most private sector companies.

The *Statement of Net Position* presents information on all of District's assets and deferred outflows, and liabilities and deferred inflows, with the difference between them reported as net position. The *Statement of Activities* presents the most recent fiscal year changes in District's net position. Revenues and expenses are recognized as soon as the underlying event occurs, regardless of the timing of related cash flows. These two statements report District's net position and changes in them. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial health of District is improving or deteriorating.

##### Governmental Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. The governmental fund financial statements are comprised of the *Balance Sheet* and the *Statement of Revenues, Expenditures, and Changes in Fund Balance*, which focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. These statements present a detailed short-term view of District's operations and services. The modified accrual basis of accounting is used to measure cash and all other financial assets that can readily be converted into cash. It helps determine the availability of financial resources that can be spent in the near future to finance District's programs.

District adopts annual appropriated budgets for its general fund 725 and 728 fund. Budgetary comparison statements have been provided to demonstrate compliance with the budget.



**FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017**

**Notes to the Financial Statements**

Financial statement notes are an important part of the basic financial statements and provide additional information that is essential to a 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 11-21 of this report. In addition to the Basic Financial Statements and accompanying notes, this report also presents certain Required Supplementary Information such as Pension information and Budgets.

**Other Information**

In addition to the basic financial statements and accompanying notes, the District also presents certain required supplementary information concerning the District's final budget to actual comparison. Required supplementary information can be found starting on page 22. Furthermore, the District presents schedule related to pension plan disclosures on page 23 as other supplementary information.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS ANALYSIS**

**Statements of Net Position**

As noted earlier, net position may serve over time as a useful indicator of the government's financial position. In the District's case, assets exceeded liabilities by \$3,834,628 at the close of fiscal year 2016-17. The schedule below presents a condensed Statement of Net Position as of June 30, 2017.

|   | <b>Governmental<br/>Activities</b> |
|---|------------------------------------|
| Current and Other Assets                    | \$ 4,129,350                       |
| Capital Assets                              | 640,291                            |
| <b>Total Assets</b>                         | <b>4,769,641</b>                   |
| Related to Pensions                         | 333,851                            |
| <b>Total Deferred Outflows of Resources</b> | <b>333,851</b>                     |
| Current Liabilities                         | 68,941                             |
| Non-Current Liabilities                     | 1,077,351                          |
| <b>Total Liabilities</b>                    | <b>1,146,292</b>                   |
| Related to Pensions                         | 122,572                            |
| <b>Total Deferred Outflows of Resources</b> | <b>122,572</b>                     |
| Invested in Capital Assets, net             | 278,966                            |
| Restricted                                  | 1,970,989                          |
| Unrestricted                                | 1,584,673                          |
| <b>Total net position</b>                   | <b>\$ 3,834,628</b>                |

The largest portion of the District's net position is invested in cash and cash equivalents. The fixed assets (net of debt), represent 7.27% of District's net position. At the end of the fiscal year, the District is able to report a positive balance of net position. Governmental net position increased by \$507,789 dollars.

As of June 30, 2017 the District's net investment in capital assets for its governmental activities was \$278,966 (net of accumulated depreciation). This investment in capital assets includes land, building, office equipment and vehicles. The total net investment in capital assets for the current fiscal year was \$8,827. Additional information on capital assets can be found in the Notes to the Financial Statements on page 15.

Long-term Debt. At the end of fiscal year 2016-17, the District had outstanding obligation secured by the District's office building. Total debt outstanding as of June 30, 2017 was \$361,325. Additional information on the District's long-term debt can be found in the Notes to the Financial Statements on page 16.

**FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017**

**Statements of Activities**

The following schedule shows revenues by major source, expenses by function and Changes in Net Position for the fiscal years ended June 30, 2017.

Statement of Activities  
For the Year Ended June 30, 2017

|  |    | <u>Governmental<br/>Activities</u> |
|--|----|------------------------------------|
| <b><u>REVENUES</u></b>                         |    |                                    |
| Operating grants and contributions             | \$ | 2,288,551                          |
| Permits  |    | 809,171                            |
| Penalties                                      |    | 51,226                             |
| Use of money and property                      |    | 33,072                             |
| Other revenues                                 |    | <u>25,107</u>                      |
| <b>Total Revenues</b>                          |    | <u><u>3,207,127</u></u>            |
| <br><b><u>EXPENDITURES</u></b>                 |    |                                    |
| Public protection                              |    | <u>2,699,338</u>                   |
| <b>Total Expenses</b>                          |    | <u><u>2,699,338</u></u>            |
| <br><b>Increase (decrease) in net position</b> |    | <br>507,789                        |
| <br>Net position, beginning balance            |    | <br><u>3,326,839</u>               |
| <br>Net position, ending balance               |    | <br><u><u>\$ 3,834,628</u></u>     |

**FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS**

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

**Governmental funds.** Governmental activities are generally accounted for under the General Fund and Special Revenue fund. Governmental funds provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financial requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use. They represent the portion of the fund balance which has not yet been limited to use for a particular purpose by either an external party, the District itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the District.

As of June 30, 2017 the District's governmental funds reported a combined ending fund balance of \$4,125,900 compared to \$3,522,332 balance of the previous year.

The General Fund is the chief operating fund of the District. As of June 30, 2017, the General Fund's unreserved undesignated fund has a surplus balance of \$1,676,625 compared to \$1,230,468 balance of the previous year.

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the District's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Feather River Air Quality Management District,  
541 Washington Ave,  
Yuba City, CA 95591

**FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2017**

| <b>ASSETS</b>                                  | <b>Governmental<br/>Activities</b> |
|--|------------------------------------|
| Cash and cash equivalents                      | \$ 4,117,307                       |
| Accounts receivable                            | 3,450                              |
| Interest receivable                            | 8,593                              |
| <b>Total current assets</b>                    | <u>4,129,350</u>                   |
| Fixed Assets                                   | 640,291                            |
| <b>Total noncurrent assets</b>                 | <u>640,291</u>                     |
| <b>TOTAL ASSETS</b>                            | <u>4,769,641</u>                   |
| <b>DEFERRED OUTFLOW OF RESOURCES</b>           |                                    |
| Related to Pensions                            | <u>333,851</u>                     |
| <b>LIABILITIES</b>                             |                                    |
| Accounts payable                               | 7,419                              |
| Compensated absences payable                   | 40,797                             |
| Current portion of long-term liabilities       | 20,725                             |
| <b>Total current liabilities</b>               | <u>68,941</u>                      |
| Noncurrent portion of long-term liabilities    | 340,600                            |
| Pension liability, net                         | 736,751                            |
| <b>Total noncurrent liabilities</b>            | <u>1,077,351</u>                   |
| <b>TOTAL LIABILITIES</b>                       | <u>1,146,292</u>                   |
| <b>DEFERRED INFLOW OF RESOURCES</b>            |                                    |
| Related to Pensions                            | <u>122,572</u>                     |
| <b>NET POSITION</b>                            |                                    |
| Net investment in general fixed assets         | 278,966                            |
| Restricted for air quality grants and projects | 1,970,989                          |
| Unrestricted net position                      | 1,584,673                          |
| <b>TOTAL NET POSITION</b>                      | <u><u>\$ 3,834,628</u></u>         |

**FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017**

| <u>Function</u>             | <u>Expenses</u>     | <u>Charges for<br/>Services</u> | <u>Operating<br/>Grants and<br/>Contributions</u> | <u>Net<br/>(Expenses)/Revenue<br/>and Changes in Net<br/>Net Position</u> |
|-----------------------------|---------------------|---------------------------------|---|---|
| Public Protection           | \$ 2,699,338        | 860,397                         | 2,288,551   | 449,610   |
| Total Government Activities | <u>\$ 2,699,338</u> | <u>860,397</u>                  | <u>2,288,551</u>                                  | <u>449,610</u>  |

General Revenue:

|                                 |                     |
|---------------------------------|---------------------|
| Use of the money                | 33,072              |
| Other revenue                   | <u>25,107</u>       |
| Change in net position          | <u>507,789</u>      |
| Net position, beginning balance | <u>3,326,839</u>    |
| Net position, ending balance    | <u>\$ 3,834,628</u> |

**FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2017**

|  | <u>General<br/>Fund</u> | <u>Special<br/>Revenue Fund</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|-------------------------|---------------------------------|---|
| <b><u>ASSETS</u></b>                       |                         |                                 |   |
| Bank deposit                               | \$ 436                  | \$ 0                            | \$ 436                                  |
| Cash with fiscal agent (725)               | 2,140,327               | 0                               | 2,140,327                               |
| Cash with fiscal agent (728)               | 0                       | 1,976,544                       | 1,976,544                               |
| <b>Total cash and cash equivalents</b>     | <b>2,140,763</b>        | <b>1,976,544</b>                | <b>4,117,307</b>                        |
| Interest receivable                        | 6,322                   | 2,271                           | 8,593                                   |
| <b>Total current assets</b>                | <b>2,147,085</b>        | <b>1,978,815</b>                | <b>4,125,900</b>                        |
| <b>Total assets</b>                        | <b>2,147,085</b>        | <b>1,978,815</b>                | <b>4,125,900</b>                        |
| <b><u>LIABILITIES</u></b>                  |                         |                                 |   |
| Accounts payable                           | 0                       | 0                               | 0                                       |
| Other liabilities                          | 0                       | 0                               | 0                                       |
| <b>Total current liabilities</b>           | <b>0</b>                | <b>0</b>                        | <b>0</b>                                |
| <b>Total liabilities</b>                   | <b>0</b>                | <b>0</b>                        | <b>0</b>                                |
| <b><u>FUND BALANCE</u></b>                 |                         |                                 |   |
| Restricted fund balance                    | 250,000                 | 1,720,989                       | 1,970,989                               |
| Committed fund balance                     | 38,327                  | 0                               | 38,327                                  |
| Unassigned fund balance                    | 1,676,625               | 0                               | 1,676,625                               |
| Assigned fund balance                      | 182,133                 | 257,826                         | 439,959                                 |
| <b>Total fund balances</b>                 | <b>2,147,085</b>        | <b>1,978,815</b>                | <b>4,125,900</b>                        |
| <b>Total liabilities and fund balances</b> | <b>\$ 2,147,085</b>     | <b>\$ 1,978,815</b>             | <b>\$ 4,125,900</b>                     |

**FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
JUNE 30, 2017**

Amounts reported for governmental activities in the Statement of Net Position are different from those reported in the Governmental Funds because of the following:

|   |                     |
|---|---------------------|
| Total fund balance, governmental fund   | \$ 4,125,900        |
|   |                     |
| Capital assets used in governmental activities are not financial resources and, therefore are not reported in the governmental funds. The historical cost of the capital assets is \$840,550 and accumulated depreciation is \$200,259.....   | 640,291             |
|   |                     |
| Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported. |                     |
| Deferred outflows of resources relating to pensions.....  | 333,851             |
| Deferred inflows of resources relating to pensions.....   | (122,572)           |
|   |                     |
| Certain receivables are not available to pay current period expenditures and therefore are unavailable in the governmental funds.....   | 3,450               |
|   |                     |
| Certain current liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as funds liabilities   |                     |
| Accounts payable.....   | (7,419)             |
| Compensated absences.....   | (40,797)            |
| Current portion of long-term debt.....  | (20,725)            |
|   |                     |
| In governmental funds, only certain liabilities are reported. In the statement of net position, all liabilities including long-term liabilities, are reported.  |                     |
| Net pension liability.....  | (736,751)           |
| Long term obligations.....  | (340,600)           |
|   |                     |
| Total net position, governmental activities   | <u>\$ 3,834,628</u> |

**FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017**

|   | <u>Major Funds</u>                |                                   | <u>Total<br/>Governmental</u>     |
|---|-----------------------------------|-----------------------------------|-----------------------------------|
|   | <u>General<br/>Fund</u>           | <u>Special<br/>Revenue Fund</u>   |                                   |
| <b>REVENUES</b>                                     |                                   |                                   |                                   |
| <b>Licenses/permits and intergovernmental:</b>      |                                   |                                   |                                   |
| Annual permits                                      | \$ 371,511                        | \$ 0                              | \$ 371,511                        |
| New applications                                    | 147,139                           | 0                                 | 147,139                           |
| Agricultural burn permits                           | 76,952                            | 0                                 | 76,952                            |
| Fees and penalties                                  | 51,226                            | 0                                 | 51,226                            |
| Miscellaneous                                       | 214,337                           | 0                                 | 214,337                           |
| Motor vehicle in lieu of fees                       | 569,319                           | 0                                 | 569,319                           |
| Carl Moyer/AB923 revenue (728)                      | 0                                 | 1,623,547                         | 1,623,547                         |
| Subvention  | 95,685                            | 0                                 | 95,685                            |
| <b>Use of money: interest earned</b>                | <b>21,524</b>                     | <b>11,548</b>                     | <b>33,072</b>                     |
| <b>Miscellaneous: Indirect</b>                      | <b>25,107</b>                     | <b>0</b>                          | <b>25,107</b>                     |
|   | <u>0</u>                          | <u>0</u>                          | <u>0</u>                          |
| <b>Total Revenues</b>                               | <u><b>1,572,800</b></u>           | <u><b>1,635,095</b></u>           | <u><b>3,207,895</b></u>           |
| <b>EXPENDITURES</b>                                 |                                   |                                   |                                   |
| Salaries and benefits                               | 988,248                           | 0                                 | 988,248                           |
| Services and supplies:                              |                                   |                                   |                                   |
| Insurance   | 14,001                            | 0                                 | 14,001                            |
| Office expense                                      | 8,417                             | 0                                 | 8,417                             |
| Professional services                               | 107,557                           | 0                                 | 107,557                           |
| Publications  | 3,248                             | 0                                 | 3,248                             |
| Rents   | 2,174                             | 0                                 | 2,174                             |
| Communication                                       | 8,069                             | 0                                 | 8,069                             |
| Dues and subscriptions                              | 2,220                             | 0                                 | 2,220                             |
| Maintenance and repairs                             | 12,959                            | 0                                 | 12,959                            |
| Travel  | 7,719                             | 0                                 | 7,719                             |
| Utilities   | 8,802                             | 0                                 | 8,802                             |
| Miscellaneous                                       | 166                               | 0                                 | 166                               |
| Program activities                                  | 174,514                           | 0                                 | 174,514                           |
| Interest expense                                    | 18,102                            | 0                                 | 18,102                            |
| Debt service  | 19,786                            | 0                                 | 19,786                            |
| Capital outlay                                      | 10,036                            | 0                                 | 10,036                            |
| <b>Special revenue fund activities:</b>             |                                   |                                   |                                   |
| Carl Moyer program activities                       | 0                                 | 804,000                           | 804,000                           |
| AB923 program activities                            | 0                                 | 414,309                           | 414,309                           |
|   | <u>0</u>                          | <u>0</u>                          | <u>0</u>                          |
| <b>Total Expenditures</b>                           | <u><b>1,386,018</b></u>           | <u><b>1,218,309</b></u>           | <u><b>2,604,327</b></u>           |
|   | <u>0</u>                          | <u>0</u>                          | <u>0</u>                          |
| <b>Excess of Revenues over (under) Expenditures</b> | <u><b>186,782</b></u>             | <u><b>416,786</b></u>             | <u><b>603,568</b></u>             |
| <b>OTHER FINANCING SOURCES (USES)</b>               |                                   |                                   |                                   |
| Fund Transfers                                      | 0                                 | 0                                 | 0                                 |
| <b>Total Other Financing Sources (uses)</b>         | <u>0</u>                          | <u>0</u>                          | <u>0</u>                          |
| <b>Net Change in Fund Balances</b>                  | <b>186,782</b>                    | <b>416,786</b>                    | <b>603,568</b>                    |
| <b>Fund Balances, July 1, 2016</b>                  | <u><b>1,960,303</b></u>           | <u><b>1,562,029</b></u>           | <u><b>3,522,332</b></u>           |
| <b>Fund Balances, June 30, 2017</b>                 | <u><u><b>\$ 2,147,085</b></u></u> | <u><u><b>\$ 1,978,815</b></u></u> | <u><u><b>\$ 4,125,900</b></u></u> |

**FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017**

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

|  |    |          |
|--|----|----------|
| Net change in Fund Balance Governmental Fund   | \$ | 603,568  |
| <p>Governmental Fund report capital outlays as expenditures. However in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.</p>  |    |          |
| Cost of assets capitalized.....  |    | 10,036   |
| Capital assets disposition (net).....  |    | (1,209)  |
| Depreciation expense .....   |    | (54,939) |
| <p>Pensions: In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual basis pension costs and actual employer contributions was.....</p> |    |          |
|  |    | (58,211) |
| <p>Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities and has no effect on net position.....</p>  |    |          |
|  |    | 19,786   |
| <p>The amounts below included in the Statement of Activities don't provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):</p>   |    |          |
| Accounts receivables.....  |    | (768)    |
| Accounts payable.....  |    | (7,077)  |
| Compensated absences.....  |    | (3,397)  |
|  |    | (11,242) |
| Change in net position of governmental activities  | \$ | 507,789  |



**FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Feather River Air Quality Management District, the "District", was formed on April 8, 1991 pursuant to the California Health and Safety Code. The District provides for uniformity in addressing air pollution control needs, strategies, and responsibilities in relation to the California Clean Air Act, in the Yuba and Sutter County areas.

The District's financial statements include the operations of all organizations for which the District's Governing Board exercises oversight responsibility. Oversight responsibility is demonstrated by financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

**B. Basis of Presentation**

The District accounts for its financial transactions in accordance with accounting principles generally accepted in United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants. The Government Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The GASB pronouncements are recognized as U.S. Generally Accepted Accounting Principles for state and local governments.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government. District has only governmental activities, which are supported primarily by grants, intergovernmental revenues, and charges for services.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared. Therefore, reconciliations, containing brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds, are included.

The government-wide statement of net position records all of the District's assets and liabilities including capital assets, long-term liabilities, deferred inflows and deferred outflows.

The government-wide statement of activities presents a comparison between total expenses and program revenues for each function or program of the District's governmental activities. Total expenses are those that are associated with or allocated to a service, program, or department and are therefore identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers all revenues to be available if they are collected within 30 days of the end of the current fiscal period. Charges for services, intergovernmental revenues and investment earnings associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Payable balances consist primarily of payables to vendors.

The accounts of The District are organized on the basis of funds. A fund is a separate accounting unit with a self-balancing set of accounts. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. The District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent. The District has two major funds for reporting purposes, called the general fund 725 and special revenue fund 728. The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required or designated by the Board of Directors to be accounted for in another fund. The special revenue fund are the project funds used to account for state grant(s) that are legally restricted to expenditures for specific purposes. Specifically Carl Moyer and AB923 program activities.

**FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**C. 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.

General Fixed 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.

The governmental fund statements utilize a fund balance presentation. Fund balances are categorized as 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.

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

If resources from more than one fund balance classification could be spent, the District will strive to spend resources from fund balance classification in the following order (first to last): restricted, committed, assigned, and unassigned as determined by the Board.

**D. Budgets and Budgetary Accounting**

As required by the laws of the State of California, The District prepares and legally adopts a final operating budget to be effective July 1 for the ensuing fiscal year. Public hearings are conducted on the proposed final budget to review all appropriations, sources of financing, and to provide opportunities for public comment. The Statements of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual is included as part of the basic financial statements.

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 Directors' approval 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) Operating budgets are adopted for the General Fund on the modified accrual basis of accounting. Budgetary control and the legal level of control are at the fund level. Significant operating or capital spending changes are addressed by the District's Board of Directors, if necessary. The final budget data contained in the financial statements reflects the effect of all approved budget amendments.
- c) Supplementary budgetary revenue and expenditure appropriations are adopted by the Board of Directors during the fiscal year. These supplemental appropriations included in the Budgeted Amounts - Final column of the Budgetary Comparison Schedules. There were no revisions during the year. Actual revenues and expenditures can be compared with related budgeted amounts without any significant reconciling items for the general fund except for the account motor vehicle fees – projects. The budget for this account is actually the estimated carryover balance and is not necessarily budgeted for current expenditure.

**FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**E. Cash and Cash Equivalents**

The District considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

**F. Fixed Assets**

Fixed assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' life are not capitalized. Capital assets are being depreciated using straight-life method over the estimated useful life ranging from 3 to 40 years. Gain or loss is recognized when assets are retired from service or are otherwise disposed. The District has adopted the accounting policy of capitalizing "infrastructure" general fixed assets (assets that are immovable and of value to the District) of \$2,500 and higher.

**G. Deferred Outflows and Inflows of Resources**

In addition to assets, the statement of net position reports 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) 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(s) after the measurement date but before the fiscal year end are recorded as a deferred outflow of resources and will reduce the net position liability in the next fiscal year.

Additional factors involved in the calculation of the District's pension expense and net position liability include the differences between expected and actual experience, changes in assumptions, differences between projected and actual investment earnings, changes in proportion, and differences between the District's contributions and proportionate share of contributions. These factors are recorded as deferred outflows and inflows of resources and amortized over various periods.

**H. Pension Liability**

For purposes of measuring the net position liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) 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.

**I. Use of Estimates**

The preparation of the general purpose financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the general purpose financial statements and the reported amount of revenue and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

**J. Non-Exchange Transaction**

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 motor vehicle fees, Permit fees, Penalties 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, other grants. Those revenues susceptible to accrual are interest and 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 are offset with unavailable revenue. Unearned revenue arises when assets are received before the revenue recognition criteria have been satisfied. District's Funds received have been recorded as earned revenue in the governmental fund financial statements.

**K. Compensated Absences**

The District's policies provide compensation to employees' absences, such as vacation and compensatory time. 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. In the event of termination, the employees are reimbursed for all accumulated vacation and compensatory time at the time of separation from the District.

**FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**L. Committed Fund Balance**

As of June 30, 2017, the District through action by its Board of Directors has internally committed portion of the unrestricted fund balance in the amount of \$100,000 dollars. The amount represents future other post-retirement employee benefits (OPEB).

**M. Elimination and Reclassifications**

In the process of aggregating data for the government-wide statements, some amounts reported as interfund activity and balances in the fund financial statements were eliminated or reclassified. Interfund receivables and payables were eliminated, if any during the year, to minimize the "grossing up" effect on assets and liabilities.

**N. Recently Issued Accounting Pronouncements**

In March 2017, the GASB approved Statement No. 82(pension issues), an amendment of GASB 67, 68, and 73. This Statement addresses certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

**NOTE 2: CASH AND INVESTMENTS**

Cash and investments of the District are summarized below:

|                                    |           |                  |
|------------------------------------|-----------|------------------|
| Bank deposits                      | \$        | 436              |
| Investment in Yuba County Treasury |           | 4,116,707        |
| <b>Total cash and investments</b>  | <b>\$</b> | <b>4,117,143</b> |

Deposits

The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities must be equal to at least 110% of the total amount deposited by the public agencies. California law allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured deposits. The District may waive collateral requirements for deposits that are fully insured up to \$250,000 by Federal Deposit Insurance, effective October 2010. At June 30, 2017, the bank deposit is insured. The county treasure deposit exceeds the insurable limit.

Authorized Investments

The District maintains substantially all of its cash in the Yuba County Treasury (the Treasury). The Treasury pools these funds with those of other districts in the county and invests the cash. The share of each fund in the pooled cash account is separately accounted for and interest earned is apportioned quarterly to funds that are legally required to receive interest based on the relationship of a fund's daily balance to the total of pooled cash and investments. The total amount invested by all public agencies as of June 30, 2017 was \$320,299,359. The investment pool is actively managed with a weighted net of return of 1.474%. 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.

The funds maintained by the Treasury are authorized investments established by the California Government Code sections 53601 et seq. and 53635 et seq.

The District may invest in the following types of investments:

- Bonds issued by the State of California and/or any local agency within the State of California
- Securities of the U.S. Government, or its agencies
- Certificates of Deposit (or Time Deposits) placed with commercial banks and/or savings and loan companies
- Negotiable Certificates of Deposit
- Bankers' Acceptance
- Commercial Acceptances
- Local Agency Investment Fund (State Pool) Demand Deposits
- Repurchase Agreements (Repos)

**FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

Cash in County Treasury

The District maintains all investments other than a payroll account (Bank of America), in the Yuba County Treasury. The Treasurer of Yuba County is responsible for the investment of these funds in accordance with the investment policies of the County. The District does not own any specific identifiable investments in the pool. Information regarding categorization of cash and investments held in the County can be found in the County of Yuba's financial statements.

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District does not have any investments that are measured using Level 3 inputs.

|                               | <u>Level 1</u>      | <u>Level 2</u>      | <u>Level 3</u> | <u>Total</u>        |
|-------------------------------|---------------------|---------------------|----------------|---------------------|
| United States Treasury Notes  | \$ 2,102,746        |                     |                | \$ 2,102,746        |
| Mutual Funds                  |                     | 722,922             |                | 722,922             |
| Corporate Notes               |                     | 1,079,775           |                | 1,079,775           |
| Local Agency Investment Funds |                     | 145,245             |                | 145,245             |
| Municipal Bonds               |                     | 66,020              |                | 66,020              |
|                               | <u>\$ 2,102,746</u> | <u>\$ 2,013,961</u> | <u>\$ 0</u>    | <u>\$ 4,116,707</u> |

Interest Rate Risk

The Counties investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Investments are generally limited to five years or less. At the end of June 30, 2017, Treasury's investments appear to be in accordance with the Counties investment policy. The Treasury's investment has an average days-to-maturity of 286 days and yields 1.474% as of June 30, 2017.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the instrument. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Except for municipal obligations and Community Reinvestment Act (CRA) bank deposits and certificates of deposit, the issuer's short-term credit ratings shall be at or above A-1 by Standard & Poor's, P-1 by Moody's and, if available, F 1 by Fitch, and the issuer's long-term credit ratings shall be at or above A by Standard & Poor's and A 2 by Moody's, and, if available, A by Fitch. Municipal obligations shall be at or above a short-term rating of SP-1 by Standard & Poor's, MIGI by Moody's, and, if available, F1 by Fitch. In addition, domestic banks are limited to those with a Fitch Individual bank rating of A or better, without regard to modifiers. Information regarding rating of cash and investments held in the County can be found in the County of Yuba's financial statements.

**NOTE 3: GENERAL FIXED ASSETS**

The following is a summary of changes in the general fixed assets of the District for the year ended June 30, 2017:

|                          | <u>Balance</u><br><u>July 1, 2016</u> | <u>Additions</u> | <u>Retirements</u> | <u>Adjustments</u> | <u>Balance</u><br><u>June 30, 2017</u> |
|--------------------------|---------------------------------------|------------------|--------------------|--------------------|--|
| Land                     | \$ 85,000                             | 0                | 0                  | 0                  | \$ 85,000                              |
| Building                 | 575,000                               | 0                | 0                  | 0                  | 575,000                                |
| Equipment                | 48,318                                | 10,036           | 5,293              | 0                  | 53,061                                 |
| Automobiles              | 165,412                               | 0                | 37,923             | 0                  | 127,489                                |
| Total                    | <u>873,730</u>                        | <u>10,036</u>    | <u>43,216</u>      | <u>0</u>           | <u>840,550</u>                         |
| Accumulated Depreciation | <u>187,327</u>                        | <u>54,939</u>    | <u>42,007</u>      | <u>0</u>           | <u>200,259</u>                         |
| Fixed Assets Net         | <u>\$ 686,403</u>                     |                  |                    |                    | <u>\$ 640,291</u>                      |

**FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 4: COMPENSATED ABSENCES**

The following is a summary of changes for unpaid vacation of the District for the year ended June 30, 2017:

|                      | Balance<br>July 1, 2016 | Additions        | Subtractions     | Balance<br>June 30, 2017 |
|----------------------|-------------------------|------------------|------------------|--------------------------|
| Compensated absences | \$ 39,421               | \$ 43,642        | \$ 42,266        | \$ 40,797                |
| <b>Total</b>         | <b>\$ 39,421</b>        | <b>\$ 43,642</b> | <b>\$ 42,266</b> | <b>\$ 40,797</b>         |

**NOTE 5: LONG TERM LIABILITIES**

The District loan/lease obligation secured by real property located at 541 Washington Ave. Yuba City, CA, amounted to \$361,325 dollars, as of June 30, 2017. The outstanding obligation associated with this purchase is payable West America Bank, in yearly installments, at the interest rate of 4.75% per annum.

| Year ending June 30, | Principal         | Interest          | Total             |
|----------------------|-------------------|-------------------|-------------------|
| 2018                 | \$ 20,725         | \$ 17,163         | \$ 37,888         |
| 2019                 | 21,709            | 16,179            | 37,888            |
| 2020                 | 22,741            | 15,147            | 37,888            |
| 2021                 | 23,821            | 14,067            | 37,888            |
| 2022                 | 24,953            | 12,936            | 37,889            |
| Thereafter,          | 247,376           | 55,731            | 303,107           |
| <b>Total</b>         | <b>\$ 361,325</b> | <b>\$ 131,223</b> | <b>\$ 492,548</b> |

**NOTE 6: RISK MANAGEMENT/CLAIMS LIABILITIES**

The District is exposed to various risks of loss related to theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District is covered by commercial insurance purchased from independent third parties. There have been no significant changes in insurance coverage and no settlements or claims have been made in the last year.

During the fiscal year ended June 30, 2017, the District insured with the Special District Risk Management Authority (SDRMA) for general liability, errors and omissions, workers' compensation, and a variety of comprehensive coverage.

The District is a member of the Special District Risk Management Authority (SDRMA), through a Joint Power Agreement (JPA). The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes. SDRMA arranges for and provides property, liability, error and omissions, auto liability, crime and fidelity, workers' comp and boiler and machinery insurance to its members. The JPA is governed by a board consisting of a representative from each member district. The board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in SDRMA. Complete audited financial statements for the JPA can be obtained by contacting SDRMA, 1112 I Street; Suite 300 Sacramento, CA 95814.

**NOTE 7: SUBSEQUENT EVENTS**

Management has reviewed its financial statements and evaluated subsequent events for the period from its year-end June 30, 2017 through February 23, 2018, the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require recognition or disclosure in the accompanying statements.

**NOTE 8: COMMITMENTS AND CONTINGENCIES**

The District has received revenues for specific purposes that are subject to review and audit by the State government and others. Although such audits could result in expenditure disallowances, it is believed that any required reimbursements would not be material.

**FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 9: PENSION PLAN**

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (the Plan), administered by the California Public Employees' Retirement System (CalPERS). The Plan's benefit provisions are established by statute. The Plan is included as a pension trust fund in the CalPERS Comprehensive Annual Financial Report, which is available online at [www.calpers.ca.gov](http://www.calpers.ca.gov).

The Plan consists of a miscellaneous pool and a safety pool (referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety rate plans, respectively, including those of the Feather River Air Quality Management District. The Feather River Air Quality Management District's employer rate plans in the miscellaneous risk pool include the Miscellaneous plan (Miscellaneous) and the PEPRA Miscellaneous plan (PEPRA Misc.). The Feather River Air Quality Management District does not have any rate plans in the safety risk pool.

Benefits Provided

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. Benefits are based on years of credited service, equal to one year of full time employment. Classic members and PEPRA Safety members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. PEPRA Miscellaneous members with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The death benefit is the Basic Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law. The Plans' provisions and benefits in effect at June 30, 2017, are summarized as follows:

**Employer Rate Plans in the Miscellaneous Risk Pool**

| Employer rate plan                                    | Miscellaneous<br>Prior to January<br>01, 2013 | PEPRA Misc.<br>On or after<br>January 01, 2013 |
|---|---|--|
| Hire Date   | 01, 2013                                      | January 01, 2013                               |
| Benefit formula                                       | 2.5% @ 55                                     | 2.0% @ 62                                      |
| Benefit vesting schedule                              | 5 years of service                            | 5 years of service                             |
| Benefit payments                                      | Monthly for life                              | Monthly for life                               |
| Retirement age  | 50  | 52   |
| Monthly benefits, as of % of<br>eligible compensation | 2.0% to 2.5%                                  | 1.0% to 2.5%                                   |
| Required employee contribution rates                  | 7.944%  | 6.25%  |
| Required employer contribution rates                  | 10.069%                                       | 6.555%   |

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 CalPERS actuary and shall be effective on the July 1 following notice of a change in the rate. Contribution rates for the employer rate plans are determined through the CalPERS' annual actuarial valuation process. Each employer rate plan's actuarially determined rate is based on the estimated amount necessary to pay the employer rate plan's allocated share of the cost of benefits earned by employees during the year, and any unfunded accrued liability. The Feather River Air Quality Management District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The Feather River Air Quality Management District's contributions to the risk pools in the Plan for the year ended June 30, 2017, were as follows:

|                         | <b>Contributions</b> |
|-------------------------|----------------------|
| Miscellaneous Risk Pool | \$ 90,515            |
| Safety Risk Pool        | <u>0</u>             |
| Total contributions     | <u>\$ 90,515</u>     |

**FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 9: PENSION PLAN (continued)**

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2017, Feather River Air Quality Management District reported net pension liabilities for its proportionate shares of the net pension liability of each risk pool as follows:

|                             | <b>Proportionate<br/>Share of Net<br/>Pension Liability</b> |
|-----------------------------|---|
| Miscellaneous Risk Pool     | \$ 736,751  |
| Safety Risk Pool            | 0   |
| Total net pension liability | \$ 736,751  |

\* The proportionate share of the total NPL to each of the enterprise and internal service funds is not being allocated because it is deemed to have an immaterial effect on the financial statements.

The Feather River Air Quality Management District's net pension liability for each risk pool is measured as the proportionate share of each risk pool's net pension liability. GASB 68 indicates that to the extent different contribution rates are assessed based on separate relationships that constitute the collective net pension liability, the determination of the employer's proportionate share of the collective net pension liability should be made in a manner that reflects those relationships. The allocation method used by CalPERS to determine each employer's proportionate share reflects those relationships through the employer rate plans they sponsor within the respective risk pools. An actuarial measurement of the employer's rate plan liability and asset-related information are used where available, and proportional allocations of individual employer rate plan amounts as of the valuation date are used where not available.

The Feather River Air Quality Management District's proportionate share of the net pension liability as of June 30, 2015, the valuation date, was calculated as follows. In determining an employer's proportionate share, the employer rate plans included in the Plan were assigned to either the Miscellaneous or Safety risk pool. Estimates of the total pension liability and the fiduciary net position were first determined for the individual rate plans and each risk pool as of the valuation date, June 30, 2015. Each employer rate plan's fiduciary net position was subtracted from its total pension liability to obtain its net pension liability as of the valuation date. The Feather River Air Quality Management District's proportionate share percentage for each risk pool at the valuation date was calculated by dividing the Feather River Air Quality Management District's net pension liability for each of its employer rate plans within each risk pool by the net pension liability of the respective risk pool as of the valuation date.

The Feather River Air Quality Management District's proportionate share of the net pension liability as of June 30, 2016, the measurement date, was calculated as follows:

Each risk pool's total pension liability was computed at the measurement date, June 30, 2016, by applying standard actuarial roll-forward methods to the total pension liability amounts as of the valuation date. The fiduciary net position for each risk pool at the measurement date was determined by CalPERS' Financial Office. The net pension liability for each risk pool at June 30, 2016, was computed by subtracting the respective risk pool's fiduciary net position from its total pension liability.

The individual employer risk pool's proportionate share percentage of the total pension liability and fiduciary net position as of June 30, 2016, was calculated by applying Feather River Air Quality Management District's proportionate share percentage as of the valuation date (described above) to the respective risk pool's total pension liability and fiduciary net position as of June 30, 2016, to obtain the total pension liability and fiduciary net position as of June 30, 2016. The fiduciary net position was then subtracted from total pension liability to obtain the net pension liability as of the measurement date.



**FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 9: PENSION PLAN (continued)**

The Feather River Air Quality Management District's proportionate share percentage of the net pension liability for each risk pool as of June 30, 2015, and June 30, 2016, was as follows:

|  | <b>Miscellaneous<br/>Risk Pool</b> |
|--|------------------------------------|
| Proportion at valuation date – June 30, 2015   | 0.021064%                          |
| Proportion at measurement date – June 30, 2016 | 0.021208%                          |
| Change – increase (decrease)                   | 0.000144%                          |

For the year ended June 30, 2017, the Feather River Air Quality Management District recognized pension expense of 146,404. At June 30, 2017, the Feather River Air Quality Management District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | <b>Deferred Outflows of<br/>Resources</b> | <b>Deferred Inflows of<br/>Resources</b> |
|--|---|--|
| Differences between Expected and Actual Experience                               | \$ 3,876                                  | (\$602)                                  |
| Changes of Assumptions   | 0   | (36,678)                                 |
| Net Difference between Projected and Actual Earnings on Pension Plan Investments | 244,654                                   | (74,690)                                 |
| Adjustment due to Differences in Proportions                                     | 67,896                                    | (5,641)                                  |
| Differences between Actual and Required Contributions                            | 17,425                                    | (3,961)                                  |
| <b>Total</b>   | <b>\$ 333,851</b>                         | <b>(\$121,572)</b>                       |

It should be noted that a deferred outflow of \$90,515 was recognized as pension expense related to contributions subsequent to the measurement date, but because the entire amount will be recognized in the following year, this amount is not shown above. Other amounts (i.e. amounts other than contributions subsequent to the measurement date) reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| <b>Measurement Date</b> | <b>Deferred<br/>Outflows/(Inflows)<br/>of Resources</b> |
|-------------------------|---|
| <b>June 30:</b>         |   |
| 2017                    | \$ 59,977   |
| 2018                    | 49,310  |
| 2019                    | 69,251  |
| 2020                    | 33,741  |
| 2021                    | 0   |
| 2022                    | 0   |
| <b>Total</b>            | <b>\$ 212,279</b>                                       |

**FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 9: PENSION PLAN (continued)**

Actuarial Assumptions

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

|  | Miscellaneous                                | Safety                                       |
|--|--|--|
| Valuation Date                           | June 30, 2015                                | June 30, 2015                                |
| Measurement Date                         | June 30, 2016                                | June 30, 2016                                |
| Actuarial Cost Method                    | Entry Age Normal                             | Entry Age Normal                             |
| Actuarial Assumptions:                   |  |  |
| Discount Rate                            | 7.65%  | 7.65%  |
| Inflation                                | 2.75%  | 2.75%  |
| Payroll Growth                           | 3.00%  | 3.00%  |
| Projected Salary Increase <sup>(1)</sup> | Varies By Age &<br>Length of Service         | Varies By Age &<br>Length of Service         |
| Investment Rate of Return <sup>(2)</sup> | 7.50%  | 7.50%  |
| Mortality Rate Table <sup>(3)</sup>      | Derived Using<br>CalPERS'<br>Membership Data | Derived Using<br>CalPERS'<br>Membership Data |

(1) Depending on age, service and type of employment

(2) Net of Pension Plan Investment and Administrative Expenses; includes Inflation

(3) The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

Discount Rate

The discount rate used to measure the total pension liability was 7.65%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested employer rate plans within the Plan that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested employer rate plans run out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The stress test results are presented in a detailed report, GASB Statements 67 and 68 Crossover Testing Report for Measurement Date June 30, 2016 based on June 30, 2015 Valuations, that can be obtained from the CalPERS website.

According to Paragraph 30 of GASB 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. For the CalPERS Plan, the 7.65% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular asset liability management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the year ended 2017-18. CalPERS will continue to check the materiality of the difference in calculation until such time as CalPERS has changed their methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of 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. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan's asset classes, expected compound (geometric) returns were calculated over the short-term (first 11 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for the Plan. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one

**FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**NOTE 9: PENSION PLAN (continued)**

calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the 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. These geometric rates of return are net of administrative expenses.

| Asset Class                   | New<br>Strategic<br>Allocation | Real Return<br>Years<br>1-10 (a) | Real Return<br>Years<br>11+(b) |
|-------------------------------|--------------------------------|----------------------------------|--------------------------------|
| Global Equity                 | 51.0%                          | 5.25%                            | 5.71%                          |
| Global Fixed Income           | 20.0                           | 0.99                             | 2.43                           |
| Inflation Sensitive           | 6.0                            | 0.45                             | 3.36                           |
| Private Equity                | 10.0                           | 6.83                             | 6.95                           |
| Real Estate                   | 10.0                           | 4.5                              | 5.13                           |
| Infrastructure and Forestland | 2.0                            | 4.5                              | 5.09                           |
| Liquidity                     | 1.0                            | (0.55)                           | (1.05)                         |

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

Sensitivity of the Feather River Air Quality Management District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Feather River Air Quality Management District's proportionate share of the net pension liability of the each risk pool as of the measurement date, calculated using the discount rate, as well as what the Feather River Air Quality Management District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

|  | Discount Rate<br>-1% (6.65%) | Current Discount<br>Rate (7.65%) | Discount Rate +1%<br>(8.65%) |
|--|------------------------------|----------------------------------|------------------------------|
| Feather River Air Quality Management District's proportionate share of the Miscellaneous Risk Pool's net pension liability | \$ 1,156,982                 | \$ 736,751                       | \$ 389,452                   |

**NOTE 8: OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

The District participates in a single-employer defined benefit medical plan administered by the California Public Employees' Retirement System (CalPERS). The plan provides postemployment healthcare benefits to eligible retirees by contributing the minimum employer contributions (MEC) \$250 dollars. This coverage is available for employees who retire with the District on reaching normal retirement age. At June 30, 2017 the District cost for the fiscal year, ended 2017 was \$2,787 dollars. The District does not pre-fund the OPEB Annual Required Contribution (ARC) with the California Employees' Retirement Benefit Trust (CERBT).

**NOTE 9: DEFERRED COMPENSATION PLAN**

The District offers its employees an elective deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits a portion of the employees' salary to be deferred into future years. These funds are not available to employees until termination, retirement, death or unforeseen emergency.

The deferred compensation plan contributions are invested in various investment funds selected by the participating employees. The available investment options include a fixed return fund, stock fund, bond fund and a money market fund. All amounts of compensation deferred under the plan and all income attributed to those amounts are held in trust for the employee benefit and use of plan participants. The District will match a contribution to the plan up to \$50.00 dollars per employee, per month.

**FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT**  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
General Fund (725,727) - Budget and Actual  
For the Year Ended June 30, 2017

|                              | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u>     | <u>Variance<br/>Positive<br/>(Negative)</u> |
|------------------------------|------------------------|---------------------|-------------------|---|
| <b>Revenue</b>               |                        |                     |                   |   |
| Annual permits               | \$ 320,000             | \$ 320,000          | \$ 371,511        | \$ (51,511)                                 |
| New applications             | 132,000                | 132,000             | 147,139           | (15,139)                                    |
| Penalties                    | 30,000                 | 30,000              | 51,226            | (21,226)                                    |
| Motor vehicle fees           | 532,000                | 532,000             | 569,319           | (37,319)                                    |
| Other Revenue (727 and 725)  | <u>790,756</u>         | <u>790,756</u>      | <u>2,068,700</u>  | <u>(1,277,944)</u>                          |
| Total Revenue                | <u>1,804,756</u>       | <u>1,804,756</u>    | <u>3,207,895</u>  | <u>(1,403,139)</u>                          |
| <b>Expenditures</b>          |                        |                     |                   |   |
| Salaries and benefits        | 1,023,874              | 1,023,874           | 988,248           | 35,626                                      |
| Services and supplies:       |                        |                     |                   |   |
| Insurance                    | 13,600                 | 13,600              | 14,001            | (401)                                       |
| Office expense               | 19,300                 | 19,300              | 8,417             | 10,883                                      |
| Professional services        | 146,165                | 146,165             | 107,557           | 38,608                                      |
| Rents                        | 37,889                 | 37,889              | 2,174             | 35,715                                      |
| Communication                | 10,725                 | 10,725              | 8,069             | 2,656                                       |
| Dues and subscriptions       | 2,500                  | 2,500               | 2,220             | 280   |
| Travel                       | 22,000                 | 22,000              | 7,719             | 14,281                                      |
| Capital outlay               | 7,500                  | 7,500               | 10,036            | (2,536)                                     |
| Miscellaneous                | 89,070                 | 89,070              | 63,063            | 26,007                                      |
| Other projects (727 and 725) | <u>432,133</u>         | <u>432,133</u>      | <u>1,392,823</u>  | <u>(960,690)</u>                            |
| Total Expenditures           | <u>1,804,756</u>       | <u>1,804,756</u>    | <u>2,604,327</u>  | <u>161,119</u>                              |
| Net Change in Fund Balance   | <u>\$ 0</u>            | <u>\$ 0</u>         | <u>\$ 603,568</u> | <u>\$ (1,564,258)</u>                       |

**FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT**  
Schedule of the Plan's Proportions Share of the Net Pension Liability  
and Plan's Contribution as of the Measurement Date  
JUNE 30, 2017

Schedule of the Plan's Proportions Share of the Net Pension Liability and Related Ratios as of the Measurement Date:

|  | Measurement Date<br>June 30, 2015 | Measurement Date<br>June 30, 2016 |
|--|-----------------------------------|-----------------------------------|
| Plan's Proportion of the Net Pension Liability/(Asset)   | 0.021064%                         | 0.021208%                         |
| Plan's Proportionate Share of the Net Pension Liability/(Asset)  | 577,897                           | 736,751                           |
| Plan's Covered-Employee Payroll**  | \$688,220                         | \$698,145                         |
| Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-                | 83.97%                            | 105.53%                           |
| Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability | 80.47%                            | 76.40%                            |
| Plan's Proportionate Share of Aggregate Employer Contributions   | \$82,353                          | \$88,800                          |

Notes to Schedule:

Changes of benefit terms – In 2017, there were no changes to the benefit terms.

Changes in assumptions – In 2017, there were no changes in assumptions.

\* Fiscal Year 2015 was the first year of implementation, therefore only 2 years are shown.

\*\* Valuation year payroll increased by assumed 3% increase.

Schedule of the Plan's Pension Plan Contributions:

|   | CalPERS Fiscal Year<br>2014-2015 | CalPERS Fiscal Year<br>2015-2016 |
|---|----------------------------------|----------------------------------|
| Actuarially Determined Contributions                      | \$82,353                         | \$88,800                         |
| Actual Contributions During the Measurement Period        | (94,126)                         | (83,372)                         |
| Contribution Deficiency (Excess)                          | (\$11,773)                       | \$5,428                          |
| Covered-Employee Payroll                                  | \$688,220                        | \$698,145                        |
| Contributions as a Percentage of Covered-Employee Payroll | 13.68%                           | 11.94%                           |

Notes to Schedule:

Valuation Date:

June 30, 2014

June 30, 2015

\* Fiscal Year 2015 was the first year of implementation, therefore only 2 years are shown.

**FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT**  
Notes to Required Supplementary Information  
For the Year Ended June 30, 2017

**Budgetary Comparison Schedule**

District employs budget control by object level coded and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. Expenditures cannot legally exceed appropriations by major object code. Expenditures cannot legally exceed appropriations by major object code.

**Change in Benefit Terms**

The figures above reflect the Plan's proportionate share of the liability impact resulting from plan changes which occurred during June 30, 2014 fiscal year. More information can be found in the CalPERS Valuation Report for the Miscellaneous Risk Pool as of June 30, 2014. Voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a Golden Handshakes) may need to be reported as a separate liability as CalPERS considers such amounts to be separately financed employer-specific liabilities. There were not benefit terms or plan assumptions changes during fiscal year ended June 30, 2017.

**Change in Assumptions**

The above figures reflect the Plan's proportionate share of the liability impact of changes in actuarial assumptions and methods as reported by CalPERS Board of Administration upon the recommendation of the Chief Actuary. More information can be found in the CalPERS Valuation Report for the Miscellaneous Risk Pool as of June 30, 2015.



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Governing Board  
Feather River Air Quality Management District  
Yuba City, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Feather River Air Quality Management District (An autonomous special district of the State of California), the (District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise The District's basic financial statements and have issued our report thereon dated February 23, 2018.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*ST Group P.C.*

Sacramento, California  
February 23, 2018

**FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT**  
**Summary schedule of prior year audit findings**  
Year ended June 30, 2017

Status of financial statements findings:

Finding no.: 2016-1 The District should improve procedures over financial statements preparation.  
Status: **Fully corrected**