

**FEATHER RIVER AIR QUALITY
MANAGEMENT DISTRICT,
CALIFORNIA**

**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
JUNE 30, 2023**

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**FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Annual Financial Report
For the Year Ended June 30, 2023**

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INTRODUCTORY SECTION

- **List of Officials**

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**FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
List of Officials
For the Year Ended June 30, 2023**

Board of Directors

Stuart Gilchrist	City of Marysville – Chairman
Karm Bains	County of Sutter – Vice Chairman
Lakhvir Ghag	City of Live Oak
Pamela Shelton	City of Wheatland
Mat Conant	County of Sutter
Seth Fuhrer	County of Yuba
Don Blaser	County of Yuba
Jon Messick	County of Yuba
Michael Pasquale	City of Yuba City

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FINANCIAL SECTION

- **Independent Auditor's Report**
- **Management's Discussion and Analysis**
- **Basic Financial Statements**
- **Required Supplementary Information**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements**Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund of Feather River Air Quality Management District, California (District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of June 30, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

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

Required Supplementary Information

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

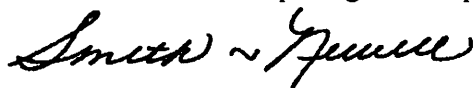
Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated July 22, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.



Smith & Newell CPAs
Yuba City, California
July 22, 2024

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Management's Discussion and Analysis
(Unaudited)

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Christopher D. Brown, AICP
Air Pollution Control Officer

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, 2023. Please read it in conjunction with the 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 of fiscal year 2022-23 by \$6,785,009 (net position). For governmental activities, \$3,005,959 is unrestricted, \$3,520,860 is restricted and must only be used for specific purposes and \$258,190 is the net investment in capital assets.
- The District's total net position for the primary government increased by \$1,244,962 over the prior year. Of this amount, net investment in capital assets, increased by \$86,308 (net) and represents the District's continued investment in and depreciation of capital assets. The District's total long-term liabilities increased by \$621,895 primarily as a result of an increase in the District's net pension liability.
- As of June 30, 2023, the District's governmental funds reported combined fund balances of \$7,973,666, an increase of \$1,207,954 in comparison with the prior year. Amounts available for spending include restricted, committed, assigned and unassigned fund balances and total of \$7,973,666 of ending fund balance. Of this amount, \$3,520,860 restricted by law or externally imposed requirements, \$48,884 is committed for specific purposes and \$498,218 is assigned for specific purposes based on the intent of the Board of Directors.
- At the end of the fiscal year, unassigned fund balance for the General Fund, the District's largest fund, was \$3,884,465 or 72% 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:



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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 the 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 the 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 the 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 the 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 soon to finance District programs.

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

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 15-35 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 36. Furthermore, the District presents a schedule related to pension plan disclosures on page 36 as other supplementary information.



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GOVERNMENT-WIDE FINANCIAL STATEMENTS ANALYSIS

Statement 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 \$6,785,009 at the close of fiscal year 2022-23. The schedule below presents a condensed Statement of Net Position as of June 30, 2023.

	<u>Governmental Activities</u>
Current and Other Assets	\$ 11,413,935
Capital Assets	479,136
Total Assets	<u>11,893,071</u>
Related to Pensions	719,928
Total Deferred Outflows of Resources	<u>719,928</u>
Current Liabilities	3,445,561
Non-Current Liabilities	1,994,887
Total Liabilities	<u>5,440,448</u>
Related to Pensions	387,542
Total Deferred Inflows of Resources	<u>387,542</u>
Net Investment in Capital Assets	258,190
Restricted	3,520,860
Unrestricted	3,005,959
Total Net Position	<u>\$ 6,785,009</u>

The largest portion of the District's net position is invested in cash and cash equivalents. The capital assets (net of debt), represent 3% of the 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 \$1,244,962.



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As of June 30, 2023 the District's net investment in capital assets for its governmental activities was \$258,190 (net of accumulated depreciation and related debt). This investment in capital assets includes land, building, office equipment and vehicles. The total new investment in capital assets for the current fiscal year was \$114,654. Additional information on capital assets can be found in the Notes to the Financial Statements on page 23.

Long-Term Debt

At the end of fiscal year 2022-23, the District had an outstanding obligation secured by the District's office building. Total debt outstanding as of June 30, 2023 was \$220,946 and accrued interest of \$5,292. Additional information on the District's long-term debt can be found in the Notes to the Financial Statements on page 24.

Statements of Activities

The following schedule shows revenues by major source, expenses by function and Changes in Net Position for the fiscal year ended June 30, 2023.

	<u>Governmental Activities</u>
<u>REVENUES</u>	
Operating grants and contributions	\$ 3,853,191
Permits	1,910,249
Use of money and property	144,865
Other revenues	162
Total Revenues	<u>5,908,467</u>
<u>EXPENDITURES</u>	
Public protection	4,661,010
Interest Expense	2,495
Total Expenses	<u>4,663,505</u>
Increase (decrease) in net position	1,244,962
Net position, beginning balance	<u>5,540,047</u>
Net position, ending balance	<u>\$ 6,785,009</u>



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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 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. 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, 2023 the District's governmental funds reported a combined ending fund balance of \$7,973,666 compared to the \$6,765,712 balance of the previous year.

The General Fund is the chief operating fund of the District. As of June 30, 2023, the General Fund's unassigned fund has a surplus balance of \$3,884,465 compared to \$3,982,794 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 95991

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Basic Financial Statements

- **Government-Wide Financial Statements**

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FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Statement of Net Position
June 30, 2023

	Total Governmental Activities
ASSETS	
Cash and investments	\$ 11,154,439
Receivables:	
Accounts	20,074
Interest	47,249
Intergovernmental	170,934
Prepaid costs	21,239
Capital assets:	
Non-depreciable	85,000
Depreciable, net	394,136
Total capital assets	<u>479,136</u>
Total Assets	<u>11,893,071</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pension adjustments	643,002
Deferred OPEB adjustments	76,926
Total Deferred Outflows of Resources	<u>719,928</u>
LIABILITIES	
Accounts payable	55,532
Salaries and benefits payable	31,269
Unearned revenue	3,353,468
Accrued interest payable	5,292
Long-term liabilities:	
Due within one year	73,702
Due in more than one year	193,552
Net pension liability	1,264,725
Net OPEB liability	462,908
Total Liabilities	<u>5,440,448</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred pension adjustments	65,398
Deferred OPEB adjustments	322,144
Total Deferred Inflows of Resources	<u>387,542</u>
NET POSITION	
Net investment in capital assets	258,190
Restricted for:	
Grants and projects	3,520,860
Unrestricted	3,005,959
Total Net Position	<u>\$ 6,785,009</u>

The notes to the basic financial statements are an integral part of this statement.

Basic Financial Statements

- **Fund Financial Statements**

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FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Balance Sheet
Governmental Funds
June 30, 2023

	<u>General Fund</u>	<u>Special Grants</u>	<u>Totals</u>
ASSETS			
Cash and investments	\$ 5,335,241	\$ 5,819,198	\$ 11,154,439
Receivables:			
Accounts	20,074	-	20,074
Interest	24,634	22,615	47,249
Intergovernmental	117,517	53,417	170,934
Prepaid costs	21,239	-	21,239
Total Assets	\$ 5,518,705	\$ 5,895,230	\$ 11,413,935
LIABILITIES			
Accounts payable	\$ 55,532	\$ -	\$ 55,532
Salaries and benefits payable	31,269	-	31,269
Unearned revenue	-	3,353,468	3,353,468
Total Liabilities	86,801	3,353,468	3,440,269
FUND BALANCES			
Nonspendable	21,239	-	21,239
Restricted	979,098	2,541,762	3,520,860
Assigned	498,218	-	498,218
Committed	48,884	-	48,884
Unassigned	3,884,465	-	3,884,465
Total Fund Balances	5,431,904	2,541,762	7,973,666
Total Liabilities and Fund Balances	\$ 5,518,705	\$ 5,895,230	\$ 11,413,935

The notes to the basic financial statements are an integral part of this statement.

FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to the
Government-Wide Statement of Net Position - Governmental Activities
June 30, 2023

Total Fund Balances - Total Governmental Funds	\$ 7,973,666
 Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	479,136
Interest payable on long-term debt does not require the use of current financial resources and therefore is not accrued as a liability in the governmental funds balance sheet.	(5,292)
Deferred outflows of resources related to pension and OPEB are not reported in the governmental funds.	719,928
Deferred inflows of resources related to pension and OPEB are not reported in the governmental funds.	(387,542)
Certain liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	
Compensated absences	(46,308)
Capital lease	(220,946)
Net pension liability	(1,264,725)
Net OPEB liability	(462,908)
Net Position of Governmental Activities	<u>\$ 6,785,009</u>

The notes to the basic financial statements are an integral part of this statement.

FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023

	General Fund	Special Grants	Totals
REVENUES			
Licenses and permits	\$ 1,471,955	\$ -	\$ 1,471,955
Fines, forfeitures and penalties	123,480	-	123,480
Use of money and property	79,599	65,266	144,865
Intergovernmental	844,788	3,323,217	4,168,005
Other revenues	162	-	162
Total Revenues	2,519,984	3,388,483	5,908,467
EXPENDITURES			
Current public protection:			
Salaries and benefits	1,357,006	-	1,357,006
Communication	15,416	-	15,416
Insurance	27,343	-	27,343
Maintenance	33,601	-	33,601
Membership dues and subscriptions	5,118	-	5,118
Office	86,319	-	86,319
Professional services	178,681	-	178,681
Publications and legal notices	3,898	-	3,898
Travel and transportation	8,990	-	8,990
Rent	1,490	-	1,490
Utilities	16,561	-	16,561
Program activities	227,158	-	227,158
Special grant program activities	-	2,586,389	2,586,389
Debt service:			
Principal	26,183	-	26,183
Interest and other charges	11,706	-	11,706
Capital outlay	114,654	-	114,654
Total Expenditures	2,114,124	2,586,389	4,700,513
Net Change in Fund Balances	405,860	802,094	1,207,954
Fund Balances - Beginning	5,026,044	1,739,668	6,765,712
Fund Balances - Ending	\$ 5,431,904	\$ 2,541,762	\$ 7,973,666

The notes to the basic financial statements are an integral part of this statement.

FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of the Governmental Funds to the
Government-Wide Statement of Activities - Governmental Activities
For the Year Ended June 30, 2023

Net Change in Fund Balances - Total Governmental Funds	\$ 1,207,954
 Amounts reported for governmental activities in the Statement of Activities are different because:	
 Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Expenditures for capital outlay	114,654
Less current year depreciation	(54,529)
 Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	
Principal retirements	26,183
 Certain changes in deferred outflows and deferred inflows of resources reported in the Statement of Activities relate to long-term liabilities and are not reported in the governmental funds.	
Change in deferred outflows of resources related to pension	361,305
Change in deferred outflows of resources related to OPEB	(6,047)
Change in deferred inflows of resources related to pension	361,990
Change in deferred inflows of resources related to OPEB	(127,681)
 Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	
Change in compensated absences	8,860
Change in net pension liability	(745,418)
Change in net OPEB liability	88,480
Change in accrued interest on long-term debt	9,211
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Change in Net Position of Governmental Activities	\$ 1,244,962

The notes to the basic financial statements are an integral part of this statement.

Basic Financial Statements

- **Notes to Basic Financial Statements**

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FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

Component Units

Generally accepted accounting principles require government financial statements to include the primary government and its component units. Component units of a governmental entity are legally separate entities for which the primary government is considered to be financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the combined financial statements to be misleading. The primary government is considered to be financially accountable if it appoints a majority of an organization's governing body and is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government.

Based on the application of the criteria set forth by the Governmental Accounting Standards Board, management has determined that there are no component units of the District.

Joint Agencies

The District is a member of the Special District Risk Management Authority (SDRMA). SDRMA is a joint powers authority organized for the purpose of providing coverage protection, risk management services, claims management as well as safety and loss prevention programs for its members. SDRMA is composed of member agencies and is governed by a Board of Directors appointed by the members. Complete audited financial statements can be obtained from SDRMA's office at 1112 I Street, Suite 300, Sacramento, CA 95814. The District is not financially accountable for this organization and therefore, it is not a component unit under Statement Nos. 14, 39 and 61 of the Governmental Accounting Standards Board.

Related Organizations

The Counties of Yuba and Sutter and Cities of Live Oak, Marysville, Wheatland and Yuba City appoint nine members to the Board of Directors. However, the Counties and Cities are not financially accountable for this organization and therefore, are not component units under Statement Nos. 14, 39 and 61 of the Governmental Accounting Standards Board.

B. Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information on all of the activities of the District. These statements include the financial activities of the overall District. These statements report on the governmental activities of the District, which are normally supported by licenses and permits and intergovernmental revenues. The District had no business-type activities at June 30, 2023.

FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

Government-Wide Financial Statements (Continued)

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and; therefore, are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods and services offered by the program, 2) operating grants and contributions and 3) capital grants and contributions. Revenues not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

Fund financial statements of the District are organized into two funds, each of which is considered to be a separate accounting entity. The fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures. The funds of the District are organized into the governmental category. The emphasis is placed on major funds within the governmental category.

The District reports the following major governmental funds:

- The General fund is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the District.
- The Special Grants fund is a special revenue fund used to account for state grants that are legally restricted for specific purposes, specifically Carl Moyer and AB923 program activities.

C. Basis of Accounting and Measurement Focus

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements and donations. Under the accrual basis, revenue from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Interest and certain state and federal grants are considered susceptible to accrual and are accrued when their receipt occurs within sixty days after the end of the fiscal year. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in the governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as other financing sources.

FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Non-Current Governmental Assets/Liabilities

Non-current governmental assets and liabilities, such as capital assets and long-term liabilities, are reported in the governmental activities column in the government-wide Statement of Net Position.

E. Investments

The District pools all cash and investments, other than cash in a checking account, with the County of Yuba. The Yuba County Treasury is an external investment pool for the District and the District is considered an involuntary participant. The District's share in this pool is displayed in the accompanying financial statements as cash and investments.

Participant's equity in the investment pool is determined by the dollar amount of participants deposits, adjusted for withdrawals and distributed investment income. Investment income is determined on an amortized cost basis. Interest payments, accrued interest, accreted discounts, amortized premiums and realized gains and losses, net of administrative fees, are apportioned to pool participants every quarter. This method differs from the fair value methods used to value investments in these financial statements as unrealized gains and losses are not apportioned to pool participants.

F. Receivables

Receivables consist mainly of accounts, interest, and intergovernmental revenues. Management believes its receivables are fully collectible and, accordingly, no allowance for doubtful accounts is required.

G. Inventory

Inventories are recorded as expenditures at the time the inventory is purchased rather than when consumed. Records are not maintained of inventory and supplies on hand, although these amounts are not considered material.

H. Capital Assets

Capital assets are defined by the District as assets with a cost of \$2,500 or more, and which have a useful life of at least one fiscal year. Capital assets are recorded at historical cost or estimated historical cost if actual historical cost is unavailable. Contributed capital assets are recorded at their acquisition value at the date of donation.

Capital assets used in operations are depreciated or amortized using the straight-line method over the assets' estimated useful lives in the government-wide financial statements. The range of estimated useful lives by type of asset is as follows:

<u>Depreciable Asset</u>	<u>Estimated Lives</u>
Equipment	5 to 10 years
Buildings and improvements	15 years

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Compensated Absences

The District's policy regarding compensated absences is to permit employees to accumulate earned but unused vacation leave. In the government-wide financial statements the accrued compensated absences are recorded as an expense and related liability, with the current portion estimated based on historical trends. In the governmental fund financial statements, the expenditures and liabilities related to those obligations are recognized only when they mature.

J. Pension

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pension, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021 to June 30, 2022

K. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2023
Measurement Period	July 1, 2022 to June 30, 2023

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. These items relate to the outflows from changes in the net pension liability and net OPEB liability and are reportable on the Statement of Net Position.

FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. These items relate to the inflows from changes in the net pension liability and net OPEB liability and are reportable on the Statement of Net Position.

M. Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

N. Implementation of Governmental Accounting Standards Board (GASB) Statements

The following Governmental Accounting Standards Board (GASB) Statements have been implemented, if applicable, in the current financial statements.

Statement No. 91, Conduit Debt Obligations. This statement improves the comparability of financial reporting for issuers by eliminating the option to recognize a liability for a conduit debt obligation.

Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. This statement will improve financial reporting by establishing the definitions of PPPs and APAs and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions.

Statement No. 96, Subscription-Based Information Technology Arrangements. This statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. The definition and uniform guidance will result in greater consistency in practice.

Statement No. 99, Omnibus 2022. This statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to more easily locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of state and local government financial statements.

O. Future Accounting Pronouncements

The following GASB Statements will be implemented, if applicable, in future financial statements:

Statement No. 99 “Omnibus 2022” The requirements of this statement related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023. (FY 23/24)

FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Future Accounting Pronouncements (Continued)

Statement No. 100 “Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62” The requirements of this statement are effective for fiscal years beginning after June 15, 2023. (FY 23/24)

Statement No. 101 “Compensated Absences” The requirements of this statement are effective for fiscal years beginning after December 15, 2023. (FY 24/25)

NOTE 2: CASH AND INVESTMENTS

A. Financial Statement Presentation

As of June 30, 2023, the District’s cash and investments consisted of the following:

Cash:	
Deposits (less outstanding checks)	\$ <u>7,010</u>
Total Cash	<u>7,010</u>
Investments:	
Yuba County’s Treasurer’s Pool	<u>11,147,429</u>
Total Investments	<u>11,147,429</u>
Total Cash and Investments	<u>\$ 11,154,439</u>

B. Cash

At year end, the carrying amount of the District’s cash deposits (including the amount in a checking account) was \$7,010 and the bank balance was \$7,010.

Custodial Credit Risk for Deposits - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or collateral securities that are in the possession of an outside party. The District complies with the requirements of the California Government Code. Under this code, deposits of more than \$250,000 must be collateralized at 105 percent to 150 percent of the value of the deposit to guarantee the safety of the public funds. The first \$250,000 of the District’s deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Deposits of more than the \$250,000 insured amount are collateralized.

FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

C. Investments

The District does not have a formal investment policy. At June 30, 2023, all investments of the District were in the County of Yuba investment pool. Under the provisions of the County's investment policy and the California Government Code, the District may invest or deposit in the following:

- Bonds issued by a local agency
- Treasury Obligations
- State of California Obligations
- State & Local Obligations from the other 49 states
- Obligation of Calif. local agency
- Obligations issued by Federal Agencies and U.S. Government Sponsored Enterprises
- Bankers' Acceptances
- Commercial Paper
- Negotiable C.D.s
- Repurchase Agreements/Reverse Repurchase Agreements
- Medium-Term Notes
- Mutual Funds
- Investments as permitted by provision in agreements of indebtedness
- Asset secured indebtedness
- Collateralized Mortgage obligations
- Joint Powers Authority
- Contracted Non-Neg. Time Deposits
- Deposited Pooled Small C.D.s

Fair Value of Investments - The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs

The District's position in external investment pools is in itself regarded as a type of investment and looking through to the underlying investments of the pool is not appropriate. Therefore, the District's investments in external investment pools are not recognized in the three-tiered fair value hierarchy described above.

FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

C. Investments (Continued)

At June 30, 2023, the District had the following recurring fair value measurements:

Investment Type	Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by Fair Value Level				
None	\$ -	\$ -	\$ -	\$ -
Total Investments Measured at Fair Value	-	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Investments in External Investment Pool				
Yuba County Treasurer's Pool	<u>11,147,429</u>			
Total Investments	<u>\$ 11,147,429</u>			

Interest Rate Risk - Interest rate risk is the risk of loss due to the fair value of an investment falling due to interest rates rising. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. To limit exposure to fair value losses from increases in interest rates, the District's investment policy limits investment maturities to a term appropriate to the need for funds so as to permit the District to meet all projected obligations.

Credit Risk - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County's investment policy sets specific parameters by type of investment to be met at the time of purchase. As of June 30, 2023, the District's investments were all held with the County of Yuba investment pool which is not rated by a nationally recognized statistical rating organization.

Custodial Credit Risk - Custodial credit risk for investments is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or collateral securities that are in the possession of an outside party. Custodial credit risk does not apply to a local government's indirect investments in securities through the use of mutual funds or government investment pools.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer of securities. When investments are concentrated in one issuer, this concentration presents a heightened risk of potential loss. State law and the investment policy of the County contain limitations on the amount that can be invested in any one issuer. All investments of the District are in the Yuba County investment pool which contains a diversification of investments.

FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

D. Investments in External Pool

The Yuba County Pooled Investment Fund is a pooled investment fund program governed by the County which monitors and reviews the management of public funds maintained in the investment pool in accordance with the County investment policy and the California Government Code. The Board of Supervisors review and approve the investment policy annually. The County Treasurer prepares and submits a comprehensive investment report to the Board of Supervisors every month. The report covers the type of investments in the pool, maturity dates, par value, actual cost and fair value. Investments in the Yuba County Pooled Investment Fund are regarded as highly liquid as deposits and withdrawals can be made at any time without penalty. The Pool does not impose a maximum investment limit. Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County's financial statements. The County of Yuba's financial statements may be obtained by contacting the County of Yuba Auditor-Controller's office at 915 8th Street, Suite 105, Marysville, CA 95901.

NOTE 3: CAPITAL ASSETS

	Balance July 1, 2022	Additions	Retirements	Balance June 30, 2023
Capital Assets, Not Being Depreciated:				
Land	\$ 85,000	\$ -	\$ -	\$ 85,000
Total Capital Assets, Not Being Depreciated	<u>85,000</u>	<u>-</u>	<u>-</u>	<u>85,000</u>
Capital Assets, Being Depreciated:				
Buildings and improvements	575,000	-	-	575,000
Equipment	55,782	114,654	-	170,436
Vehicles	192,832	-	-	192,832
Total Capital Assets, Being Depreciated	<u>823,614</u>	<u>114,654</u>	<u>-</u>	<u>938,268</u>
Less Accumulated Depreciation For:				
Buildings and improvements	(306,665)	(38,333)	-	(306,665)
Equipment	(49,694)	(4,725)	-	(54,419)
Vehicles	(133,244)	(1,471)	-	(144,715)
Total Accumulated Depreciation	<u>(489,603)</u>	<u>(54,529)</u>	<u>-</u>	<u>(544,132)</u>
Total Capital Assets, Being Depreciated, Net	<u>334,011</u>	<u>60,125</u>	<u>-</u>	<u>394,136</u>
Total Capital Assets, Net	<u>\$ 419,011</u>	<u>\$ 60,125</u>	<u>\$ -</u>	<u>\$ 479,136</u>

Depreciation

Depreciation expense was charged to governmental activities as follows:

Public Protection	<u>\$ 54,529</u>
Total Depreciation Expense	<u>\$ 54,529</u>

FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

NOTE 4: UNEARNED REVENUE

At June 30, 2023, components of unearned revenue were as follows:

General fund	
CAP program	\$ 855,673
Farmer program	1,818,075
Moyer Round 24	<u>679,720</u>
Total Unearned Revenue	<u>\$ 3,353,468</u>

NOTE 5: LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2023:

<u>Type of Indebtedness</u>	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Compensated absences	\$ 55,168	\$ 59,263	(\$ 68,123)	\$ 46,308	\$ 46,308
Capital lease	<u>247,129</u>	<u>-</u>	<u>(26,183)</u>	<u>220,946</u>	<u>27,394</u>
Total	<u>\$ 302,297</u>	<u>\$ 59,263</u>	<u>(\$ 94,306)</u>	<u>\$ 267,254</u>	<u>\$ 73,702</u>

NOTE 6: LEASES

Capital Leases

The District has entered into certain capital lease agreements under which the related building will become the property of the District when all terms of the lease agreements are met.

	<u>Stated</u> <u>Interest Rate</u>	<u>Present Value</u> <u>of Remaining</u> <u>Payments at</u> <u>June 30, 2023</u>
Governmental activities	4.75%	\$ <u>220,946</u>
Total Capital Lease Obligations		<u>\$ 220,946</u>

The building and related accumulated depreciation under capital lease are as follows:

	<u>Governmental</u> <u>Activities</u>
Building	\$ 575,000
Less: accumulated depreciation	<u>(344,998)</u>
Net Value	<u>\$ 230,002</u>

FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

NOTE 6: LEASES (CONTINUED)

Capital Leases (Continued)

As of June 30, 2023, capital lease annual amortization is as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Governmental</u> <u>Activities</u>
2024	\$ 37,888
2025	37,888
2026	37,888
2027	37,888
2028	37,888
2029-2030	<u>75,378</u>
Total Requirements	264,818
Less: Interest	<u>(43,872)</u>
Present Value of Remaining Payments	<u>\$ 220,946</u>

NOTE 7: NET POSITION

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

- **Net investment in capital assets** - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- **Restricted net position** - consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - all other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

Net Position Flow Assumption

When a government funds outlays for a particular purpose from both restricted and unrestricted resources, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted net position are available, it is considered that restricted resources are used first, followed by the unrestricted resources.

FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

NOTE 8: FUND BALANCE

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balances for governmental funds can be made up of the following:

- **Non-spendable fund balance** - amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories and prepaid amounts.
- **Restricted fund balance** - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- **Committed fund balance** - amounts that can only be used for the specific purposes determined by formal action of the District’s highest level of decision-making authority. The Board of Directors is the highest level of decision-making authority for the District that can, by Board action, commit fund balance. Once adopted, the limitation imposed remains in place until a similar action is taken to remove or revise the limitation. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- **Assigned fund balance** - amounts that are constrained by the District’s intent to be used for specific purposes. The intent can be established at either the highest level of decision-making, or by a body or an official designated for that purpose.
- **Unassigned fund balance** - the residual classification for the District’s General fund that includes all amounts not contained in the other classifications.

FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

NOTE 8: FUND BALANCE (CONTINUED)

The fund balance for the governmental funds as of June 30, 2023, was distributed as follows:

	General Fund	Special Grants	Totals
Nonspendable:			
Prepaid costs	\$ 21,239	\$ -	\$ 21,239
Subtotal	<u>21,239</u>	<u>-</u>	<u>21,239</u>
Restricted for:			
AB2766 Blue Sky Project	979,098	-	979,098
AB923 Carl Moyer	<u>-</u>	<u>2,541,762</u>	<u>2,541,762</u>
Subtotal	<u>979,098</u>	<u>2,541,762</u>	<u>3,520,860</u>
Assigned for:			
Project Awards	<u>498,218</u>	<u>-</u>	<u>498,218</u>
Subtotal	<u>498,218</u>	<u>-</u>	<u>498,218</u>
Committed for:			
PERS Unfunded Liability	45,884	-	45,884
PERS Retiree OPEB	<u>3,000</u>	<u>-</u>	<u>3,000</u>
Subtotal	<u>48,884</u>	<u>-</u>	<u>48,884</u>
Unassigned	<u>3,884,465</u>	<u>-</u>	<u>3,884,465</u>
Total	<u>\$ 5,431,904</u>	<u>\$ 2,541,762</u>	<u>\$ 7,973,666</u>

Fund Balance Flow Assumption

When a government funds outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance), a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted fund balance are available, it is considered that restricted fund balance is depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policy

The District follows the requirements of GASB Statement No. 54 in establishing procedures for reporting fund balance classifications and establishing a hierarchy for fund balance expenditures.

FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

NOTE 9: PENSION PLAN

A. General Information about the Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Employee Pension Plan (Plan), a cost-sharing multiple employer-defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Effective January 1, 2013, the District added a retirement tier for the Miscellaneous Plan for new employees as required under the Public Employee Pension Reform Act (PEPRA). New employees hired on or after January 1, 2013 will be subject to new, lower pension formulas, caps on pensionable income levels and new definitions of pensionable income. In addition, new employees will be required to contribute half of the total normal cost of the pension benefit unless impaired by an existing Memorandum of Understanding. The cumulative effect of these PEPRA changes will ultimately reduce the District's retirement costs.

Summary of Rate Tiers and Eligible Participants

Open for New Enrollment Miscellaneous PEPRA	Miscellaneous members hired on or after January 1, 2013
Closed to New Enrollment Miscellaneous	Miscellaneous members hired before January 1, 2013

Benefits Provided

CalPERS 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 (age 52 for Miscellaneous Plan members if membership date is on or after January 1, 2013) with statutorily reduced benefits. Retirement benefits are paid monthly for life. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for the plan are applied as specified by the Public Employees' Retirement Law.

Each Rate Tier's specific provisions and benefits in effect at June 30, 2023, are summarized as follows:

	<u>Benefit Formula</u>	<u>Retirement Age</u>	<u>Monthly Benefits as a % of Eligible Compensation</u>
Miscellaneous	2.5% @ 55	50-55	2.000% to 2.500%
Miscellaneous PEPRA	2.0% @ 62	52-67	1.000% to 2.500%

FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

NOTE 9: PENSION PLAN (CONTINUED)

A. General Information about the Pension Plan (Continued)

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for all Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

	<u>Employer Contribution Rates</u>	<u>Employee Contribution Rates</u>	<u>Employer Paid Member Contribution Rates</u>
Miscellaneous	12.210%	7.960%	0.000%
Miscellaneous PEPRA	7.470%	6.750%	0.000%

For the year ended June 30, 2023, the contributions recognized as part of pension expense were as follows:

	<u>Contributions-Employer</u>	<u>Contributions-Employee (Paid by Employer)</u>
Miscellaneous	\$ 173,764	\$ -

B. Pension Liability, Pension Expense and Deferred Outflows/Inflows of Resources Related to Pension

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2022, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2022 and 2023 was as follows:

	<u>Proportion June 30, 2022</u>	<u>Proportion June 30, 2023</u>	<u>Change – Increase (Decrease)</u>
Miscellaneous	0.027349%	0.027029%	(0.000321%)

As of June 30, 2023, the District reported a net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous	\$ 1,264,725
Total Net Pension Liability	<u>\$ 1,264,725</u>

FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

NOTE 9: PENSION PLAN (CONTINUED)

B. Pension Liability, Pension Expense and Deferred Outflows/Inflows of Resources Related to Pension (Continued)

For the year ended June 30, 2023, the District recognized pension expense of \$56,787. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 180,518	\$ -
Changes of assumptions	125,817	-
Difference between expected and actual experience	23,071	(16,514)
Difference between projected and actual earnings on pension plan investments	244,231	-
Difference between District contributions and proportionate share of contributions	-	(48,884)
Adjustments due to differences in proportions	69,365	-
Total	\$ 643,002	(\$ 65,398)

\$180,518 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30		
2024		\$ 111,495
2025		94,708
2026		54,478
2027		136,405
2028		-
Thereafter		-
Total		\$ 397,086

Actuarial Assumptions

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Payroll Growth	2.80%
Projected Salary Increase	Varies by entry-age and service
Investment Rate of Return	6.80%
Mortality	Derived using CalPERS membership data for all funds

FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

NOTE 9: PENSION PLAN (CONTINUED)

B. Pension Liability, Pension Expense and Deferred Outflows/Inflows of Resources Related to Pension (Continued)

Actuarial Assumptions (Continued)

The mortality table used was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details on this table, please refer to the 2021 Experience Study report that can be found on the CalPERS website.

Discount Rate

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

Long-Term Expected Rate of Return

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long-term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

The expected real rates of return by asset class are as follows:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1-10 (1, 2)</u>
Global Equity – Cap-Weighted	30.0%	4.54%
Global Equity – Non-Cap-Weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	(5.0%)	(0.59%)
Total	<u>100.0%</u>	

(1) An expected price inflation of 2.30% used for this period

(2) Figures are based on the 2021 Asset Liability Management Study

FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

NOTE 9: PENSION PLAN (CONTINUED)

B. Pension Liability, Pension Expense and Deferred Outflows/Inflows of Resources Related to Pension (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District’s proportionate share of the net pension liability for the Plan as of the measurement date, calculated using the discount rate for the Plan, as well as what the 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:

	1% Decrease 5.90%	Discount Rate 6.90%	1% Increase 7.90%
Miscellaneous	\$ 2,031,984	\$ 1,264,725	\$ 633,460

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. General Information about the OPEB Plan

Plan Description

The District sponsors a defined benefit OPEB plan (the Plan) that provides healthcare coverage under the California Public Employees Medical and Hospital Care Act (“PEMHCA”), commonly referred to as PERS Health. PEMHCA provides health insurance through a variety of Health Maintenance Organization (HMO) and Preferred Provider Organization (PPO) options. The Plan is a multiple-employer plan administered by the California Public Employees’ Retirement System (CalPERS). No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided

The District’s Retiree Health Plan provides healthcare benefits to retired members.

Post-Retirement Coverage

Employees become eligible to retire and receive a District contribution towards PEMHCA coverage upon attainment of age 65. The District contribution towards retiree health benefits is limited to a maximum of \$250 per month, and continues for the retiree’s lifetime.

Employees Covered by Benefit Terms

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

Inactive employee or beneficiaries currently receiving benefit payments	1
Active employees	<u>11</u>
	<u><u>12</u></u>

FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

B. Net OPEB Liability

The District's net OPEB liability of \$462,908 was measured as of June 30, 2023 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023.

Actuarial Assumptions

The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry-Age Actuarial Cost Method
Salary increases	2.75% per year
Inflation rate	2.50% per year
Investment rate of return	3.65% per year
Healthcare cost trend rate	4.00% per year
Discount rate	3.65% per year net of expenses

The mortality assumptions are based on the 2021 CalPERS Retiree Mortality for Miscellaneous and Schools employees.

Discount Rate

The discount rate estimates investment earnings for assets earmarked to cover retiree health benefit liabilities. The discount rate depends on the nature of underlying assets for funded plans. The rate used for a funded plan is the real rate of return expected for plan assets plus the long-term inflation assumption. For an unfunded plan, the discount rate is based on an index of 20-year General Obligation municipal bonds. For partially funded plans, the discount rate is a blend of the funded and unfunded rates. As of the measurement date of June 30, 2023, a discount rate of 3.65 percent, net of expenses was used.

C. Changes in the Net OPEB Liability

The table below shows the changes in the total OPEB liability, the Plan Fiduciary Net Position (i.e. Fair value of the Plan assets), and the net OPEB liability during the measurement period ending on June 30, 2023 for the District's proportionate share.

	Increases (Decreases)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) – (b)
Balance at fiscal year ended June 30, 2022	\$ 551,388	\$ -	\$ 551,388
Changes for the year:			
Service cost	45,693	-	45,693
Interest	20,175	-	20,175
Contributions - employer	-	3,000	(3,000)
Benefit Payments	(3,000)	(3,000)	-
Plan Experience	(147,763)	-	(147,763)
Change in assumptions	(3,585)	-	(3,585)
Net changes	(88,480)	-	(88,480)
Balance at fiscal year ended June 30, 2023	\$ 462,908	\$ -	\$ 462,908

FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

C. Changes in the Net OPEB Liability (Continued)

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

The following presents the net OPEB liability of the District, as well as what the District's net OPEB 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 discount rate:

	<u>1% Decrease 2.65%</u>	<u>Discount Rate 3.65%</u>	<u>1% Increase 4.65%</u>
Net OPEB liability	\$ 533,780	\$ 462,908	\$ 405,271

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

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates:

	<u>1% Decrease (3.00%)</u>	<u>Trend Rate (4.00%)</u>	<u>1% Increase (5.00%)</u>
Net OPEB Liability	\$ 408,290	\$ 462,908	\$ 530,190

D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2023, the District recognized OPEB expense of \$48,248. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	(\$ 215,656)
Changes in assumptions and other inputs	<u>76,926</u>	<u>(106,488)</u>
Total	<u>\$ 76,926</u>	<u>(\$ 322,144)</u>

The deferred resources listed above do not include any District contributions made after the measurement period. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as expense as follows:

<u>Year Ended June 30</u>	
2024	(\$ 17,620)
2025	(17,620)
2026	(17,620)
2027	(17,620)
2028	(17,620)
Thereafter	<u>(157,118)</u>
	<u>(\$ 245,218)</u>

FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2023

NOTE 11: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District is a member of the Special District Risk Management Authority (SDRMA). The SDRMA's members have pooled funds to be self-insured for workers' compensation, general liability, public officials' errors and omissions, employment practices liability, auto, property, boiler and machinery and crime and fidelity. The District participates in the property/liability and workers' compensation programs.

There are no significant reductions in insurance coverage from prior years and there have been no settlements exceeding the insurance coverages for each of the past three years.

NOTE 12: OTHER INFORMATION

A. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time. No additional liability has been accrued at June 30, 2023, based on the requirements of GASB Code Section C50.110, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

B. Subsequent Events

Management has evaluated events subsequent to June 30, 2023 through July 22, 2024, the date on which the financial statements were available for issuance. Management has determined no subsequent events requiring disclosure have occurred.

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Required Supplementary Information
(Unaudited)

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FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Required Supplementary Information
District OPEB Plan
Schedule of Changes in the Net OPEB Liability and Related Ratios
For the Year Ended June 30, 2023
Last 10 Years*

	<u>2018/2019</u>	<u>2019/2020</u>	<u>2020/2021</u>
Total OPEB Liability			
Service cost	\$ 47,768	\$ 49,082	\$ 66,527
Interest	15,413	17,031	14,223
Assumption changes	-	97,527	(95,831)
Plan experience	-	-	3,380
Benefit payments	<u>(17,908)</u>	<u>(18,624)</u>	<u>(6,326)</u>
Net Change in Total OPEB Liability	45,273	145,016	(18,027)
Total OPEB Liability - Beginning	<u>426,100</u>	<u>471,373</u>	<u>616,389</u>
Total OPEB Liability - Ending (a)	<u>\$ 471,373</u>	<u>\$ 616,389</u>	<u>\$ 598,362</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 17,908	\$ 18,624	\$ 6,326
Benefit payments	<u>(17,908)</u>	<u>(18,624)</u>	<u>(6,326)</u>
Net Change in Plan Fiduciary Net Position	-	-	-
Plan Fiduciary Net Position - Beginning	<u>-</u>	<u>-</u>	<u>-</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net OPEB Liability - Ending (a) - (b)	<u>\$ 471,373</u>	<u>\$ 616,389</u>	<u>\$ 598,362</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%
Covered payroll	\$ 685,515	\$ 782,005	\$ -
Net OPEB liability as a percentage of covered payroll	68.76%	78.82%	(a)

* The District implemented GASB 75 for the fiscal year June 30, 2019, therefore only five years are shown.

(a) Not available.

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FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Required Supplementary Information
District Pension Plan
Schedule of Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2023
Last 10 Years*

Measurement Date	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018
Miscellaneous					
Proportion of the net pension liability	0.010050%	0.008419%	0.008514%	0.008804%	0.022681%
Proportionate share of the net pension liability	\$ 625,367	\$ 577,897	\$ 736,751	\$ 873,160	\$ 854,785
Covered payroll	615,377	688,220	698,145	689,604	686,860
Proportionate share of the net pension liability as a percentage of covered payroll	101.62%	83.97%	105.53%	126.62%	124.45%
Plan fiduciary net position as a percentage of the total pension liability	77.71%	80.47%	76.40%	75.92%	77.89%

* The District implemented GASB 68 for the fiscal year June 30, 2015, therefore only nine years are shown.

	<u>2018/2019</u>	<u>2019/2020</u>	<u>2020/2021</u>	<u>2021/2022</u>
	0.023610%	2.465900%	2.734900%	0.000000%
\$	945,456 683,194	\$ 1,040,129 810,411	\$ 519,307 875,542	\$ 1,264,725 920,063
	138.39%	128.35%	59.31%	137.46%
	77.67%	77.45%	89.42%	77.53%

FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Required Supplementary Information
District Pension Plan
Schedule of Contributions
For the Year Ended June 30, 2023
Last 10 Years*

Fiscal Year	<u>2014/2015</u>	<u>2015/2016</u>	<u>2016/2017</u>	<u>2017/2018</u>	<u>2018/2019</u>
Miscellaneous					
Contractually required contribution (actuarially determined)	\$ 94,126	\$ 82,353	\$ 88,800	\$ 98,908	\$ 112,756
Contributions in relation to the actuarially determined contributions	<u>(94,126)</u>	<u>(94,126)</u>	<u>(88,800)</u>	<u>(101,229)</u>	<u>(112,756)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (11,773)</u>	<u>\$ -</u>	<u>\$ (2,321)</u>	<u>\$ -</u>
Covered payroll	\$ 688,220	\$ 698,145	\$ 689,604	\$ 686,860	\$ 683,194
Contributions as a percentage of covered payroll	13.68%	11.80%	12.88%	14.40%	16.50%

* The District implemented GASB 68 for the fiscal year June 30, 2015, therefore only nine years are shown.

<u>2019/2020</u>	<u>2020/2021</u>	<u>2021/2022</u>	<u>2022/2023</u>
\$ 136,668	\$ 160,302	\$ 173,764	\$ 180,518
<u>(136,668)</u>	<u>(160,302)</u>	<u>(173,764)</u>	<u>(180,518)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 810,411	\$ 875,542	\$ 920,063	\$ 890,209
16.86%	18.31%	18.89%	20.28%

FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Required Supplementary Information
District Pension Plan
Note to District Pension Plan
For the Year Ended June 30, 2023

NOTE 1: SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Changes of benefit terms – There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided benefit improvement to their employees by granting two years additional services credit to members retiring during a specific time period (aka Golden Handshakes). Employers that have done so may need to report this information as a separate liability in their financial statements as CalPERS considers such amounts to be separately financed employer-specified liabilities. These employers should consult with their auditors.

Changes in assumptions – There were no changes in assumptions.

<u>2021/2022</u>	<u>2022/2023</u>
\$ 59,970	\$ 45,693
13,540	20,175
(117,484)	(3,585)
-	(147,763)
<u>(3,000)</u>	<u>(3,000)</u>
(46,974)	(88,480)
<u>598,362</u>	<u>551,388</u>
<u>\$ 551,388</u>	<u>\$ 462,908</u>
\$ 3,000	\$ 3,000
<u>(3,000)</u>	<u>(3,000)</u>
-	-
<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>
<u>\$ 551,388</u>	<u>\$ 462,908</u>
0.00%	0.00%
\$ -	\$ -
(a)	(a)

FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Required Supplementary Information
District OPEB Plan
Note to District OPEB Plan
For the Year Ended June 30, 2023

NOTE 1: SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

None.