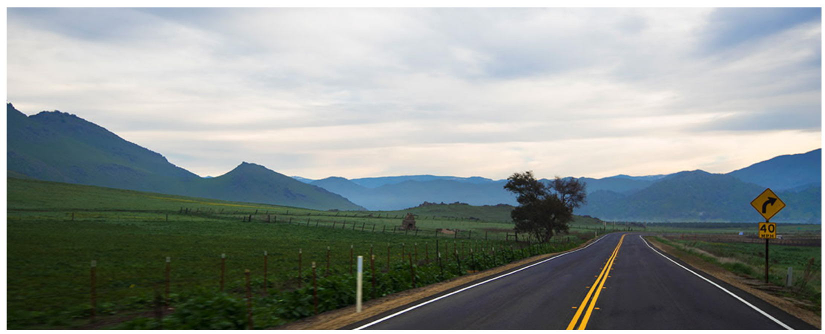
San Joaquin Valley
UNIFIED AIR POLLUTION CONTROL DISTRICT
State of California

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2015



Prepared by
Administrative Services Department

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San Joaquin Valley Unified Air Pollution Control District

State of California

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2015

Prepared By:
Administrative Services Department

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San Joaquin Valley Unified Air Pollution Control District

Comprehensive Annual Financial Report
Year Ended June 30, 2015

Table of Contents

	Page
INTRODUCTORY SECTION	
Letter of Transmittal	i - xiii
Organization Chart	xiv
Governing Board	xv
GFOA Certificate	xvi
FINANCIAL SECTION	
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 19
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	20
Statement of Activities	21
Fund Financial Statements:	
Governmental Fund:	
Balance Sheet	22
Reconciliation of the Balance Sheet of the Governmental Fund to the Statement of Net Position	23
Statement of Revenues, Expenditures, and Changes in Fund Balance	24
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Fund to the Statement of Activities	25
Notes to the Basic Financial Statements	26 - 50
Required Supplementary Information (Unaudited):	
General Fund – Budgetary Comparison Schedule	53
Notes to the Schedule of General Fund Budgeted and Actual Expenditures – Budgetary Basis	54
Kern County Employees' Retirement Association - Schedule of the District's Proportionate Share of the Net Pension Liability	55
Kern County Employees' Retirement Association - Schedule of the District's Contributions	55
Notes to Required Supplementary Information	55

Page

STATISTICAL SECTION

Narrative Summary 59

Financial Trends
- Statement of Net Position – Last Ten Fiscal Years 60
- Changes in Net Position – Last Ten Fiscal Years 61
- Fund Balance, General Fund – Last Ten Fiscal Years 62
- Changes in Fund Balance, General Fund – Last Ten Fiscal Years 63

Revenue Capacity
- Revenues by Program Activity – Last Five Fiscal Years 64
- DMV Surcharge Fees – Eight County Area – Last Ten Fiscal Years 65

Operating Information
- Expenses by Program Activity (Accrual Basis) – Last Five Fiscal Years 66
- Operating Expenditures by Budget Object Level – Last Ten Fiscal Years 67
- Salary and Benefit Expenditures – Last Ten Fiscal Years 68
- District Employees by Program – Last Ten Fiscal Years 69
- Capital Asset Statistics by Program – Last Five Fiscal Years 70
- Operating Indicators by Program – Last Ten Fiscal Years 71

Demographic and Economic Information
- Eight County Population – Last Ten Calendar Years 72
- Eight County Personal Income – Last Ten Calendar Years 73
- Eight County Per Capita Personal Income – Last Ten Calendar Years 74
- Eight County Unemployment Rates – Last Ten Fiscal Years 75

Miscellaneous
- Miscellaneous Statistics 76

INTRODUCTORY SECTION

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San Joaquin Valley
Unified Air Pollution Control District

December 29, 2015

Governing Board
San Joaquin Valley Unified Air Pollution Control District

This Comprehensive Annual Financial Report (CAFR) of the San Joaquin Valley Unified Air Pollution Control District (District) is for the fiscal year ended June 30, 2015. Responsibility for the accuracy of the data, the completeness and fairness of the presentation, including all disclosures, rests with the District. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and reported in a manner designed to present fairly the financial position, changes in financial position, and all disclosures necessary to enable the reader to gain an understanding of the District's financial activities.

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

ABOUT THE SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

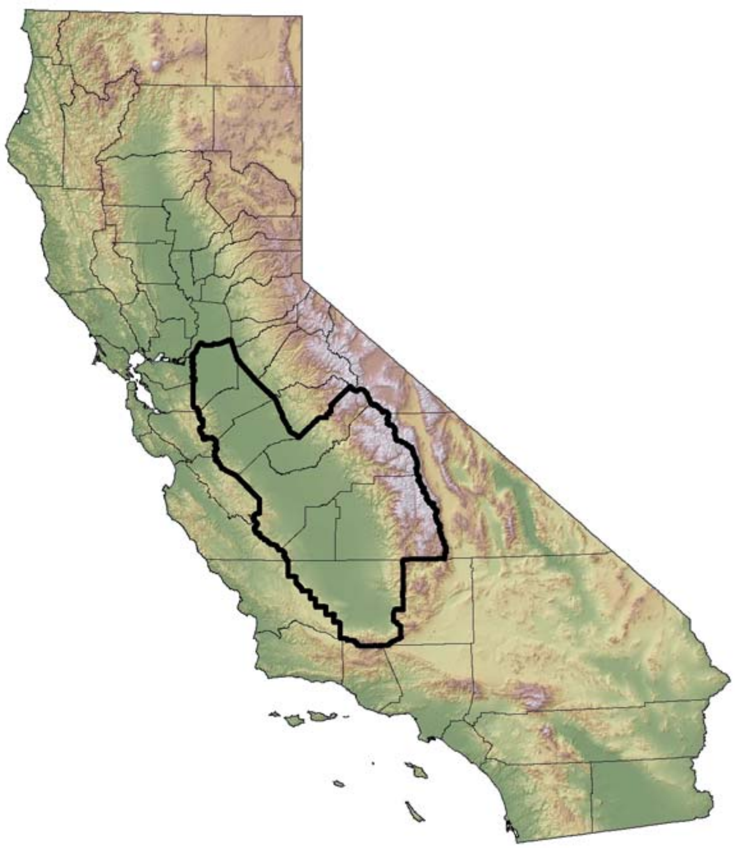
Background

The District began operation on March 20, 1991 as a unified air pollution control district operating under the provisions of Sections 40150 through 40162 of the California Health and Safety Code. The District is a regional agency responsible for air quality management in the eight counties in the San Joaquin Valley Air Basin: San Joaquin, Stanislaus, Merced, Madera, Fresno, Kings, Tulare and the Valley portion of Kern. The San Joaquin Valley Air Basin is the largest air basin in California and covers about 25,000 square miles (see map next page). The San Joaquin Valley (Valley) is one of California's fastest growing population areas, with a total estimated population of about 3.99 million residents in the calendar year 2015. Major urban centers exist in Stockton, Modesto, Fresno, Visalia, and Bakersfield.

The District works with local, state and federal government agencies, the business community and the residents of the Valley to reduce emissions that create harmful air quality conditions.

The District is governed by a fifteen member Board that consists of one representative from each of the Boards of Supervisors of all eight counties, five Council Members from Valley cities and two governor-appointed public members. These locally elected and appointed officials ensure that the implementation of state and federal air pollution mandates in the Valley are tailored to local conditions and responsive to local needs.

San Joaquin Valley Unified Air Pollution Control District
Jurisdictional Boundaries



Achieving Cleaner Air in the San Joaquin Valley
For the fiscal year 2012-2014 period, the Valley has attained the federal 1-hour ozone standard and has submitted an official redesignation request to the California Air Resources Board and U.S. Environmental Protection Agency (EPA). By contrast, in 1996 the Valley experienced 281 individual hour violations of this hourly standard throughout the eight-county region. Reaching this milestone has been the key focus of the Valley's air quality management strategies for more than two decades. In 2004, the U.S. EPA classified the Valley as "Extreme" nonattainment for this standard, meaning that reaching the standard at the time was deemed impossible. The Valley will be the first and

only region in the nation to attain a standard after being classified as “Extreme” nonattainment by the federal EPA.

Additionally, the 2015 ozone season was the cleanest on record for the Valley, continuing the improving trend of ozone concentrations across the region, and bringing the Valley closer to attainment of the federal 8-hour ozone standards.

In 2015, the San Joaquin Valley experienced the best summer ozone season in recorded air quality history. In fact, July 2015 alone recorded the best air quality for the month of July in the history of monitoring air quality in the San Joaquin Valley. Although the May to July 2015 time period had times of good atmospheric dispersion from passing storms, it also had a number of high pressure stagnation events with soaring temperatures with strings of triple digits, plentiful sunshine, and stagnant wind flow, all contributing to the potential for the formation of high concentrations of ozone. Despite these challenges, the Valley has shown tremendous improvement in ozone air quality this year compared to past years, and set new records for a number of metrics across a monitoring period of over 35 years. These improvements would not be possible without the success of the District’s control strategy through its various attainment planning efforts, its robust incentive programs, and the commitment from the Valley’s stakeholders in doing their part to reduce emissions as much as possible.

Despite these major improvements, the Valley still faces significant challenges in meeting the newest air quality standards, and cleaner air will still require continued focus on all sources of emissions and participation by all government sectors, business entities, and individuals throughout the Valley.

The District has the primary authority in regulating stationary sources of pollution, such as factories, businesses, and industries. Although state and federal laws preempt the District from setting new tailpipe standards for mobile sources of emissions, the District implements indirect source regulations and incentive-based programs to reduce emissions from on-road and off-road sources of air pollution. The primary authority to regulate emissions from mobile sources of air pollution, such as cars and trucks, lies with the state and federal government. In achieving clean air goals, the District partners with a number of other governmental agencies:

- The **federal government**, primarily through the EPA, sets health-based standards for air pollutants. The EPA also oversees state and local actions to improve air quality.
- The **state government,** through the California Air Resources Board (ARB) and the Bureau of Automotive Repair, develops programs to reduce pollution from vehicles and consumer products. The state also oversees the actions of local air districts and city and county agencies.

- **County and city governments** are responsible for land-use planning to address issues such as “urban sprawl” as well as transportation and mass transit planning.

Progress in cleaning our air is often measured in relation to the health-based standards established by the federal government. The State of California also establishes ambient air quality standards that serve as ultimate goals in achieving clean air.

In a regulatory sense, the road to cleaner air can be described as follows:

- EPA establishes the health standards.
- EPA identifies the regions that do not meet the new standards.
- EPA establishes deadlines for meeting the new standards and for submitting plans to get there.
- In collaboration with ARB, the District develops air quality plans outlining strategies needed to reduce emissions and meet the new standards.
- ARB forwards the plans for EPA approval after it reviews, approves, and adds state strategies.
- The District, ARB, and EPA adopt and implement plan commitments.
- The District provides routine updates and progress reports.

How the District Does Its Job

The District is a public health agency whose mission is to improve the health and quality of life for all Valley residents through efficient, effective and entrepreneurial air quality-management strategies. Towards that end, the District conducts the following activities:

- Develops and adopts air quality plans outlining strategies needed to reduce emissions.
- Develops, adopts and implements rules and regulations to reduce emissions.
- Leaves no stone unturned in crafting, promoting, and implementing innovative emission reduction strategies to achieve early attainment.
- Administers an efficient and comprehensive permitting system for stationary sources and offers meaningful business assistance to the regulated community in meeting applicable regulations.
- Maintains and updates an inventory of emissions from various Valley sources on an ongoing basis.
- Maintains an active and effective enforcement program.
- Administers voluntary incentive grants offering financial assistance to reduce air pollution.
- Operates an extensive air monitoring network to measure air pollutants throughout the Valley and track air quality improvements.
- Conducts comprehensive public education and outreach.

- Continues to set high standards in legal activities.
- Collaborates with state and local agencies.

MAJOR ACCOMPLISHMENTS FOR 2014-15

Air Quality Plans

The District has written several air quality plans (State Implementation Plans, or SIPs) over the years that serve as road maps for the new measures needed for the Valley to reach federal air quality standards. The District's air quality plans include emissions inventories showing the sources of air pollutants, evaluations of how well different control methods have worked, and a strategy for how air pollution will be further reduced. The air quality plans also use computer modeling to estimate future levels of pollution and to ensure that the Valley will meet air quality goals as expeditiously as practicable. In April 2015, the District Governing Board adopted the *2015 Plan for the 1997 PM2.5 Standard*. The plan was subsequently adopted by ARB and then submitted to EPA.

The District continues to implement commitments in previously adopted air quality plans and prepares for upcoming attainment plans. Upcoming air quality plans will include plans for EPA's PM2.5 standards under Clean Air Act Subpart 4 due to EPA in 2016/2017, EPA's 2008 8-hour ozone standard due to EPA in July 2016, and EPA's recently promulgated 2015 8-hour ozone standard with a yet to be determined EPA due date.

Rules and Regulations

The District continues its leadership in developing groundbreaking regulatory strategies to reduce emissions. Tough, innovative rules such as the District's rules for indirect source review, residential fireplaces, glass manufacturing, and agricultural burning have set benchmarks for California and the nation. Of the 30 regulatory control measures in recent air quality plans, the District has adopted all but one rule amendment, which is scheduled for adoption in 2016. New rule commitments for future years will be considered in upcoming air quality plans, including the next 8-hour ozone plan and the next PM2.5 plan, both of which are to be adopted in 2016. The following rule actions highlighted fiscal 2014-2015:

Wood Burning Fireplaces and Wood Burning Heaters (Rule 4901): Rule 4901 is the most cost-effective and health-protective rule the District has ever adopted. Rule 4901 enables Valley residents to play a major role in reducing emissions at almost no cost, and in many cases, with savings in heating-related energy costs. The September 18, 2014 amendments to Rule 4901 reduce emissions on curtailment days, encourages residents to upgrade to clean burning units, and achieves emissions reductions on burn days as well. Rule amendments lower the No Burn threshold for high polluting wood burning heaters and fireplaces from the previous limit of 30 $\mu g/m^3$ to 20 $\mu g/m^3$, while significantly increasing the number of permissible burn days for cleaner certified, registered, wood burning devices by raising the No Burn threshold for these devices to 65 μg/m^3. Total emission reductions achieved from amendments to Rule 4901 is calculated to be 5.1 tons per wood burning season day.

Exemptions (Rule 2020): Rule 2020 is the District's Exemptions Rule. The December 18, 2014 amendments to District Rule 2020 improved the District's permitting program by clarifying alignment of District Rule 2020 with the California Air Resources Board's (ARB) Portable Equipment Registration Program (PERP), exempting certain oil field tanks with insignificant emissions, clarifying applicability of current exemption levels for internal combustion engines rated at 50 horsepower or less, and updating standardized testing provisions.

Fees for Registration of Wood Burning Heaters (Rule 3901): District Rule 3901, adopted on September 18, 2014, creates the fee structure for the registration of wood burning heaters with the District pursuant to Rule 4901. The registration fee and registration renewal fee are established at $12.50.

Natural Gas-Fired, Fan-Type Central Furnaces (Rule 4905): Rule 4905 is the District's point of sale rule that reduces oxides of nitrogen (NOx) emissions from natural gas-fired, fan-type residential central furnaces with a rated heat input capacity of less than 175,000 British thermal units per hour (Btu/hr) and less than 65,000 Btu/hr cooling capacity for combination heating and cooling units. January 22, 2015 amendments to Rule 4905 lowered the NOx emission rates by 65% for new units sold in the San Joaquin Valley and also extended the applicability of Rule 4905 to include commercial units and units installed in manufactured homes. These amendments satisfied commitments included in the District's *2008 PM2.5 Plan*, *2012 PM2.5 Plan*, and *2013 Plan for the Revoked 1-hour Ozone Standard.* As a point of sale rule, emissions reductions will occur over the 20 year lifespan of existing units as they are replaced with new units. Amendments will result in approximately 2.10 tons per day of NOx emissions reductions upon full turnover of existing units by 2036, reflecting a greater than 50% reduction in emissions.

District Fee Rules: The District amended 17 District fee rules on April 16, 2015. Amendments include a fee increase of 4.8% on July 1, 2015, and a second increase of 4.4% beginning on July 1, 2016. These amendments are consistent with the Boards direction to gradually phase-in fee adjustments. These fee rules include the following:

- Rule 3010 Permit Fee
- Rule 3020 Permit Fee Schedules
- Rule 3030 Hearing Board Fees
- Rule 3040 Agricultural /Open Burning
- Rule 3050 Asbestos Removal Fees
- Rule 3060 Emission Reduction Credit Banking Fee
- Rule 3070 Other Charges
- Rule 3110 Air Toxics Fees

- Rule 3120 Regulation VIII Alternative Compliance Plan Review Fee
- Rule 3135 Dust Control Plan Fee
- Rule 3140 Fees for Certification of Air Permitting Professionals
- Rule 3147 Fees for Certification of Gasoline Dispensing Facility Testers
- Rule 3150 Fees for Portable Equipment Registration
- Rule 3155 Permit-Exempt Equipment Registration Fees
- Rule 3160 Prescribed Burning Fee
- Rule 3180 Administrative Fees for Indirect Source Review
- Rule 3190 Conservation Management Practices Plan Fee

Permitting

The District has the responsibility for issuing or denying permits, registrations and plan approvals for more than 30,000 non-mobile sources of air contaminants, and for tracking and assessing the impacts of these facilities' annual pollutant emissions. During the fiscal year 2014-15 reporting period, permitting activities included:

- 3,105 Authority to Construct permits issued
- 48 new Permits to Operate issued
- 320 Permit-Exempt Equipment Registrations issued
- 201 new Title V permits issued to 13 facilities
- 1,265 Title V permit renewals issued to 17 facilities
- 2,296 Title V permit modifications
- 459 Conservation Management Practices plans issued
- 467 Emission Reduction Credit certificates issued or transferred
- 876 toxic air contaminant risk-management reviews performed
- 6,147 annual emissions inventory statements and surveys processed
- 1,796 California Environmental Quality Act (CEQA) review requests processed
- 588 CEQA comment letters
- 63 CEQA documents prepared
- 175 Indirect Source Review applications processed
- 280 Employer Trip Reduction Implementation Plans (eTRIP)

Enforcement

The District maintains an active and effective enforcement program to assure real and continued reductions in emissions. The District inspects sources of air pollution, including all facilities with permits issued by the District. When sources are found in violation of District rules and regulations, citations are issued and monetary fines are levied. For 2014-15:

- 31,234 units inspected
- 2,457 Notice of Violation issued
- 3,376 public complaints investigated
- 1,512 open burn sites inspected

- 4,029 incentive funding units (i.e., trucks, engines) inspected
- 666 asbestos projects reviewed and inspected

Voluntary Incentive Grants

To attain the current health-based air quality standards for ozone, the Valley requires at least 75% in NOx reductions from the 2005 level. The District, however, has limited legal authority to achieve these emission reductions, as mobile sources comprise 80% of the Valley's NOx emission inventory. Thus, District regulations alone will not bring the Valley into attainment of federal air quality standards. Voluntary incentive programs play a critical role in achieving and accelerating the reductions required for the Valley's attainment.

Since inception, the District has awarded more than $771 million in incentives, resulting in more than 134,000 tons of lifetime emission reductions. During the 2014-15 fiscal year, the District executed more than 8,600 agreements for more than $76 million. These projects are expected to reduce more than 7,500 tons of lifetime emissions.

The District's incentive program has become a model for grant programs throughout the State. In recent state audits, the District was noted for its efficient, robust and effective use of incentive grant funds in reducing air pollution. The District funds the following types of projects:

- Diesel agriculture irrigation pump replacements
- New Electric agricultural irrigation pump purchase
- Emerging technology demonstration projects
- Electric forklift purchases
- Bicycle path construction
- On-road and off-road vehicle engine replacements, engine retrofit and vehicle replacements
- Wood-stove replacements
- School bus replacements, retrofits, and CNG tank replacements
- Gross-polluting vehicle crushing and replacements
- New, clean vehicle purchases
- Transit pass subsidies
- Locomotive replacements
- E-mobility equipment
- Vanpools
- Lawn and garden equipment
- Alternate fuel mechanic training
- Advanced Transit and Transportation
- Electric Vehicle Charging Stations for public use

The District has received high marks for efficiency and accountability in our administration of these programs by ARB and EPA auditors in the past. In fact, District incentive program policies and procedures are often used as examples of "best practices" that other programs throughout the State can emulate, and the District has been awarded administration of grant funds for other air agencies as a result.

Comprehensive Public Education and Outreach

The District's Outreach and Communications Department continues to set the standard for innovative, effective and efficient outreach strategies and campaigns. Operating with a budget much less than other air management agencies statewide, the District's outreach department nonetheless is just as effective in conveying critical public information, policy and air quality news.

The District's Outreach and Communications team, a highly skilled group of communications professionals with expertise in public relations, media, graphics and web design, audio-video production and event organization, continues to expand its activities and District messaging in the Valley air basin through programs tailored to each sector in the broader community. The District continues to spearhead many important seasonal campaigns, including:

- **Check Before You Burn**: This annual multimedia, multilingual outreach campaign runs from November through February, and is credited with the Valley achieving unprecedented improvements in wintertime air quality.

- **Drive Clean:** Electric vehicle workshops were hosted in partnership with the California Center for Sustainable Energy (CCSE) in Fresno and Modesto. The workshops featured presentations by the District and CCSE staff, as well as representatives of utility providers and owners' panels, about the technology behind the newest plug-in vehicles, generous incentives for their purchase and the experience of driving them. Attendees were given the opportunity to investigate a variety of electric vehicles on site, as well.

- **Tune In, Tune Up** is a program designed to identify and repair high-emitting vehicles. The Tune In, Tune Up program is operated in partnership with Valley Clean Air Now, which has a long history of successfully implementing this program, and excels at reaching residents in environmental justice communities who otherwise may not be able to afford costly vehicle repairs. Reaching this key demographic is essential as the emission reductions are most needed in low-income communities, which are historically home to the greatest percentage of high-emitting vehicles. Through weekend events held throughout the Valley in 2014-15, participating residents could have their vehicles screened to determine if they qualified for emissions-related repairs at little to no cost to them. In the Tune In, Tune Up program, vehicle owners bring their vehicles to one of the program's weekend events, where an emissions test is performed to determine the likelihood of that vehicle failing the required biennial smog test. Owners of vehicles that fail this initial screening are provided with vouchers that are redeemable at participating smog shops for up to $500 in emissions-related repairs. Once the vehicle is repaired, confirmatory smog tests are conducted that can then be used for vehicle re-registration purposes. As a recent new feature of this program, vehicles better suited for replacement are identified and residents are offered incentives to assist them in replacing their high polluting vehicle with a clean vehicle.

FACTORS AFFECTING FINANCIAL CONDITIONS

The District's operations are primarily supported by permit and auto registration fees, as well as state and federal grant revenue. In addition, the District receives penalties, settlements, interest and other miscellaneous revenues.

During this period, the District continued to devise and implement a number of efficiency and streamlining measures aimed at minimizing operating costs while delivering a high level of customer service. Additionally, through strict position control, the District was able to achieve 7% in salary savings. Despite the District's commitment to cost-cutting measures, the unavoidable rise in operating costs necessitated a modest permit fee increase. The District amended 17 District fee rules on April 16, 2015. Amendments included a fee increase of 4.8% on July 1, 2015, and a second increase of 4.4% beginning on July 1, 2016.

Long-term Financial Planning

While the District's permit fee and DMV revenues are relatively stable, the current state of the economy continues to dampen any growth in these fees. Operating costs, however, continue to grow due to inflation, increased state and federal mandates, and rising pension costs. In light of rising pension costs and unfunded liability, a key priority for the District has been to curb the rising costs and increase employees' pension contributions. In an effort to slow escalating pension costs, the District negotiated with employees to add a second retirement tier for new employees hired on or after July 31, 2012. During the most recent MOU negotiation, the District was able to negotiate a higher pension contribution from employees. The District's share of the pension cost was reduced correspondingly as the employees took on a greater contribution share. The approved MOUs establish a 3-year phased in approach to bring employees up to a 50/50 total normal cost share on an expedited schedule, rather than waiting until January 1, 2018 to begin the pursuit of greater cost-sharing with employees. In exchange for these savings, during the terms of these MOUs, the employees were offered a corresponding pension offset pay. However, in future years if the total normal retirement cost continues to increase, the District will realize additional savings through the greater agreed upon cost share with employees. These new agreements and continued implementation of the California Public Employees' Pension Reform Act of 2013 (PEPRA) is expected to slow down the rate of increase in the District's pension costs.

The District will continue to look for additional opportunities within the bounds of applicable laws to reduce the District's long-term pension costs.

FINANCIAL CONTROLS

Annual and Independent Audit

It is the policy of the District to have an annual audit performed by an independent certified public accounting firm appointed by the District's Governing Board. Brown Armstrong Accountancy Corporation conducted the independent audit of the District's financial statements for the fiscal year ended June 30, 2015. The auditor's unmodified opinion on the basic financial statements is included in the Financial Section of this report.

As part of the District's annual audit engagement, the auditors review the District's internal control structure, as well as compliance with applicable laws and regulations. The results of the District's annual audit for the fiscal year ended June 30, 2015 provided no instances of material weaknesses in connection with the internal control structure or violations of applicable laws and regulations.

As recipients of federal and state financial resources, the District is required to undergo an annual single audit. The information related to this single audit, including the Schedule of Expenditures of Federal Awards, findings and recommendations and auditor's reports on the internal control structure and compliance with applicable laws and regulations, is included in a separately issued report.

Internal Accounting Controls

Management of the District is responsible for establishing, maintaining and evaluating the District's accounting system with an emphasis on the adequacy of an internal control structure. The internal accounting controls are designed to: ensure that the assets of the District are protected against loss, theft or misuse; ensure the reliability of adequate accounting data for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America; and provide reasonable, but not absolute, assurances that these objectives are met. The concept of reasonable assurance recognizes that the costs of a control should not exceed the benefits likely to be derived from it and that the evaluation of costs and benefits require estimates and judgment be made by management.

The District's internal control evaluations occur within the above framework, which ensures adequate safeguard of the District's assets and reasonable assurance of proper recording of financial transactions.

Budgetary Control
In accordance with the provisions of the State Health and Safety Code Section 40131, the District's Formation Agreement, and the District's Administrative Code, the District prepares and legally adopts a final balanced budget on or before June 30 of each fiscal year. The final adopted budget is available for review on the District's Website, **www.valleyair.org**.

Budgetary control is exercised at the object level. All amendments or transfers of appropriations between these levels are authorized by the Executive Director/Air Pollution Control Officer (APCO) and must be approved by the District Governing Board. Supplemental appropriations financed by unanticipated revenues also must be approved by the Board.

Expenditures, except for capital outlays, are controlled at the object level for all program budgets within the District. Capital outlays are controlled at the sub-object level. There are no excess expenditures over the related appropriations in any object. Budgeted amounts are reported as amended.

Encumbrances, which are commitments related to executory contracts for goods or services, are recorded for budgetary control purposes. Encumbrance accounting is utilized for budgetary control and accountability and to facilitate effective cash planning and control.

Unencumbered appropriations lapse at year-end and encumbrances outstanding at that time are reported as assigned fund balance for subsequent year expenditures.

The accounting principles applied in developing budgetary expenditures data differ from the amount reported on the financial statements in conformity with accounting principles generally accepted in the United States of America. Reconciliation of the differences is presented in the Required Supplementary Information section of this report.

OTHER INFORMATION

Awards and Acknowledgments
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the San Joaquin Valley Unified Air Pollution Control District for its comprehensive annual financial report for the fiscal year ended June 30, 2014. This was the second consecutive year that the district has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the District must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The dedicated services of the District Finance team made the preparation of our comprehensive annual financial report possible.

Recognition is also given to the Governing Board for their leadership and support and to all employees of the District who continue to promote technology and improve operations to accomplish the District's mission of protecting public health from air pollution in an efficient and cost effective manner.

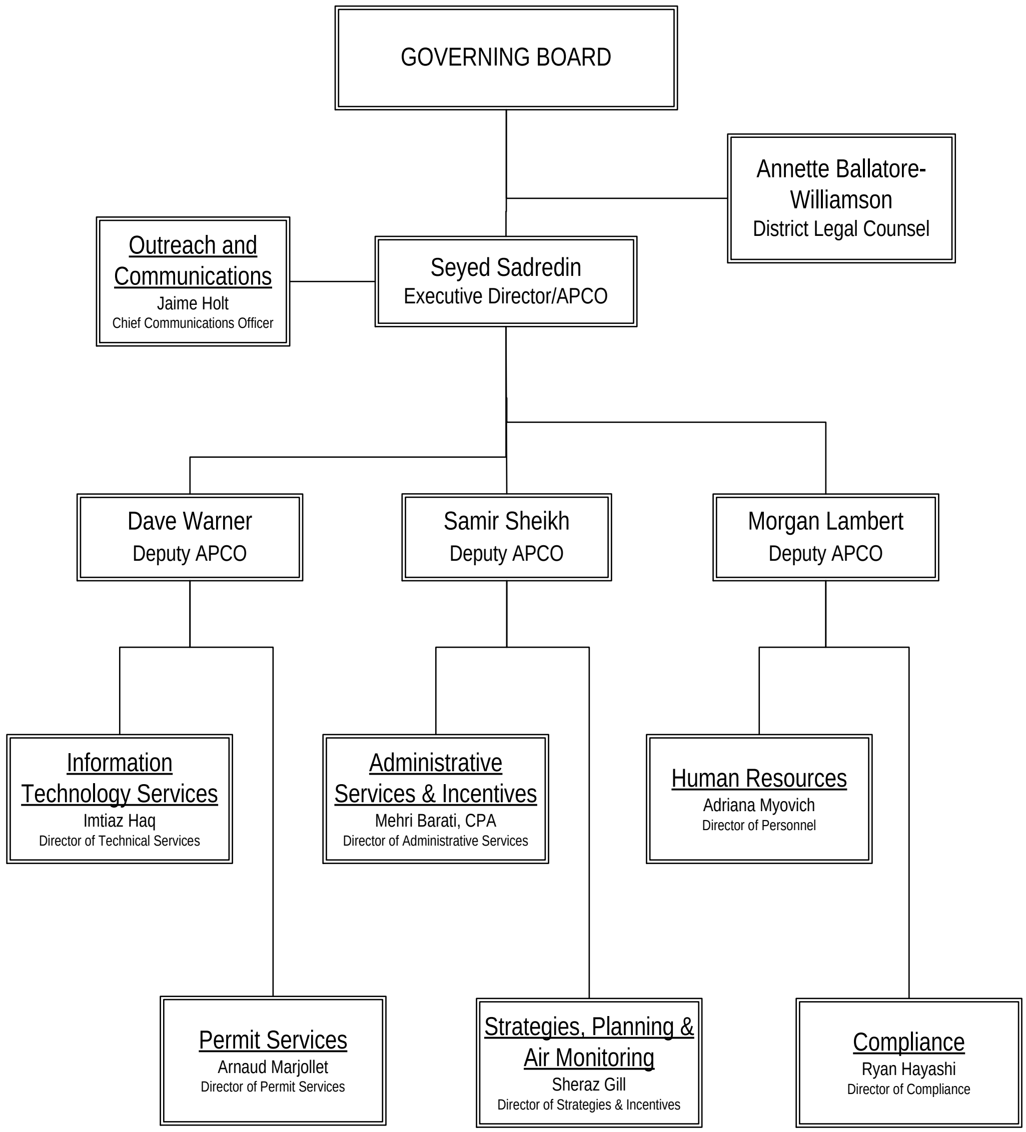
Respectfully submitted,

Seyed Sadredin
Executive Director/Air
Pollution Control Officer

Mehri Barati, C.P.A.
Director of Administrative
Services

San Joaquin Valley Unified Air Pollution Control District

June 30, 2015



San Joaquin Valley Unified Air Pollution Control District

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

San Joaquin Valley

Unified Air Pollution Control District

California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

FINANCIAL SECTION

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BROWN
ARMSTRONG

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BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Governing Board
San Joaquin Valley Unified Air
Pollution Control District
Fresno, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and General Fund of the San Joaquin Valley Unified Air Pollution Control District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and General Fund of the District, as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As noted in Note 1 to the financial statements, during the year ended June 30, 2015, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, during fiscal year 2015. Our opinion is not modified with respect to the matter.

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 schedule for the General Fund, Kern County Employees' Retirement Association – Schedule of the District's Proportionate Share of the Net Pension Liability, and Schedule of the District's Pension Contributions as listed 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 Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2015, 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.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
December 29, 2015

San Joaquin Valley Unified Air Pollution Control District
Management's Discussion and Analysis
June 30, 2015

Our discussion and analysis of the San Joaquin Valley Unified Air Pollution Control District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2015. Please read it in conjunction with the transmittal letter and the basic financial statements.

A. Financial Highlights

New Significant Accounting Standards Implemented

In fiscal year 2014-15, the District adopted two new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB) that relate to pension activity:

- Statement No. 68, "Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27," and
- Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68."

Statement No. 68 (Statement) establishes standards of accounting and financial reporting, but not funding or budgetary standards, for the District's defined benefit pension plans. This Statement replaces the requirements of prior GASB statements impacting accounting and disclosure of pensions.

The significant impact to the District of implementing Statement No. 68 is the reporting of the District's unfunded pension liability on the District's full accrual basis of accounting government-wide financial statements. There are also new note disclosure requirements and supplementary schedules required by the Statement.

The measurement date for the pension liabilities is as of June 30, 2014. This date reflects a one year lag and was used so that these financial statements could be issued in an expedient manner. Activity (i.e., contributions made by the District) occurring during fiscal year 2014-15 are reported as deferred outflows of resources in accordance with Statement No. 71.

In order to implement the Statement, a prior period adjustment was made to the District's July 1, 2014 net position. This prior period adjustment decreased the District's net position by $62,975,081 from $168,521,247 to $105,546,166 and reflects the reporting of: 1) net pension liabilities of $71,067,704, and 2) deferred outflows of resources of $8,092,623. Please refer to Note 5 for more information regarding the District's pensions.

The adoption of Statement No. 68 has no impact on the District's governmental fund financial statements, which continue to report expenditures equal to the amount of the District's actuarially determined contribution (formerly referred to as the "annual required contribution"). The calculation of pension contributions is also unaffected by this Statement.

Financial Analysis

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $92.4 million *(net position).* Of this amount, $104.4 million is restricted for specific purposes and $9.3 million represents the net investment in capital assets. Both of these are offset by a negative balance of $21.3 million *(unrestricted net position)* resulting from the new reporting requirement to include net pension liability as a portion of the District's total liability amount.

- The District's total net position decreased $76.2 million as compared to the prior fiscal year. Of this decrease, $63.0 million was related to the implementation of newly adopted Governmental Accounting Standard Board (GASB) statements that relate to pension activity and $13.2 million was related to a decrease in federal and incentive grant funding being received this year combined with an increase in grant expenditures.

- The District's Governmental Fund reported a total fund balance of $149.0 million at year-end, a $13.5 million decrease as compared to the prior year-end balance. Approximately $104.4 million of this balance is contractually or legally restricted for incentive programs; $33.7 million represents fund balance assigned to specific purposes, such as community incentive programs, and encumbrances. This District reported $10.3 million unassigned fund balance at the end of fiscal year 2014-15.

- Total District governmental fund expenditures exceeded total District revenues by $13.5 million. This was due primarily to a decrease in federal and incentive grant funding being received this year and an increase in grant expenditures. A significant amount of fiscal year 2014-15 non-operating expenditures were funded by revenues received in fiscal year 2013-14.

B. 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 have three components: 1) Government-wide Financial Statements, 2) Fund Financial

Statements, and 3) Notes to the Basic Financial Statements. The District's Comprehensive Annual Financial Report (CAFR) also includes required supplementary information to the Basic Financial Statements. In general, the purpose of financial reporting is to provide external parties that read the financial statements with information that will help them make decisions or draw conclusions about an entity. In order to address the needs of as many parties as reasonably possible, the District, in accordance with required reporting standards, presents government-wide financial statements and fund financial statements.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to commercial enterprises or a private-sector business. These financial statements include the Statement of Net Position and the Statement of Activities.

The Statement of Net Position presents information on all of the District's Assets and Deferred Outflows of Resources and Liabilities and Deferred Inflows of Resources with the difference reported as Net Position. This difference is comparable to total stockholders' equity presented by a commercial enterprise. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities reports the net cost of the District's activities by program and is prepared on the full accrual basis of accounting. Revenues and expenses are recognized as earned and incurred even though they may not have been received or paid in cash.

The focus of the Statement of Activities is on the cost of various program activities performed by the District. The statement begins with a column that identifies the cost of each of the District's major programs. Another set of columns identifies the revenues that are specifically related to these activities. The difference between the expenses and the revenues related to specific program activities represents the net cost or revenue of the program. This determines the amount, if any, drawn from general revenues by each program activity.

The District's government-wide financial statements are presented on pages 20 and 21 of this report.

Fund Financial Statements

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole.

Governmental Fund

The fund financial statements consist of the Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance. These are prepared on the modified accrual basis of accounting. See Note 1, section (B), which explains the modified accrual basis of accounting. In contrast, the government-wide financial statements are prepared on the full accrual basis of accounting.

The District's Balance Sheet is presented on page 22 and Statement of Revenues, Expenditures, and Changes in Fund Balance is presented on page 24 of this report.

The focus of the fund financial statements is narrower than that of the government-wide financial statements. Since different accounting bases are used to prepare the above statements, a reconciliation is required to facilitate the comparison between the fund statements and the government-wide statements. The reconciliation of the total fund balance and total net position reported in these two statements can be found on page 23 of this report.

The reconciliation of the total changes in fund balance for the governmental fund to the change in net position can be found on page 25 of this report.

Notes to the Basic Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 26 to 49 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the budgetary comparison schedule and budgetary reconciliation. The Schedule of General Fund Budgeted and Actual Expenditures can be found on page 53 of this report with the Notes to the Schedule on page 54. The Schedule of the District's Proportionate Share of the Net Pension Liability and the Schedule of the District's Contributions can be found on page 55.

C. Government-wide Financial Analysis

Our analysis focuses on the net position and the changes in net position of the District's governmental activities.

The following schedule is a condensed Statement of Net Position as of the year ended June 30, 2015, as compared to the prior fiscal year.

Statement of Net Position
(In Thousands)

	Fiscal Year 2014-15	Fiscal Year 2013-14	Increase (Decrease)	Percent Change
Current and other assets	$ 150,857	$ 164,321	$ (13,464)	-8.2%
Capital assets	9,259	9,117	142	1.6%
Total assets	160,116	173,438	(13,322)	-7.7%
Total deferred outflows of resources	14,310	-	14,310	-
Current liabilities	2,133	2,096	37	1.8%
Noncurrent liabilities	71,051	2,821	68,230	2418.6%
Total liabilities	73,184	4,917	68,267	1388.4%
Total deferred inflows of resources	8,893	-	8,893	-
Net position:				
Net investment in capital assets	9,259	9,117	142	1.6%
Restricted for special projects/programs	104,379	114,186	(9,807)	-8.6%
Unrestricted	(21,289)	45,218	(66,507)	-147.1%
Total net position	$ 92,349	$ 168,521	$ (76,172)	-45.2%

The District's total net position decreased $76,172,023 from the prior fiscal year. From this amount $62,975,081 was related to recognition of pension liabilities and $13,196,942 was due to a reduction of grant revenues and an increase in incentive expenses.

The District's total liabilities increased $68,267,061 from the prior fiscal year. Current liabilities increased $37,101. The District reported a liability of $68,213,462 for its proportionate share of the net pension liability on its financial statements in accordance with the new requirements this fiscal year, causing a substantial increase in its noncurrent liabilities. The increase in current liabilities was mostly due to a higher amount of accrued wages payable that were posted this year as compared to last year.

Of the District's total net position, the majority is legally or contractually restricted to expenditures for incentives and grants. This amount is offset by a negative unrestricted net position which is due to the new reporting requirement to include net pension liability as a portion of the District's total liability amount. Additionally, $9.3 million are net position in the form of capital assets (e.g., land, buildings, equipment, and vehicles). Consequently, these assets are not available for future spending.

The following is a condensed schedule of Changes in Net Position for the fiscal year ended June 30, 2015, as compared to the prior year.

Changes in Net Position
(In Thousands)

	Fiscal Year 2014-15	Fiscal Year 2013-14	Increase (Decrease)	Percent Change
Revenues:				
Program revenues:				
Fees and charges - stationary sources	$ 23,589	$ 23,372	$ 217	0.9%
Fees and charges - mobile sources	12,587	13,945	(1,358)	-9.7%
Operating grants	2,199	2,032	167	8.2%
Restricted special revenue sources	75,338	82,255	(6,917)	-8.4%
General revenues:				
State subvention - not restricted	916	917	(1)	-0.1%
Interest - not restricted	1,237	1,050	187	17.8%
Penalties/settlements	3,022	4,204	(1,182)	-28.1%
Miscellaneous revenue	142	71	71	100.0%
Total revenues	119,030	127,846	(8,816)	-6.9%
Expenses:				
Permitting	12,781	13,987	(1,206)	-8.6%
Enforcement/air monitoring/agricultural burning	13,938	12,560	1,378	11.0%
Plan and rule development	1,272	1,781	(509)	-28.6%
Mobile sources	4,639	4,526	113	2.5%
Outreach and communications	2,515	2,454	61	2.5%
Air quality analysis	3,521	3,500	21	0.6%
Restricted for grants and other uses	93,561	87,628	5,933	6.8%
Total expenses	132,227	126,436	5,791	4.6%
Increase (decrease) in net position	(13,197)	1,410	(14,607)	-1036.0%
Net position - beginning	168,521	167,111	1,410	0.8%
Adjustment to Net Position (See Note 1.J)	(62,975)	-	(62,975)	
Restated net position - beginning	105,546	167,111	(61,565)	-36.8%
Net position - ending	$ 92,349	$ 168,521	$ (76,172)	-45.2%

Governmental Activities

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

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

Fees, grants, state subvention, penalties, and settlements predominantly support the governmental functions of the District. The primary governmental activities of the District include the following: Permit Services, Enforcement/Air Monitoring/Agricultural Burning, Plan and Rule Development, Mobile Source, Outreach and Communications, Air Quality Analysis, and Grants and Other Special Uses. The following is a schedule of Revenues by Major Source for the fiscal year ended June 30, 2015, as compared to the prior year.

Revenues by Major Source
Governmental Activities
(In Thousands)

	Fiscal Year 2014-15	Fiscal Year 2013-14	Increase (Decrease)
Stationary Sources	$ 23,589	$ 23,372	$ 217
Mobile Sources	12,587	13,945	(1,358)
Operating Grants	2,199	2,032	167
General Revenues *	5,317	6,242	(925)
Restricted Special Revenue Sources	75,338	82,255	(6,917)
	$ 119,030	$ 127,846	$ (8,816)

* Includes State Subvention, Interest, Penalties and Settlements, and other Miscellaneous Revenues that are not restricted to specific programs.

Following are explanations of the significant revenue variances from the prior fiscal year:

Stationary Source Revenue

- Stationary Source Revenue increased $217,092 compared to the prior fiscal year. The majority of this increase was due to a higher level of Conservation Management Practices (CMP) biennial renewal fees the District collected this year as compared to last year.

Mobile Source Revenue

- Mobile Source Revenue shows a decrease of $1,358,279 compared to the prior fiscal year. Lower than expected administrative revenues were the primary reason for this decrease.

Operating Grant Revenue

- Operating Grant Revenue is higher this year by $166,674 as compared to the prior fiscal year due to an increase in U.S. Environmental Protection Agency (EPA) 103 revenue.

Grant Revenue	Fiscal Year 2014-15	Fiscal Year 2013-14	Increase (Decrease)
EPA 105 Grant	$ 1,894,254	$ 1,923,902	$ (29,648)
EPA 103 Grant	304,497	108,175	196,322
Total Grant Revenue	$ 2,198,751	$ 2,032,077	$ 166,674

General Revenues

- General Revenues decreased $925,634 as compared to the prior fiscal year due to a lower level of Penalty and Settlement revenue received.

Restricted Special Revenue Sources

- Restricted Special Revenue decreased $6,916,664 compared to the prior fiscal year. The table below details the major changes to the various incentive programs that make up this increase. Changes are due to the availability of and/or timing of the receipt of grant and other funding sources.

Incentive Program	Fiscal Year 2014-15	Fiscal Year 2013-14	Increase (Decrease)
DMV Surcharge Fees	$ 44,186,256	$ 43,424,385	$ 761,871
Carl Moyer Program	9,271,017	8,280,310	990,707
Proposition 1B	11,540,679	22,827,299	(11,286,620)
Lower Emission School Bus Program	-	24,868	(24,868)
Federal Diesel Earmark Grant	379,030	2,118,045	(1,739,015)
Cap and Trade	1,531,700	-	1,531,700
Diesel Emission Reduction Act	2,262,437	456,299	1,806,138
Voluntary Emission Reduction	1,311,901	132,756	1,179,145
Agriculture Tractor Replacement Program	-	283,550	(283,550)
Indirect Source Mitigation Fees	2,460,708	3,735,404	(1,274,696)
Other Miscellaneous Incentives	2,394,327	971,803	1,422,524
Total	$ 75,338,055	$ 82,254,719	$ (6,916,664)

Total District Expenses increased by $5,790,649. The majority of this increase was related to grant related expenses which were significantly higher compared to last year due to more funds being available. The following is a schedule of District expenses by activity for the fiscal year ending June 30, 2015 with a comparison of prior year expenses.

Expenses by Activities
Governmental Activities

	Fiscal Year 2014-15	Fiscal Year 2013-14	Increase (Decrease)
Permitting	$ 12,781,456	$ 13,987,232	$ (1,205,776)
Enforcement/Agricultural Burning	13,938,265	12,559,594	1,378,671
Plan and Rule Development	1,271,597	1,780,869	(509,272)
Mobile Source	4,639,424	4,526,521	112,903
Outreach & Communications	2,514,672	2,453,837	60,835
Air Quality Analysis/Air Monitoring	3,520,539	3,499,658	20,881
Total Operating Expenses	38,665,953	38,807,711	(141,758)
Restricted for Grants and Special Uses	93,560,856	87,628,449	5,932,407
Total District Expenses	$ 132,226,809	$ 126,436,160	$ 5,790,649

D. Financial Analysis of the District's General Fund

General Fund

As of the end of the fiscal year, the District's General Fund reported an ending fund balance of $148,952,214, a decrease of $13,488,946 in comparison with the prior year. Of the ending fund balance, 70.1% or $104,379,326 is restricted for grants and incentives. The long-term contractual commitments related to these restricted programs involve multiple-year expenditures. The ending fund balance also includes 0.4% or $547,566 not in spendable form for items that are not expected to be converted to cash, such as prepaid expenses, and 22.7% or $33,748,127 assigned to be used for Community Incentive programs, encumbrances and other assignments of Fund Balance listed in Note 1.K on page 31 of this report.

At the end of the fiscal year, the District's Unassigned Fund Balance was $10,277,195, a decrease of $3,039,813 compared with the prior year. The majority of this decrease was related to a decrease in penalties and settlements and administrative revenues received for state and federal grant administration.

Operating Revenues

- Total Operating Revenues decreased $1,900,147 which was mainly due to decreases in settlement fees and administrative revenues.

Operating Expenditures

Total Operating Expenditures increased $330,747 as compared to the prior fiscal year.

- Total salaries and benefits increased $338,960 compared to the prior fiscal year. The major factors in this increase, offset by salary savings, were due to actuarial assumption changes by the Kern County Employees' Retirement Association's Board of Retirement resulting in higher retirement costs of $161,918, and a scheduled salary increase per the employees' Memorandum of Understanding.

- Total services and supplies decreased $590,075 from the prior fiscal year. This decrease was due to reduced expenditures in the professional and specialized services account due to a number of contracts for major projects being completed and expensed in the previous fiscal year and not this year.

- Total capital outlay increased $581,862 as compared to the prior fiscal year. This was primarily the result of a number of significant projects requiring the purchase of additional computer equipment and the continued expansion of the District's air monitoring station's reporting capabilities. The table below details the major changes to the various capital asset accounts that make up this increase.

Account Title	Fiscal Year 2014-15	Fiscal Year 2013-14	Increase (Decrease)
Computer Equipment	$ 794,118	$ 436,720	$ 357,398
Telephone System	7,717	13,263	(5,546)
Automobiles	146,287	205,709	(59,422)
Office Improvements	19,542	71,377	(51,835)
Video Conferencing System	335,979	45,424	290,555
Air Monitoring Station Automation Project	214,885	-	214,885
Air Monitoring Station Equipment	267,913	613,333	(345,420)
Monitoring Near Roadways	181,247	-	181,247
Total	$ 1,967,688	$ 1,385,826	$ 581,862

Non-Operating Revenues

- Non-Operating Revenues decreased $6,916,664 mainly due to a decrease in the amount of state and federal grant funds received, particularly Proposition 1B (Prop 1B).

Non-Operating Expenditures

- Non–Operating Incentive Program expenditures increased $5,932,407 compared to the prior fiscal year. This was primarily due to an increased level of Carl Moyer Program and Prop 1B funds spent in fiscal year (FY) 14-15 as compared to the previous year. The table below details the major changes to the various Incentive Programs that make up this increase.

Incentive Program Name	Fiscal Year 2014-15	Fiscal Year 2013-14	Increase (Decrease)
DMV Heavy-Duty Program	$ 39,585,372	$ 54,176,796	$ (14,591,424)
Carl Moyer Program	13,023,785	6,926,979	6,096,806
School Bus Retro/Replace Program	965,971	322,540	643,431
Air Shed - Ag Tractor Replacement	-	283,550	(283,550)
Traffic Congestion Relief Program	-	1,569,578	(1,569,578)
Voluntary Emission Reduction Agreements	807,889	354,391	453,498
Indirect Source Review Rule Mitigation Program	3,733,409	798,528	2,934,881
Federal Diesel Earmark Grant	379,030	2,118,045	(1,739,015)
Proposition 1B Program	24,096,076	14,240,548	9,855,528
School Bus Program	2,240	2,390,866	(2,388,626)
Diesel Emission Reduction Act	2,262,679	457,481	1,805,198
Community Incentive Programs	8,236,489	3,202,148	5,034,341
Air Toxics	17,346	19,447	(2,101)
Misc. Incentive Grants	343,849	662,004	(318,155)
Hearing Board Incentive Grant	106,721	105,548	1,173
Total	$ 93,560,856	$ 87,628,449	$ 5,932,407

E. Capital Assets

The District's capital assets are used for governmental activities. The book value was $8,355,044 (net of accumulated depreciation of $11,300,710) as of June 30, 2015. Capital assets include land, buildings and improvements, equipment for air monitoring stations, computer and office equipment, video conferencing equipment, and District vehicles.

Additional information on capital assets can be found in the "Notes to the Basic Financial Statements" on page 39 of this report.

F. Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred Outflows of Resources

Deferred outflows of resources are new to the District's Statement of Net Position for this fiscal year. This classification balance, although similar to "assets," is set apart because these items do not meet the technical definition of being a District asset on the date of these financial statements. In other words, these amounts are not available to pay liabilities in the way assets are available. When all the recognition criteria are met, the deferred outflows of resources will become expenses/expenditures.

The most significant deferred outflows of resources reported are related to the implementation of GASB Statement No. 68 and GASB Statement No. 71 for pension liability reporting. GASB Statement No. 71 requires that contributions made during the fiscal year to the retirement system be reported as deferred outflows of resources. Consequently, the majority of the deferred outflows of resources reported are comprised of current year contributions to the retirement system. However, there may be some deferred outflows of resources attributable to the various components that impact pension changes, and can include investment changes amortization, changes due to actuarial assumptions, and differences between expected or actual experience.

Deferred Inflows of Resources

Deferred inflows of resources are the counterpart to deferred outflows of resources on the Statement of Net Position. Deferred inflows of resources are not technically liabilities of the District as of the date of the financial statements. When all the recognition criteria are met, the deferred inflows of resources will become revenue or increases to net position. The only types of deferred inflows of resources being reported on the District's Statement of Net Position, are those related to pensions.

- Deferred inflows of resources related to pensions represent a net amount attributable to the various components that impact pension changes, and can include investment changes amortization, changes due to actuarial assumptions, and differences between expected or actual experience.

G. Current Year's Long-Term Debt

At the end of the current fiscal year, the District had total long-term debt outstanding of $3,066,067. This amount is comprised solely of compensated absences, including the current portion due of $228,947. Additional information on the District's compensated absences can be found in Note 4 under the Notes to the Basic Financial Statements section of this report.

H. Current Year's Budget

The District Budget is divided into two sections. The Operating Budget represents those expenditures that directly support the everyday operations of the District including administration of incentive programs. The Non-Operating Budget represents those expenditures for the emission reduction incentive programs administered by the District. In addition to funding provided by the District, various federal and state agencies provide funding for these programs in the form of grants or agreements. Listed below are the major factors that explain the change from the Adopted Budget to the final Adjusted Budget at year-end.

The original Operating Budget adopted in June 2014 was $43,971,394. No adjustments were made to the appropriations during fiscal year 2014-15. Under District budget policy, all prior unused appropriations lapse at year-end and are re-budgeted. Revenues unrealized as of the fiscal year 2014-15 year-end are re-budgeted in 2015-16. Revenues already received, but unspent, are included in the 2015-16 budget as available Fund Balance.

The Adjusted Non-Operating Budget at June 30, 2015 was $226,348,507, including $350,000 appropriated for contingencies. This was an increase of $69,520,207 over the originally adopted Non-Operating Budget. This increase was due to fewer than expected expenditures occurring in fiscal year 2013-14, which increased that year's ending fund balance. That fund balance was a revenue source for fiscal year 2014-15, supporting the same expenditures as the previous year. Listed below are the major budget additions made during the year:

- The mid-year non-operating budget true-up of $62,214,162, including increases to DMV Surcharge Fees, Carl Moyer Program, Prop 1B, Indirect Source Review (ISR) Rule and Community Incentive revenues.
- $2,040,000 for the Enhanced Fleet Modernization Program.
- $1,841,970 for Air Resources Board Supplemental Environmental Project School Bus Retrofit
- $1,500,000 for the District's Burn Cleaner program.

Operating Budget

<u>Revenues</u>
Actual Operating Revenues at June 30, 2015 were $43,691,815, as compared to the final Adjusted Budget of $46,425,128, a negative variance of $2,733,313. Revenues were lower than expected in fiscal year 2014-15 due to a decrease in administrative fees, and penalties and settlements received.

<u>Expenditures</u>
Actual Operating Expenditures at June 30, 2015 were $39,455,424 as compared to the final Adjusted Budget of $43,971,394, a positive variance of $4,515,970.

Salaries and Benefits

Actual salary and benefit expenditures at year-end were $32,378,741 as compared to the final Adjusted Budget of $34,776,789, a positive variance of $2,398,048. Salary and benefit savings on vacant positions during the year were the major factor contributing to the positive variance.

Services and Supplies

Actual services and supplies expenditures at year-end were $4,884,095 as compared to the final Adjusted Budget of $6,434,787, a positive variance of $1,550,692. Of the total expenditure amount, $847,548 was encumbered at year-end. Listed in the table below are the expenditures that make up the variances in the services and supplies accounts.

	Final Adjusted Budget	Actual Expenditures June 30, 2015	Variance With Final Budget Positive (Negative)
Mobile Communications	$ 261,552	$ 187,386	$ 74,166
Equipment Maintenance	1,118,864	851,687	267,177
Professional and Specialized Services	4,909,381	3,753,310	1,156,071
Publications and Legal Notices	144,990	91,712	53,278
Total	$ 6,434,787	$ 4,884,095	$ 1,550,692

Capital Assets

Actual Capital Outlay expenditures at year-end were $2,192,588 as compared to the final Adjusted Budget of $2,759,818, a positive variance of $567,230. Several planned purchases were delayed until fiscal year 2015-16, contributing to this variance. Listed in the table below are the expenditures that make up the variances in the Capital Assets accounts.

	Final Adjusted Budget	Actual Expenditures June 30, 2015	Variance With Final Budget Positive (Negative)
Office Improvements	$ 164,000	$ 121,971	$ 42,029
Computer Equipment	923,218	582,783	340,435
Automobiles	239,500	152,830	86,670
Office Machines and Equipment	108,100	12,673	95,427
Telephone System	23,450	8,937	14,513
Video Teleconferencing System	25,700	89,559	(63,859)
Air Monitoring/Detection Equipment	314,850	260,968	53,882
Air Monitoring Station Automation Project	465,000	465,000	-
Monitoring Near Roadways	496,000	497,867	(1,867)
Total	$ 2,759,818	$ 2,192,588	$ 567,230

Non-Operating Budget

Revenues
Actual Non-Operating Revenues at June 30, 2015 were $75,338,055 as compared to the final Adjusted Budget of $108,764,970, a negative variance of $33,426,916. Listed in the table below are the revenues that make up the major variances in Non-Operating Revenues.

	Final Adjusted Budget	Actual Revenues June 30, 2015	Variance With Final Budget Positive (Negative)
Air Toxics	$ 25,000	$ 17,346	$ (7,654)
DMV Surcharge Fees	41,046,000	44,039,034	2,993,034
Carl Moyer Program	8,880,722	9,110,619	229,897
Proposition 1B	40,406,430	11,181,070	(29,225,360)
School Bus Programs	3,291,970	2,163,036	(1,128,934)
Diesel Emission Reduction Act Funds	3,457,253	2,056,462	(1,400,791)
Federal and Heavy Duty Grants	1,429,031	628,492	(800,539)
Energy Efficiency Block Grant	2,451,051	1,641,015	(810,036)
Voluntary Emission Reduction/ISR Funds	6,664,513	3,742,157	(2,922,356)
Non-operating Interest	1,043,000	721,809	(321,191)
Other Miscellaneous Incentives	70,000	37,015	(32,985)
Total	$ 108,764,970	$ 75,338,055	$ (33,426,915)

The $29,225,360 negative variance for Proposition 1B funds is due to the delay in receipt of this revenue because of the unavailability of funds from the State. These funds are anticipated to be available during the 2015-16 fiscal year.

Expenditures
Actual Non-Operating Expenditures at June 30, 2015 were $93,543,510 as compared to the final Adjusted Budget of $226,348,507, a positive variance of $132,804,997. Listed in the following table on the next page are the expenditures that make up the variances in Non-Operating Expenditures.

	Final Adjusted Budget	Actual Expenditures June 30, 2015	Variance With Final Budget Positive (Negative)
Air Toxics-Pass Through	$ 25,000	$ -	$ 25,000
Federal and Heavy Duty Grants	4,886,284	2,684,954	2,201,330
Carl Moyer Program	17,756,517	13,023,785	4,732,732
DMV Surcharge Fees	100,453,734	39,585,371	60,868,363
Voluntary Emission Reduction/ISR Program	11,189,390	4,541,298	6,648,092
Proposition 1B Program	68,502,201	24,096,077	44,406,124
School Bus Programs	5,302,753	1,174,429	4,128,324
Greenhouse Gas Support for Cities and Counties	2,290,000	-	2,290,000
Drought Relief Program	500,000	-	500,000
Community Incentive Programs	14,262,511	8,236,489	6,026,022
Energy Efficiency Block Grant	411,051	91,294	319,757
Miscellaneous Incentive Programs	419,066	109,813	309,253
Appropriation for Contingencies	350,000	-	350,000
Total	$ 226,348,507	$ 93,543,510	$ 132,804,997

The District has a policy of not entering into incentive agreements for non-federal grant contracts until grant funds are received by the District. This occasionally results in delayed expenditures. A significant amount of grant funds that were received and appropriated in fiscal year 2014-15 (Carl Moyer Program, Proposition 1B Program, School Bus Program, and Community Incentive Programs) will not be expended on incentive contracts until fiscal year 2015-16 or later. Federal incentive grant contracts are reimbursable grants whereby the District must expend the incentive grant funds prior to receiving reimbursement from the Federal government.

I. Next Year's Budget

The Adopted Budget for fiscal year 2015-16 is $183,737,889 as compared to the Adjusted Budget for fiscal year 2014-15 of $265,737,209, a decrease of $81,999,320. This decrease is mainly due to the difference in anticipated reserves available to be expended in 2015-16 combined with higher Proposition 1B and DMV revenue, offset by the loss of some Diesel Emission Reduction Act (DERA) revenue in 2015-16.

J. Economic Factors

It is important to note that the District is relatively self-sufficient with no significant dependence on the state or federal funding for its operating expenditures. In addition, ongoing, long-term forecasts project stable fiscal health for the District. While the District does face a full agenda of challenges, the Governing Board generally has sufficient resources available to meet them.

K. Requests for Information

This financial report is designed to provide a general overview of the District's finances for readers of the financial statements. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Administrative Services, 1990 East Gettysburg Avenue, Fresno, California 93726-0244.

San Joaquin Valley Unified Air Pollution Control District
Statement of Net Position
June 30, 2015

	Governmental Activities
Assets	
Current assets:	
Cash and investments	$ 135,506,011
Accrued revenues	12,257,773
Prepaid expenses	547,566
Advances	2,545,000
Total current assets	150,856,350
Noncurrent assets:	
Land	904,208
Capital assets, net of accumulated depreciation	8,355,044
Total noncurrent assets	9,259,252
Total assets	160,115,602
Deferred outflows of resources	
Deferred pension	14,309,977
Total deferred outflows of resources	14,309,977
Liabilities	
Current liabilities:	
Accounts payable	547,855
Accrued wages payable	1,106,489
Advances from grantors	249,792
Compensated absences payable	228,947
Total current liabilities	2,133,083
Noncurrent liabilities:	
Compensated absences payable	2,837,120
Net pension liability	68,213,462
Total noncurrent liabilities	71,050,582
Total liabilities	73,183,665
Deferred inflows of resources	
Deferred pension	8,892,690
Total deferred inflows of resources	8,892,690
Net position	
Net investment in capital assets	9,259,252
Restricted for:	
Heavy duty programs	12,693,737
DMV surcharge programs	67,925,970
Proposition 1B programs	17,531,330
Other special projects/programs	6,228,289
Unrestricted	(21,289,354)
Total net position	$ 92,349,224

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

San Joaquin Valley Unified Air Pollution Control District
Statement of Activities
For the Year Ended June 30, 2015

Programs	Expenses	Program Revenues: Fees and Charges for Services: Stationary Sources	Program Revenues: Fees and Charges for Services: Mobile Sources	Program Revenues: Operating Grants	Program Revenues: Restricted Special Revenue Sources *	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities:						
Permitting	$ 12,781,456	$ 15,528,709	$ 2,215,443	$ 603,997	$ -	$ 5,566,693
Enforcement/agricultural burning	13,938,265	8,060,619	2,052,074	460,390	-	(3,365,182)
Plan and rule development	1,271,597	-	1,403,208	224,353	-	355,964
Mobile sources	4,639,424	-	3,761,212	-	-	(878,212)
Outreach and communications	2,514,672	-	2,072,889	318,772	-	(123,011)
Air quality analysis/air monitoring	3,520,539	-	1,082,190	591,239	-	(1,847,110)
Restricted for grants and other special uses	93,560,856	-	-	-	75,338,055	(18,222,801)
Total governmental activities	$ 132,226,809	$ 23,589,328	$ 12,587,016	$ 2,198,751	$ 75,338,055	(18,513,659)

	Governmental Activities
General Revenues:	
State subvention - not restricted to specific programs	916,425
Interest - not restricted to specific programs	1,236,409
Penalties / settlements	3,021,904
Miscellaneous revenue	141,979
Total general revenues	5,316,717
Change in net position	(13,196,942)
Net position - beginning, July 1, 2014	168,521,247
Adjustment to net position (see note 10)	(62,975,081)
Restated net position - beginning, July 1, 2014	105,546,166
Net position - ending, June 30, 2015	$ 92,349,224

* Restricted Special Revenue Sources consist of pass-through and/or one-time limited duration funding sources that are restricted for specific programs such as the Carl Moyer Program Fund, and the Proposition 1B Program Fund.

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

San Joaquin Valley Unified Air Pollution Control District
Balance Sheet - Governmental Fund
General Fund
June 30, 2015

Assets		
Cash and investments	$	135,506,011
Accrued revenues		12,257,773
Prepaid items		547,566
Advances		2,545,000
Total assets	$	150,856,350
Liabilities		
Accounts payable	$	547,855
Accrued wages payable		1,106,489
Advances from grantors		249,792
Total liabilities		1,904,136
Fund Balance		
Nonspendable fund balance		547,566
Restricted fund balance		104,379,326
Assigned fund balance		33,748,127
Unassigned fund balance		10,277,195
Total fund balance		148,952,214
Total liabilities and fund balance	$	150,856,350

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

San Joaquin Valley Unified Air Pollution Control District

Reconciliation of the Balance Sheet of the Governmental Fund to the Statement of Net Position

June 30, 2015

Amounts reported for governmental activities in the statement of net position are different because:

Fund balance - governmental fund	$ 148,952,214
Land and capital assets net of accumulated depreciation have not been included as financial resources in the governmental fund activity. These capital assets are reported in the statement of net position as capital assets of the District as a whole.	9,259,252
Deferred outflows of resources reported in the statement of net position.	14,309,977
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.	(71,279,529)
Deferred inflows of resources reported in the statement of net position.	(8,892,690)
Net position of governmental activities	$ 92,349,224

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

San Joaquin Valley Unified Air Pollution Control District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
General Fund
For the Year Ended June 30, 2015

Revenues:	
License and permit fees	$ 34,396,958
Administrative fees	1,779,386
Penalties and settlements	3,021,904
Interest	1,236,409
State grants	916,425
Federal grants	2,198,751
Miscellaneous revenue	141,979
Incentive grants	71,726,140
Incentive grant interest	721,809
Federal incentive grants	2,890,106
Total revenues	119,029,867
Expenditures:	
Current:	
Salaries and benefits	32,378,741
Services and supplies	4,611,528
Grants and other special uses	93,560,856
Capital outlay	1,967,688
Total expenditures	132,518,813
Net change in fund balance	(13,488,946)
Beginning fund balance, July 1, 2014	162,441,160
Fund balance June 30, 2015	$ 148,952,214

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

San Joaquin Valley Unified Air Pollution Control District

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

For the Year Ended June 30, 2015

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

Net Change in Fund Balance - governmental fund		$ (13,488,946)
The governmental fund reports capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of the capital outlays recorded in the current period.		1,333,802
Depreciation expense on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in the governmental fund.		(1,170,590)
The net effect of disposal of assets.		(21,153)
Certain pension expenses in the statement of activities are recognized on the accrual basis of accounting in accordance with GASB Statement No. 68.		
Amount of pension expenditures at fund modified accrual level	8,163,062	
Amount of pension expenses recognized at government-wide level	(7,984,156)	178,906
Increase in compensated absences due in more than one year		(28,961)
Change in net position of governmental activities		$ (13,196,942)

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

SAN JOAQUIN VALLEY UNIFIED
AIR POLLUTION CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Reporting Entity

The San Joaquin Valley Unified Air Pollution Control District (District) is a special district operating under the provisions of Sections 40150 through 40162 of the California Health and Safety Code. The District exists to develop and implement programs on a local level to meet the requirements of state and federal air pollution control laws in the San Joaquin Valley. The San Joaquin Valley Air Basin (SJVAB) comprises eight counties (San Joaquin, Stanislaus, Merced, Madera, Fresno, Kings, Tulare, and the Valley portion of Kern), and covers about 25,000 square miles. The District is governed by a fifteen member Governing Board that consists of one representative from the board of supervisors of all eight counties, five council members from Valley cities and two governor-appointed public members. The District operates a network of air monitoring stations, analyzes air quality data and establishes maximum emission levels for stationary, commercial, and industrial facilities that are enforced through the District's permit system.

B. Measurement Focus and Basis of Accounting

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 when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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.

The District considers accrued revenue to be available if it is collected within 90 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under the accrual basis of accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. State and federal grants, vehicle registration fees, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. All other revenue items are considered to be measurable and available only when the District receives cash.

Government-wide Financial Statements

The District government-wide financial statements include a Statement of Net Position and Statement of Activities. These statements present summaries of governmental activities for the District as a whole.

These statements are presented on an economic resources measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets, deferred outflows of resources, liabilities, including capital assets and long-term liabilities and deferred inflows of resources are included in the accompanying Statement of Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

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

The District's functional activities are broken down into the following categories:

- Permitting
- Enforcement / Agricultural Burning
- Plan and Rule Development
- Mobile Sources
- Outreach and Communications
- Air Quality Analysis / Air Monitoring

The types of transactions reported as program revenues are reported in three categories: 1) Fees and Charges, including stationary source fees from permitted facilities and mobile source fees derived from motor vehicle registrations, 2) Operating Grants that are in support of air pollution program activities, and 3) Restricted Special Revenue Sources. Program revenues are netted with program expenses to present the net cost of each functional activity. Interest income and other miscellaneous revenue that cannot be identified with a program are reported as General Revenues.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements rather than reporting them as expenditures.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balance.

Reconciliation of the fund financial statements to the government-wide financial statements is provided to explain the differences as a result of the integrated approach of the Governmental Accounting Standards Board (GASB) Statement No. 34 reporting.

All governmental funds are accounted for on a spending or current financial resources measurement focus and the modified accrual basis of accounting. Using the current financial resources measurement focus means that only current assets and current liabilities are generally included in the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended rather than recording them as fund assets.

C. Fund Types

General Fund

The primary operating fund of the District is used to record transactions relating to its general business operations.

D. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting is employed in the General Fund. Purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation. Unencumbered appropriations lapse at year-end and encumbrances outstanding at that time are recorded as assignment of fund balance for expenditure in a subsequent year. These outstanding encumbrances do not constitute expenditures or liabilities until performance has occurred on the part of the vendors with whom the District has entered into an agreement.

E. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and governmental fund financial statements. The cost is recorded as an expense as prepaid items are consumed.

Prepaid Expenses of the District for the year ended June 30, 2015 consisted of the following:

Loans Receivable	$	81,448
Prepaid Retirement		255,269
Prepaid Medical Insurance		210,849
Total Prepaid Expenses	$	547,566

F. Capital Assets and Depreciation

Land, equipment, buildings and improvements are valued at cost unless obtained by donation in which case the assets are recorded at the appraised value at the date of receipt. Capital asset purchases with values of at least $2,000 and with an expected useful life greater than one year are capitalized. The District implemented GASB Statement No. 51 and started capitalizing intangible software that was developed internally and met the threshold of $100,000 for intangible asset capitalization.

Repair and maintenance costs are charged to current expenditures as incurred. Equipment disposed of or no longer required for its existing use is removed from the records at actual or estimated cost.

Depreciation is charged as an expense against operations, and accumulated depreciation is reported on the Statement of Net Position. Property, plant, and equipment of the District are depreciated using the straight-line method over the following useful lives:

Buildings and Improvements	20-40 Years
Air Monitoring and Detection Equipment	5-10 Years
Office Furniture and Other Misc. Equipment	5-10 Years
Telephone Equipment	10 Years
Computer Equipment and Software	5 Years
Automobiles	5 Years

G. Compensated Absences

Regular employees accumulate annual leave. Certain restrictions apply with respect to the accumulation of annual leave and its payment at termination.

The current and noncurrent portion of compensated absences amounted to $228,947 and $2,837,120, respectively, and has been reflected in the Statement of Net Position.

H. Pensions

In government-wide financial statements, retirement plans (pensions) are required to be recognized and disclosed using the accrual basis of accounting (see Note 5 and the required supplementary information (RSI) section immediately following the Notes to Financial Statements), regardless of the amount recognized as pension expenditures on the governmental fund statements, which use the modified accrual basis of accounting.

In general, the District recognizes a net pension liability, which represents the District's proportionate share of the excess of the total pension liability over the fiduciary net position of the pension reflected in the actuarial report provided by the Kern County Employees' Retirement Association (KCERA). The net pension liability is measured as of the District's prior fiscal year-end. Changes in the net pension liability are recorded, in the period incurred, as pension expense or as deferred inflows of resources or deferred outflows of resources depending on the nature of the change. The changes in net pension liability that are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) are amortized over the weighted average remaining service life of all participants in the respective pension plan and are recorded as a component of pension expense beginning with the period in which they are incurred.

For purposes of measuring the net pension liability and deferred outflows/inflows or resources relating to pensions and pension expense, information about the fiduciary net position of the District's pension plan with KCERA and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by KCERA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefits terms. Investments are reported at fair value.

Projected earnings on pension investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed basis five-year period of recognition.

I. Self-Insurance

The District is self-insured on comprehensive/collision coverage on all District automobiles. The Special District Risk Management Authority provides coverage for comprehensive general and auto liability, workers' compensation liability, public officials liability, public employees blanket bond, and the replacement cost of property. (See Note 6.)

J. Restrictions on Net Position

Total Restricted Net Position at year-end was $104,379,326. Restricted Net Position is net position that is subject to restrictions beyond the District's control. The programs listed below are subject to restrictions imposed by the grantors of each program. The amounts for each program are as follows:

Heavy-Duty Program - Incentives	$ 12,693,737
DMV Surcharge Fees - Incentives	67,925,970
DMV Fees - Rollover	119,586
State Emission Reduction Credit Program	10,480
Peaker Plant Program	17,767
ISR Rule Mitigation Program	2,322,805
School Bus Replacement/Retrofit Program	38,889
Diesel Emission Reduction Act Programs	2,118,103
Winery Rule Program	50,470
Proposition 1B Program	17,531,330
Voluntary Emission Reduction Agreements	1,550,189
Total Restricted Net Position	$ 104,379,326

As these restrictions are also restrictions of fund balance, a description and the purpose of each program can be found in Note 1.K.

K. Fund Balance

Beginning with fiscal year 2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This statement provides more clearly defined fund balance categories to make the nature and extent of the constraint placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance—amounts that are not in spendable form (such as inventory or prepaid expenses) or are required to be maintained intact.

- Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provision, or by enabling legislation.

- Committed fund balance—amounts constrained to a specific purpose by the District itself, using its highest level of decision-making authority (i.e., District Governing Board). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same level of action to remove or change the constraint.

- Assigned fund balance—amounts the District intends to use for a specific purpose. Intent can be expressed by the District Governing Board (the Board) or by an official or body to which the Board delegates the authority.

- Unassigned fund balance—amounts that are available for any purpose. Only positive amounts are reported in the General Fund.

The District Governing Board establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the Governing Board through adoption or amendment of the budget as intended for specific purpose.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balance is available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

The amounts of various fund balance categories required by GASB Statement No. 54 are as follows:

Nonspendable Fund Balance	$ 547,566
Restricted Fund Balance:	
Heavy-Duty Program - Incentives	12,693,737
DMV Surcharge Fees - Incentives	67,925,970
DMV Surcharge Fees - Rollover	119,586
State Emission Reduction Credit Program	10,480
Peaker Plant Mitigation Program	17,767
ISR Rule Mitigation Program	2,322,805
School Bus Replacement/Retrofit Program	38,889
Diesel Emission Reduction Act Programs	2,118,103
Winery Rule Program	50,470
Proposition 1B Program	17,531,330
Voluntary Emission Reduction Program	1,550,189
Total Restricted Fund Balance	104,379,326
Assigned Fund Balance:	
Encumbrances	1,900,194
Community Incentive Programs	25,180,104
Long-Term Building Maintenance	523,000
Contingency Reserve	850,000
Video Teleconferencing and Computer Equipment	350,000
Appropriated FY 2014-15 Budgetary Deficit	4,944,829
Total Assigned Fund Balance	33,748,127
Unassigned Fund Balance:	
General Reserve	4,600,000
Unassigned	5,677,195
Total Unassigned Fund Balance	10,277,195
Total Fund Balances	**$ 148,952,214**

Nonspendable Fund Balance:

- The $547,566 fund balance is for prepaid medical, retirement and other expenses and long-term notes receivable to the FLEX spending bank account.

Restricted Fund Balance:

- The $12,693,737 fund balance for the Heavy-Duty Program - Incentives represents monies and related interest identified by the District Governing Board for distribution to qualifying Heavy-Duty Programs. The qualifying programs include the Carl Moyer Program, California Energy Commission (CEC) Funds, and Miscellaneous Incentive Grants.

- The $67,925,970 fund balance for DMV Surcharge Fees – Incentives represents monies identified by the District Governing Board for distribution to qualifying agencies or individuals in the District's DMV Heavy-Duty Emissions Program and the DMV Mobile Source Incentives Program.

- The $119,586 fund balance for the DMV Surcharge Fees – Rollover represents unanticipated revenue and unexpended appropriations specifically identified for District-managed incentive programs, and interest earned on DMV Surcharge Fee monies.

- The $10,480 fund balance for the State Emission Reduction Credit (ERC) Bank Program represents monies from the California Air Resources Board's NOx and Particulate Matter ERC Bank Program. The District will use these funds for Heavy-Duty Engine Emission Reduction Program incentives.

- The $17,767 fund balance for the Peaker Plant Mitigation Program represents monies from new and expanding Power Plants to fund mitigation programs focused on Heavy-Duty Engine Projects. The District will use these funds for Heavy-Duty Engine Emission Reduction Program incentives.

- The $2,322,805 fund balance for the Indirect Source Review (ISR) Rule Mitigation Program represents funds received from new development projects. These funds will be used as incentive grants for projects that will offset the future projected emissions generated by these development projects.

- The $38,889 fund balance for the School Bus Replacement/Retrofit Program represents funds received from the California Air Resources Board. The District will use these funds for the District's Heavy-Duty Engine Program for school bus replacement and retrofits.

- The $2,118,103 fund balance for the DERA - Diesel Emission Reduction Program represents funds from the Environmental Protection Agency passed through to the California Air Resources Board. These funds will be used for the retrofit of school buses.

- The $50,470 fund balance for the Winery Rule Program represents fees collected under District Rule 4694, Wine Fermentation and Storage Tanks. These funds will be used for projects that will mitigate future projected emissions.

- The $17,531,330 fund balance for the Proposition 1B Program represents funds received from the California Air Resources Board. These funds will be used for the replacement and retrofit of heavy-duty trucks.

- The $1,550,189 fund balance for the Voluntary Emission Reduction Program represents funds received from voluntary development mitigation contracts. These funds will be used as incentive grants for projects that will offset the projected future emissions of these development projects.

Assigned Fund Balance:

- The $1,900,194 fund balance for encumbrances outstanding at June 30, 2015 represents the amount of expenditures that would result if contracts in process at fiscal year-end were completed. Of the total assigned amount, $847,548 represents encumbrances for services and supplies and $1,052,646 represents encumbrances for capital assets. This assignment earmarks resources to pay for these contractual obligations by segregating a portion of fund balance.

- The $25,180,104 was assigned by the District Governing Board for various Community Incentive Programs.

- The $523,000 was established by the District Governing Board to provide for Long-Term Building Maintenance.

- The $850,000 was established by the District Governing Board to provide for a Contingency Reserve.

- The $350,000 was established by the District Governing Board to provide for Video Teleconferencing and Computer Equipment.

- The $4,944,829 is the portion of existing fund balance that is included as a budgetary resource in the fiscal year 2015-16 budget.

Unassigned Fund Balance:

- From total Unassigned Fund Balance of $10,277,195 reported on June 30, 2015, $4,600,000 is a General Reserve that was established by the District Governing Board to provide for additional financial stability.

L. Use of Estimates

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

M. New Accounting Pronouncements

The following Governmental Accounting Standards Board (GASB) Statements have been implemented in the current financial statements:

Statement No. 68 –- *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27. The provisions of this statement are effective for financial statements for fiscal years beginning after June 15, 2014. The District implemented this change for the fiscal year ended June 30, 2015.

Statement No. 69 – *Government Combinations and Disposals of Government Operations*. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2013. Upon implementation, there was no effect on the District's accounting or financial reporting.

Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an amendment of GASB Statement No. 68. The provisions of this statement should be applied simultaneously with the provision of GASB Statement No. 68. The District implemented this change for the fiscal year ended June 30, 2015.

The District is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

Statement No. 72 – *Fair Value Measurement and Application*. The provisions of this statement are effective for financial statements for reporting periods beginning after June 15, 2015.

Statement No. 73 – *Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provision of GASB Statements No. 67 and No. 68.* The provisions of this statement are effective for fiscal years beginning after June 15, 2015 – except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, which are effective for fiscal years beginning after June 15, 2016.

Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The provisions of this statement are effective for fiscal years beginning after June 15, 2016.

Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans*. The provisions of this statement are effective for fiscal years beginning after June 15, 2017.

Statement No. 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The provisions of this statement are effective for reporting periods beginning after June 15, 2015.

Statement No. 77 – *Tax Abatement Disclosures*. The provisions of this statement are effective for reporting periods beginning after December 15, 2015.

Statement No. 78 – *Pensions Provided through Certain Multiple-Employer defined Benefit Pension Plans*. The provisions of this statement are effective for reporting periods beginning after December 15, 2015.

2. CASH AND INVESTMENTS

Cash and investments as of June 30, 2015 consisted of the following:

District Petty Cash/Change Funds	$ 2,820
Postage Funds	17,576
Total Cash On Hand	20,396
Wells Fargo Bank	1,386,919
Other Deposits	81
Total Deposits with Financial Institutions	1,387,000
Security Deposit - Leased Property	2,000
Total Other Deposits	2,000
Fresno County Treasurer	133,843,896
Kern County Treasurer	252,719
Total Investments with County Investment Pools	134,096,615
Total Cash and Investments	$ 135,506,011

Investments Authorized by the California Government Code and the District's Investment Policy

The table on the next page identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk and credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment In One Issuer
County Investment Pools	N/A	100%	None

Disclosures Relating to Interest Rate Risk

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

As of June 30, 2015, none of the District's investments are required to disclose interest rate risk.

Disclosures Relating to Credit Risk

Generally, 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 the rating required by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, or the District's investment policy, and the actual rating as of year-end for each type. The column marked "Exempt From Disclosure" identifies those investment types for which GASB Statement No. 40 does not require disclosure as to credit risk:

		Minimum	Exempt	Rating as of Year-End		
		Legal	From			Not
Investment Type	Amount	Rating	Disclosure	AAA	AA	Rated
County Investment Pools	$134,096,615	N/A	$0	$0	$0	$134,096,615

County Treasurer's Investment Pools

The District is a voluntary participant in the County of Fresno and County of Kern Treasurer's Investment Pool that is regulated by the California Government Code (CGC). The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value for the entire Investment Pool portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the Investment Pool, which are recorded on an amortized cost basis.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The CGC and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The CGC requires that a financial institution secure deposits made by state or local government 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 in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.
As of June 30, 2015, all of the District's deposits with financial institutions were held in fully collateralized accounts, as permitted by the CGC

3. CAPITAL ASSETS AND DEPRECIATION

Capital assets of the District for the year ended June 30, 2015 consisted of the following:

	Capital Assets - Governmental Activities			
	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Capital assets, non-depreciable:				
Land	$ 904,208	$ -	$ -	$ 904,208
Total capital assets, non-depreciable	904,208	-	-	904,208
Capital assets, depreciable/amortizable:				
Building and improvements	7,070,263	-	-	7,070,263
Machinery and equipment	11,105,052	1,073,802	914,414	11,264,440
Intangible assets	1,061,051	260,000	-	1,321,051
Total capital assets, depreciable/amortizable	19,236,366	1,333,802	914,414	19,655,754
Less accumulated depreciation/amortization for:				
Building and improvements	2,208,660	210,793	-	2,419,453
Machinery and equipment	7,849,677	847,291	893,261	7,803,707
Intangible assets	965,044	112,506	-	1,077,550
Total accumulated depreciation/amortization	11,023,381	1,170,590	893,261	11,300,710
Total capital assets, depreciable/amortizable, net	8,212,985	163,212	21,153	8,355,044
Net book value of capital assets	$ 9,117,193	$ 163,212	$ 21,153	$ 9,259,252

For the year ended June 30, 2015, depreciation expense of $1,170,590 on capital assets was charged to the District's activities as follows:

Permitting	$ 220,300
Enforcement / Ag Burning	462,760
Plan and Rule Development	20,291
Mobile Sources	72,467
Outreach and Communications	30,814
Air Quality Analysis / Air Monitoring	363,958
Total Depreciation Expense	$ 1,170,590

4. COMPENSATED ABSENCES

When employment with the District is terminated, an employee will receive compensation for all unused annual leave hours.

The following is a summary of earned compensated absences of the District for the year ended June 30, 2015:

July 1, 2014 Balance	$ 3,037,106
Plus: Additions	2,203,305
Less: (Reductions)	(2,174,344)
June 30, 2015 Balance	$ 3,066,067
Amount Due Within One Year	$ 228,947
Amount Due More Than One Year	$ 2,837,120

5. PENSIONS

General Information about the Pension Plan

Plan Description

The Kern County Employees' Retirement Association (KCERA) was established on January 1, 1945 by the County of Kern Board of Supervisors under the provisions of the County Employees' Retirement Law of 1937 (CERL). KCERA is a cost-sharing, multiple-employer defined benefit plan (the Plan) covering all permanent employees of the County of Kern and of the following agencies: Berrenda Mesa Water District, Buttonwillow Recreation and Park District, East Kern Cemetery District, Inyokern Community Services District, Kern County Water Agency, Kern Mosquito and Vector Control District, North of the River Sanitation District, San Joaquin Valley Unified Air

Pollution Control District, Shafter Recreation and Park District, West Side Cemetery District, West Side Mosquito and Vector Control District, West Side Recreation and Park District, and Kern County Superior Court. The Plan is administered by the Kern County Board of Retirement, which consists of nine members and two alternate members. KCERA issues a Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information for KCERA. The CAFR is available at www.kcera.org or by contacting KCERA's office at 11125 River Run Blvd., Bakersfield, CA 93311 or by calling (661) 381- 7700.

Summary of Plans and Eligible Participants

All regular, full-time employees of the County of Kern or contracting districts who work 50% or more of the regular standard hours required become members of KCERA effective on the first day of the payroll period following the date of hire.

General Tier I and Tier II members are eligible to retire at age 70 regardless of service or at age 50 with 10 or more years of retirement service credit. A member with 30 years of service is eligible to retire regardless of age. General Tier III members are eligible to retire at age 70 regardless of service or at age 52 with 5 or more years of retirement service credit.

Benefits Provided

The retirement benefit the member will receive is based on age at retirement, final average compensation (FAC), years of retirement service credit and benefit tier.

General member benefits for Tier I and Tier II are calculated pursuant to California Government Code Sections 31676.17 and 31676.01, respectively. The monthly allowance is equal to 1/50th of FAC times years of accrued retirement service credit times an age factor from Section 31676.17 (Tier I), or 1/90th of FAC times years of accrued retirement service credit times an age factor from Section 31676.01 (Tier II). General Tier III member benefits are calculated pursuant to the provisions found in California Government Code Section 7522.20(a). The monthly allowance is equal to the FAC multiplied by years of accrued retirement credit multiplied by an age factor from Section 7522.20(a).

For general members in Tiers I and II, the maximum monthly retirement allowance is 100% of FAC. For General Tier III members, there is no limit on the maximum monthly allowance relative to FAC.

The maximum amount of "compensation earnable" that can be taken into account for 2014 for members with membership dates on or after July 1, 1996 but before January 1, 2013 is $260,000. For General Tier III members who joined KCERA on or after January 1, 2013, the maximum "pensionable compensation" that can be taken into account for 2014 is $115,064 for those enrolled in Social Security. These limits are adjusted on an annual basis. Members are exempt from paying member contributions and employers are exempt from paying employer contributions on compensation in excess of the annual cap.

FAC consists of the highest 12 consecutive months of compensation earnable for General Tier I, General Tier IIA members. FAC consists of the highest 36 consecutive months of pensionable compensation for General Tier IIB and General Tier III members.

The member may elect an unmodified retirement allowance or choose to have the allowance modified by one of four options. The unmodified option provides the highest monthly benefit and a 60% continuance to an eligible surviving spouse or domestic partner when the member dies. An eligible spouse or partner is someone married to or registered with the member for at least one year prior to the effective retirement date. Certain surviving spouses or partners may also be eligible for a benefit continuance if the marriage or partnership occurred at least two years prior to the date of death and if the surviving spouse or partner is age 55 or older as of the date of death. Retirement allowance options are irrevocable once elected.

Death Benefits

An active member’s beneficiary is entitled to receive death benefits, which consist of accumulated contributions, plus interest, and one month’s salary for each full year of service, up to a maximum of six months of salary.

If a member is vested and the death is not the result of a job-caused injury or disease, the spouse or registered domestic partner will be entitled to receive a lifetime monthly allowance equal to 60% of the retirement allowance to which they would have been entitled if they had retired with a nonservice-connected disability on the date of the member’s death. If there is no eligible spouse or partner, the same choice is given to the member’s minor children who are under the age of 18 (continuing to age 22 if enrolled full-time in an accredited school).

If a member dies in the performance of duty, the spouse or registered domestic partner receives a lifetime monthly allowance equal to at least 50% of the member’s final average compensation. If there is no eligible spouse or partner, this benefit will apply to the member’s minor children who are under the age of 18 (continuing to age 22 if enrolled full-time in an accredited school).

If a member dies after retirement, a death benefit of $3,000 is payable to the designated beneficiary(ies) or the estate. As of January 1, 2015, the death benefit increased to $5,000.

If the member retired with a nonservice-connected disability and the member chose the unmodified allowance option, the surviving spouse, registered domestic partner or minor children will receive a monthly continuance equal to 60% of the member’s benefit.

If the member retired with a service-connected disability, the spouse, registered domestic partner or minor children will receive a monthly continuance equal to 100% of the member's benefit.

Disability Benefits

A member with five years of service, regardless of age, who becomes permanently incapacitated from the performance of duty will be eligible for a nonservice-connected disability retirement. Any member who becomes permanently incapacitated from the performance of duty as a result of an injury or disease arising out of and in the course of employment is eligible for a service-connected disability, regardless of service length or age.

Cost-of-Living Adjustments

An annual cost-of-living adjustment (COLA) of up to 2.0% was adopted for all retirees and continuance beneficiaries as of April 1, 1973. An additional 0.5% COLA was granted by the Ventura Settlement as of April 1, 2002, resulting in a maximum COLA of 2.5%, depending on the rate of inflation.

Supplemental Benefits

The Board of Retirement and the Board of Supervisors adopted Government Code Section 31618 in 1984, which established the Supplemental Retiree Benefit Reserve (SRBR) for KCERA. The SRBR is used only for the benefit of future and current retired members and their beneficiaries. Benefits provided by the SRBR are determined by the Board of Retirement and are not guaranteed or vested. The SRBR currently provides for 80% purchasing power protection and a $3,000 death benefit. As of January 1, 2015, the death benefit increased to $5,000.

Contributions

Per Article 16 of the Constitution of the State of California, contribution requirements of the active employees and the participating employers are established and may be amended by the KCERA Board of Retirement. Depending upon the applicable plan, employees are required to contribute a certain percent of their annual pay. For each of the plans, the District's contractually required contribution (formerly known as the actuarially required contribution (ARC)) rate for the year ended June 30, 2015, was a specified percent of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Additional amounts required to finance any unfunded accrued liability are the responsibility of the plan sponsors. Contributions to the pension plan from the District were $8,163,062 for the year ended June 30, 2015. Active members are plan members who are currently accruing benefits and/or paying contributions into the applicable plan.

As a condition of participation under the provisions of the CERL, members are required to contribute to KCERA a percentage of their salaries. Member contribution rates for fiscal year 2014 ranged from 4.25% to 17.50% and were applied to the member's base pay plus pensionable special pays. For general members hired prior to 2013, contribution rates were determined by benefit tier and KCERA entry age. The contribution rates of general members who first joined KCERA on or after January 1, 2013 are at least 50% of the normal cost rate. Furthermore, the rate of members integrated with Social Security is reduced by one-third on the first $161 of biweekly salary.

Interest is credited to member contributions semi-annually on June 30 and December 31, in accordance with Article 5.5 of the CERL. Member contributions and credited interest are refundable upon termination of membership.

Each year, an actuarial valuation is performed for the purpose of determining the funded ratio of the retirement plan and the employer contributions that are necessary to pay benefits accruing to KCERA members that were not otherwise funded by member contributions or investment earnings. The employer contribution rates are actuarially determined by using the Entry Age Normal Actuarial Cost method. Employer rates include the "normal cost" and an annual amortization payment toward the Plan's unfunded actuarial accrued liability. Contribution rates determined in each actuarial valuation (as of June 30) apply to the fiscal year beginning 12 months after the valuation date. Employer rates for fiscal year 2014 ranged from 30.68% to 57.89% of covered payroll.

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

At June 30, 2015, the District reported a liability of $68,213,462 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014 and the liability used to calculate the net pension liability was determined by an actuarial valuation date June 30, 2013, updated to June 30, 2014. 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 Pension Plan participants, actuarially determined. At June 30, 2014, the District's proportion was 3.2966%, compared to 3.3453% at June 30, 2013, a decrease of 0.0487%

For the year ended June 30, 2015, the District recognized pension expense of $7,984,156. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method and plan benefits. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 5,476,648	$ -
Change in actual vs. proportionate contributions	670,267	-
Contributions subsequent to measurement date	8,163,062	-
Change in proportion	-	839,444
Difference between expected and actual experience	-	1,523,388
Difference between projected and actual earnings on pension plan	-	6,529,858
	$ 14,309,977	$ 8,892,690

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner.

The District contributions of $8,163,062 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, 2016.

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	Amount
2016	$ (746,263)
2017	(746,263)
2018	(746,263)
2019	(746,263)
2020	239,277
Thereafter	-
	$ (2,745,775)

Actuarial Assumptions

The total pension liability as of June 30, 2014 was determined by an actuarial valuation as of June 30, 2013. The actuarial assumptions used were based on the results of an experience study for the period from July 1, 2010 through June 30, 2013. The following actuarial assumptions were applied to all periods included in the measurement:

Inflation:	3.25%
Salary Increases:	General: 4.25% to 9.25%. Varies by service, including inflation.

Investment Rate of Return:	7.50%, net of pension plan investment expenses, including inflation.
Administrative Expenses:	0.90% of payroll allocated to both the employer and member based on the components of the total contribution rate (before expenses) for the employer and member.
Other Assumptions:	See analysis of actuarial experience from July 1, 2010 to June 30, 2013.

The Entry Age Normal Actuarial Cost method used in KCERA's annual actuarial valuation has also been applied in measuring the service cost and TPL with one exception. For purposes of measuring the service cost and total pension liability (TPL), KCERA has reflected the same plan provisions used in determining the member's actuarial present value of projected benefits. This is different from the version of this method applied in KCERA's annual funding valuation, where the normal cost and actuarial accrued liability are determined as if the current benefit accrual rate had always been in effect.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns net of pension plan investment expenses and inflation) are developed for each major asset class. This data is combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equity Small/Mid-Cap	19%	5.92%
U.S. Equity Developed International	4%	6.49%
Inflation Sensitive	18%	6.90%
Equity Emerging Markets Equity	4%	8.34%
Core Bonds	18%	0.73%
High Yield Bonds	4%	2.67%
Emerging Market Debt	4%	4.00%
TIPS	3%	0.35%
Real Estate	5%	4.96%
Commodities	6%	4.35%
Hedge Funds	10%	4.30%
Private Equity	5%	8.10%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.50% as of June 30, 2014. The projection of cash flows used to determine the discount rate assumed member contributions would be made at the current contribution rate and that employer contributions would be made at rates equal to the actuarially determined contribution rates.

For this purpose, only employee and employer contributions intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2014.

The discount rate assumptions have been developed without taking into consideration any impact of the 50/50 allocation of future excess earnings between the retirement and SRBR asset pools.

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

The following presents the net pension liability as of June 30, 2014, calculated using a discount rate of 7.50%, and what the net pension liability would be if it were calculated using a discount rate that is one point lower (6.50%) or one point higher (8.50%) than the current rate:

	1% Decrease 6.50%	Discount Rate 7.50%	1% Increase 8.50%
District's proportionate share of the net retirement plan liability	$ 92,646,928	$ 68,213,462	$ 48,021,710

Pension Plan Fiduciary Net Position

Detailed information about the pension fund's fiduciary net position is available in the separately issued KCERA CAFR.

6. 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 participates in a joint powers authority, the Special District Risk Management Authority (SDRMA), whose purpose is to develop and fund programs of excess insurance for comprehensive liability, workers' compensation, property and employee blanket bonds for its member districts.

For the fiscal year 2014-15, the District contributed $334,789 to the SDRMA. The District's contributions represented 1.08% of all member contributions.

The District has coverage against claims up to a limit of $10,000,000 for comprehensive general and auto liability and public official's liability, up to a limit of $5,000,000 for workers' compensation liability and up to $400,000 for public employees blanket bond and for the replacement cost of property. The District is entirely self-insured for vehicle damage.

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

7. DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits them to defer a portion of their salary until future years. For employees hired on or after July 31, 2012, the District provides a match of employee contributions not to exceed six percent of their base salary. These funds are not available to employees until termination, retirement, death or unforeseen emergency.

The deferred compensation plan monies are invested in various investment funds as selected by the participating employees. 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 exclusive benefit of plan participants and their beneficiaries.

Effective January 1, 1999, federal legislation requires the Section 457 plan assets to be placed in trust for the exclusive use of the plan participants and their beneficiaries. The District's deferred compensation administrator, MassMutual Financial Group, qualifies as a plan trustee to meet the federal requirements. In accordance with GASB Statement No. 32, the District no longer reports plan assets and liabilities in its financial statements. As of June 30, 2015, investments with a fair value of $25,671,610 were held in trust.

8. COMMITMENTS AND ENCUMBRANCES

Operating Leases
The District is obligated under operating leases for the rental of office space. The District's rental expense was $452,857 for the year ended June 30, 2015. Future minimum lease payments under these leases are as follows:

Year Ending June 30,	
2015	$ 424,008
2016	456,408
2017	456,408
2018	473,688
2019	490,968
2020 - 2023	1,546,344
Total	$ 3,847,824

Encumbrances
The District utilizes encumbrance accounting in its governmental fund as explained in Note 1.D. Total encumbrances for the General Fund as of June 30, 2015 were $1,900,194. Encumbrances are categorized as Assigned Fund Balance.

9. PENDING LITIGATION

There are various lawsuits and claims filed against the District which, in the opinion of the District Counsel, will be resolved with no material adverse effect on the District's financial position or results of operations.

10. PRIOR PERIOD ADJUSTMENT

A prior period adjustment of $62,975,081 was made to decrease the governmental activities' beginning net position. The adjustment was made to reflect the prior period costs related to the implementation of the net pension liability.

The restatement of beginning net position of the governmental activities is summarized as follows:

Governmental activities	
Net position at July 1, 2014, as previously stated	$ 168,521,247
Net pension liability adjustment	(62,975,081)
Net position at July 1, 2014, as restated	$ 105,546,166

11. SUBSEQUENT EVENTS

In compliance with accounting standards generally accepted in the United States of America, management has evaluated events that have occurred after year-end to determine if these events are required to be disclosed in these basic financial statements. Management has determined that no events require disclosure in accordance with accounting standards. These subsequent events have been evaluated through December 29, 2015, which is the date the basic financial statements were issued.

Required Supplementary Information

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San Joaquin Valley Unified Air Pollution Control District
General Fund - Budgetary Comparison Schedule
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with
	Adopted	Final Adjusted	Budgetary Basis	Final Budget
Operating Budget				
Revenues:				
Vehicle Registration Fees	$ 10,600,000	$ 10,600,000	$ 10,807,631	$ 207,631
License and Permit Fees	24,764,443	24,543,103	23,711,076	(832,027)
Interest	604,000	604,000	1,236,409	632,409
Penalties and Settlements	2,500,000	2,500,000	2,900,158	400,158
State Grants	900,000	900,000	916,425	16,425
Federal Grants	2,465,000	2,465,000	2,198,751	(266,249)
Administrative Fees	4,006,682	4,757,025	1,779,386	(2,977,639)
Miscellaneous Revenue	52,500	56,000	141,979	85,979
Total Operating Revenues	45,892,625	46,425,128	43,691,815	(2,733,313)
Operating Amounts Available For Appropriations	45,892,625	46,425,128	43,691,815	(2,733,313)
Expenditures:				
Salaries and Benefits	34,776,789	34,776,789	32,378,741	2,398,048
Services and Supplies	6,434,787	6,434,787	4,884,095	1,550,692
Capital Outlays:				
Office Improvements	164,000	164,000	121,971	42,029
Computer Equipment	923,218	923,218	582,783	340,435
Office Furniture/Equipment	25,100	25,100	162	24,938
Office Machines	83,000	83,000	12,511	70,489
Telephone System	23,450	23,450	8,937	14,513
Detection Equipment	9,350	9,350	8,806	544
Automobiles	239,500	239,500	152,830	86,670
Video Conferencing System	25,700	25,700	89,560	(63,860)
Air Monitoring Station Equipment	305,500	305,500	252,161	53,339
Monitoring Near Roadways	496,000	496,000	497,867	(1,867)
AMS Automation Project	465,000	465,000	465,000	-
Total Capital Outlays	2,759,818	2,759,818	2,192,588	567,230
Total Operating Charges to Appropriations	43,971,394	43,971,394	39,455,424	4,515,970
Excess of Operating Revenues Over Expenditures	1,921,231	2,453,734	4,236,391	1,782,657
Non-Operating Budget				
Revenues:				
Air Toxics	25,000	25,000	17,346	(7,654)
DMV Surcharge Fees	41,046,000	41,046,000	44,039,034	2,993,034
Carl Moyer Program	8,300,000	8,880,722	9,110,619	229,897
Proposition 1B	60,000,000	40,406,430	11,181,070	(29,225,360)
School Bus Programs	1,356,430	3,291,970	2,163,036	(1,128,934)
DERA Program Funds	853,891	3,457,253	2,056,462	(1,400,791)
Federal and Heavy Duty Grants	1,050,000	1,429,031	628,492	(800,539)
CEC - Energy Efficiency Block Grant	-	2,451,051	1,641,015	(810,036)
VERA/ISR Rule Mitigation Funds	6,664,513	6,664,513	3,742,157	(2,922,356)
Non-operating Interest	1,043,000	1,043,000	721,809	(321,191)
Other Miscellaneous Incentives	70,000	70,000	37,015	(32,985)
Non-Operating Amounts Available For Appropriations	120,408,834	108,764,970	75,338,055	(33,426,915)
Expenditures:				
Air Toxics-Pass Through	25,000	25,000	-	25,000
Federal and Heavy Duty Grants	3,863,900	4,886,284	2,684,954	2,201,330
Carl Moyer Program	11,923,100	17,756,517	13,023,785	4,732,732
DMV Surcharge Fees	53,702,100	100,453,734	39,585,371	60,868,363
VERA/ISR Rule Mitigation Program	12,260,200	11,189,390	4,541,298	6,648,092
Proposition 1B Program	62,523,400	68,502,201	24,096,077	44,406,124
School Bus Programs	2,353,400	5,302,753	1,174,429	4,128,324
Greenhouse Gas Support for Cities and Counties	250,000	2,290,000	-	2,290,000
Drought Relief Program	-	500,000	-	500,000
Community Incentive Programs	8,707,400	14,262,511	8,236,489	6,026,022
CEC - Energy Efficiency Block Grant	-	411,051	91,294	319,757
Miscellaneous Incentive Programs	369,800	419,066	109,813	309,253
Total Non-Operating Charges to Appropriations	155,978,300	225,998,507	93,543,510	132,454,997
Deficiency of Non-Operating Revenues Under Expenditures	(35,569,466)	(117,233,537)	(18,205,455)	99,028,082
Appropriation for Contingencies	850,000	350,000	-	350,000
Net Change to District Fund Balance, June 30, 2015	$ (34,498,235)	$ (115,129,803)	$ (13,969,064)	$ 101,160,739

NOTES TO THE SCHEDULE OF GENERAL FUND BUDGETED AND ACTUAL EXPENDITURES
BUDGETARY BASIS

Note 1 – GENERAL FUND BUDGETARY BASIS RECONCILIATION

The General Fund Budgetary Comparison Schedule on page 53 presents comparisons of the legally Adopted Budget with actual data on a budgetary basis. Since accounting principles applied for purposes of developing expenditure data on a budgetary basis differ from those used to present financial statements in conformity with generally accepted accounting principles (GAAP), a reconciliation of differences is presented below for the year ended June 30, 2015.

Excess of revenues over expenditures (GAAP Basis)	$	(13,488,946)
Adjustments from budget cash basis to modified accrual basis		(480,118)
Excess of revenues over expenditures (Budgetary Basis)	$	(13,969,064)

Note 2 - BUDGETING

In accordance with the provisions of the State Health and Safety Code Section 40131, the District's Formation Agreement, and the San Joaquin Valley Unified Air Pollution Control District's (District) Administrative Code, the District prepares and legally adopts a final balanced budget on or before June 30 of each fiscal year. The final Adopted Budget is available for review on the District's website at **www.valleyair.org**.

Budgetary control is exercised at the object level. All amendments or transfers of appropriations between these levels are authorized by the Executive Director/Air Pollution Control Officer and must be approved by the District Governing Board (Board). The Board also must approve supplemental appropriations financed by unanticipated revenues.

Expenditures, except for Capital Outlays, are controlled at the object level for all program budgets within the District. Capital assets are controlled at the sub-object level.

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION – SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Last Ten Fiscal Years*

	FY 2014	FY 2013
District's proportion of the net pension liability (asset)	3.2966%	3.3453%
District's proportionate share of the net pension liability (asset)	$ 68,213,462	$ 71,067,704
District's covered-employee payroll	$ 21,882,301	$ 21,366,973
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	311.73%	332.61%
Plan fiduciary net position as a percentage of the total pension liability (asset)	60.66%	55.64%

*Amounts presented above were determined as of 6/30. Additional years will be presented as they become available.

KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION - SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
Last Ten Fiscal Years*

	FY 2014
Actuarially determined contribution	$ 7,265,384
Actual contributions	8,092,623
Contribution deficiency (excess)	$ (827,239)
District's covered-employee payroll	$ 21,882,301
Actual contributions as a percentage of the District's covered-employee payroll	36.98%

*Amounts presented above were determined as of 6/30. Additional years will be presented as they become available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. The information presented relates solely to the District and not Kern County Employees' Retirement Association as a whole.

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STATISTICAL SECTION

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STATISTICAL SECTION

The information in this section is presented as supplemental data for the benefit of the readers of the Comprehensive Annual Financial Report. The objectives of statistical section information are to provide financial statement users with additional historical perspective, context, and detail to assist in using the information in the financial statements, notes to financial statements, and required supplementary information to understand and assess the District's economic condition.

Contents

Financial Trends

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

Revenue Capacity

These schedules contain trend information to help the reader assess the District's most significant revenue source, DMV Surcharge Fees.

Operating Information

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

Demographic and Economic Information

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

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

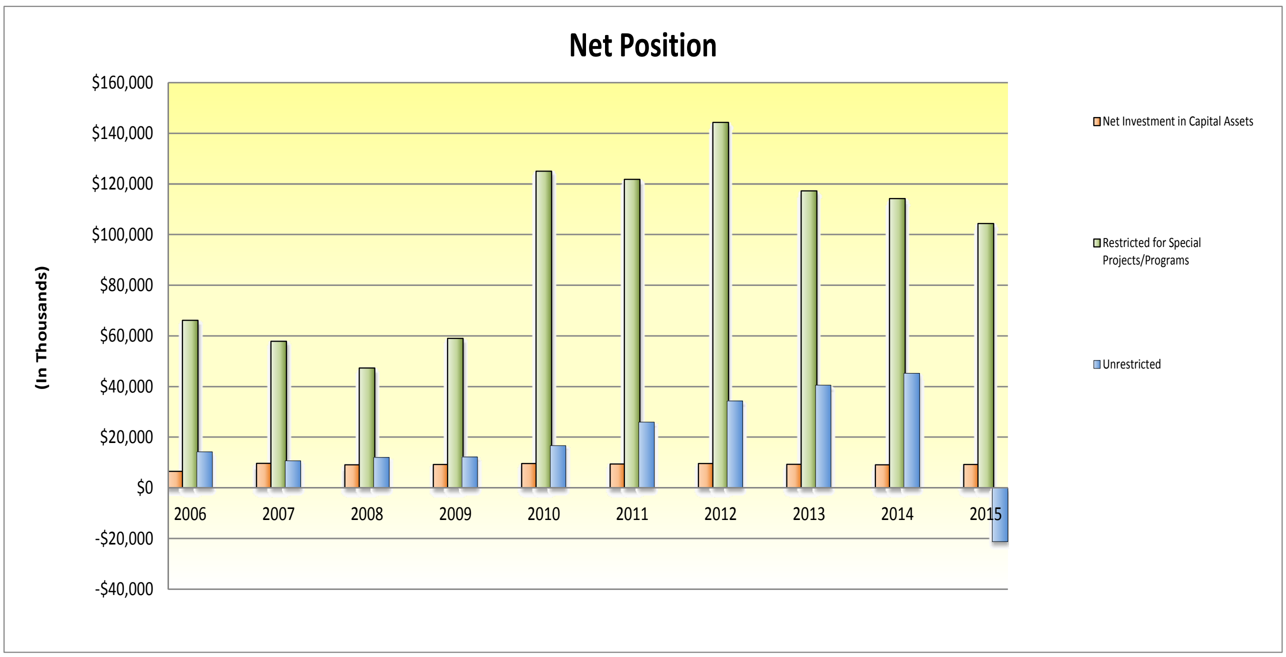
SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

STATEMENT OF NET POSITION
Last Ten Fiscal Years

(accrual basis of accounting)

(In Thousands)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Current and Other Assets	$ 83,825	$ 72,106	$ 63,504	$ 75,321	$ 145,587	$ 151,967	$ 186,754	$ 162,777	$ 164,321	$ 150,856
Capital Assets	6,504	9,740	10,812	10,525	10,684	10,129	9,985	9,298	9,117	9,259
Total Assets	90,329	81,846	74,316	85,846	156,271	162,096	196,739	172,075	173,438	160,115
Deferred Outflows of Resources - Deferred Pension	-	-	-	-	-	-	-	-	-	14,310
Current Liabilities	1,849	1,712	2,415	2,141	1,821	1,999	5,769	2,124	2,096	2,133
Noncurrent Liabilities	1,723	1,837	3,337	3,253	3,091	2,914	2,684	2,840	2,821	71,051
Total Liabilities	3,572	3,549	5,752	5,394	4,912	4,913	8,453	4,964	4,917	73,184
Deferred Inflows of Resources - Deferred Pension	-	-	-	-	-	-	-	-	-	8,893
Net Position:										
Net Investment in Capital Assets	6,504	9,740	9,160	9,173	9,646	9,421	9,622	9,298	9,117	9,259
Restricted for Special Projects/Programs	66,096	57,905	47,388	59,073	125,061	121,765	144,317	117,304	114,186	104,379
Unrestricted	14,157	10,652	12,016	12,206	16,652	25,997	34,347	40,509	45,218	(21,289)
Total Net Position	$ 86,757	$ 78,297	$ 68,564	$ 80,452	$ 151,359	$ 157,183	$ 188,286	$ 167,111	$ 168,521	$ 92,349

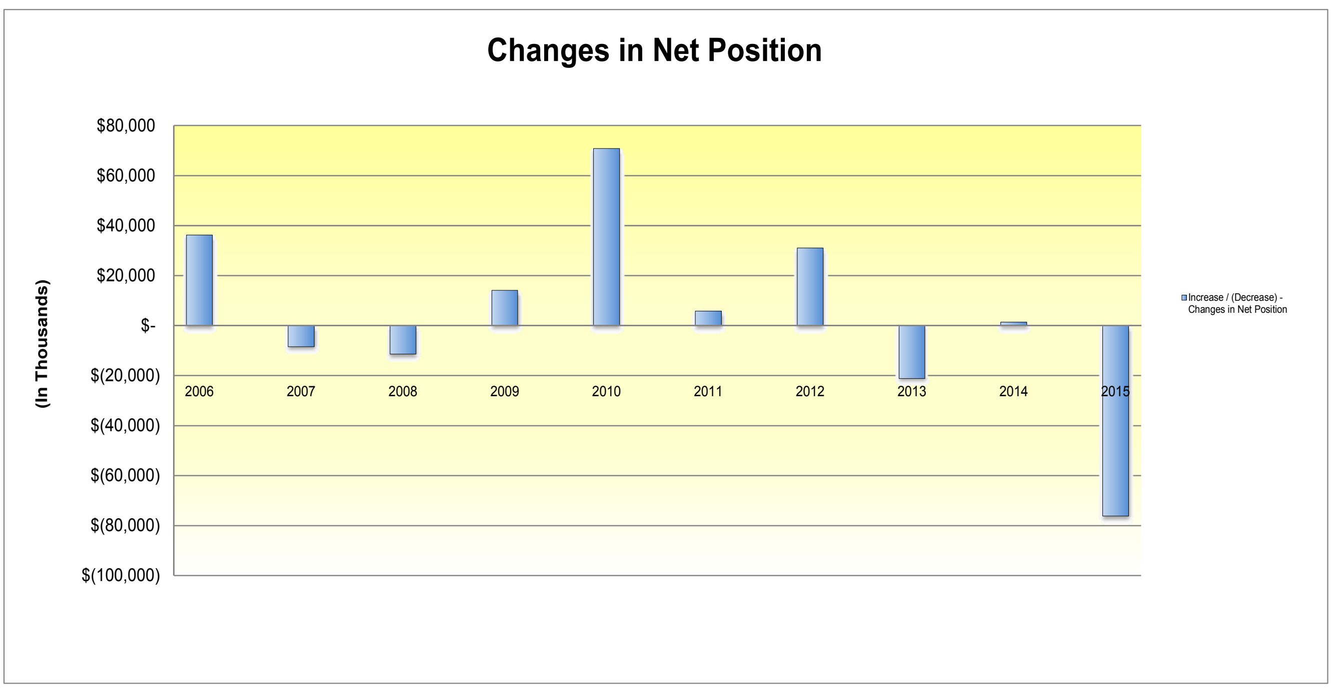


Source: San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)
(In Thousands)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues:										
Program Revenue:										
Fees and Charges - Stationary Sources	$ 10,413	$ 11,317	$ 11,559	$ 15,852	$ 19,348	$ 26,861	$ 23,969	$ 24,768	$ 23,372	$ 23,589
Fees and Charges - Mobile Sources	11,329	12,041	11,915	11,872	11,569	11,005	12,963	11,480	13,945	12,587
Operating Grants	2,135	94	3,845	2,055	1,630	2,123	2,201	2,034	2,032	2,199
Restricted Special Revenue Sources	44,101	30,231	26,628	37,347	98,837	55,524	116,154	58,848	82,255	75,338
Total Program Revenue	67,978	53,683	53,947	67,126	131,384	95,513	155,287	97,130	121,604	113,713
General Revenues:										
State Subvention	884	868	897	899	900	901	917	923	917	916
Interest	424	625	486	653	164	392	552	920	1,050	1,237
Penalties/Settlements	5,393	3,010	4,007	3,605	4,662	6,151	5,715	3,896	4,204	3,022
Miscellaneous	46	81	125	(11)	30	223	175	150	71	142
Total General Revenues	6,747	4,584	5,515	5,146	5,756	7,667	7,359	5,889	6,242	5,317
Other Financing Sources - Capital Asset Leases	-	-	1,652	-	-	-	-	-	-	-
Total Revenues & Other Financing Sources	74,725	58,267	61,114	72,272	137,140	103,180	162,646	103,019	127,846	119,030
Expenses:										
Permitting	9,614	11,230	12,054	12,263	12,758	13,836	14,170	14,222	13,987	12,781
Enforcement / Air Monitoring / Ag Burning	10,755	11,429	12,201	12,275	12,698	12,064	12,111	12,112	12,560	13,938
Plan and Rule Development	2,894	1,854	2,062	2,484	2,035	2,054	1,696	1,540	1,781	1,272
Mobile Sources	1,182	1,526	2,284	2,840	3,315	3,399	3,778	4,380	4,526	4,639
Outreach & Communications	1,806	1,675	2,187	2,276	2,321	2,252	2,216	2,325	2,454	2,515
Air Quality Analysis	1,421	1,246	1,235	1,156	1,560	3,023	3,336	3,097	3,500	3,521
Non-Operating	10,762	37,768	40,453	24,872	31,546	60,728	94,236	86,518	87,628	93,561
Total Expenses	38,434	66,728	72,476	58,166	66,233	97,356	131,543	124,194	126,436	132,227
Increase / (Decrease) - Changes in Net Position										
Prior to Adjustment	36,291	(8,461)	(11,362)	14,106	70,907	5,824	31,103	(21,175)	1,410	(13,197)
Adjustment to Net Position	-	-	-	-	-	-	-	-	-	(62,975)
Changes in Net Position	$ 36,291	$ (8,461)	$ (11,362)	$ 14,106	$ 70,907	$ 5,824	$ 31,103	$ (21,175)	$ 1,410	$ (76,172)



Source: San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

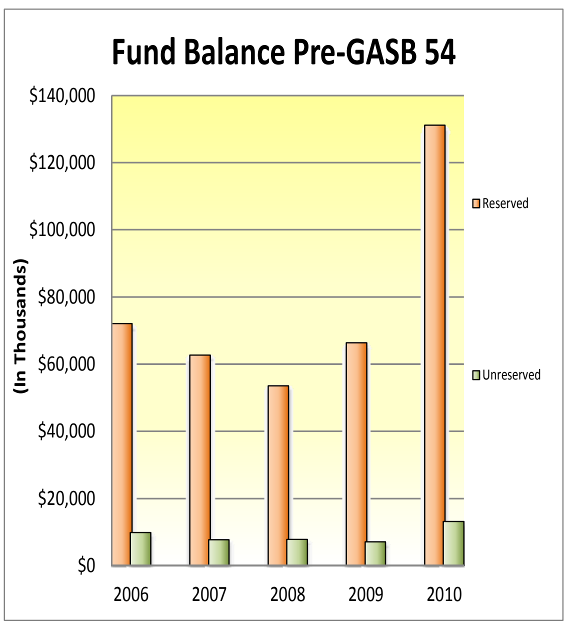
SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

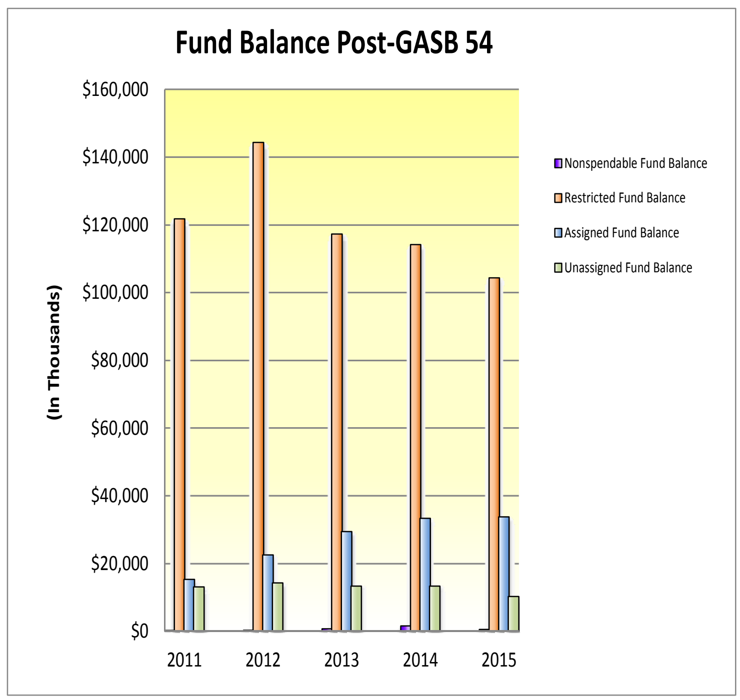
FUND BALANCE, GENERAL FUND
Last Ten Fiscal Years

(modified accrual basis of accounting)

(In Thousands)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund:										
Reserved	$ 72,069	$ 62,685	$ 53,583	$ 66,370	$ 131,112	$ -	$ -	$ -	$ -	$ -
Unreserved	9,907	7,710	7,805	7,124	13,162	-	-	-	-	-
Nonspendable Fund Balance	-	-	-	-	-	241	302	757	1,592	548
Restricted Fund Balance	-	-	-	-	-	121,757	144,317	117,304	114,186	104,379
Committed Fund Balance	-	-	-	-	-	-	-	-	-	-
Assigned Fund Balance	-	-	-	-	-	15,309	22,591	29,431	33,346	33,748
Unassigned Fund Balance	-	-	-	-	-	13,110	14,332	13,358	13,317	10,277
Total General Fund	$81,976	$70,395	$61,388	$73,494	$144,274	$150,417	$181,542	$160,850	$162,441	$148,952





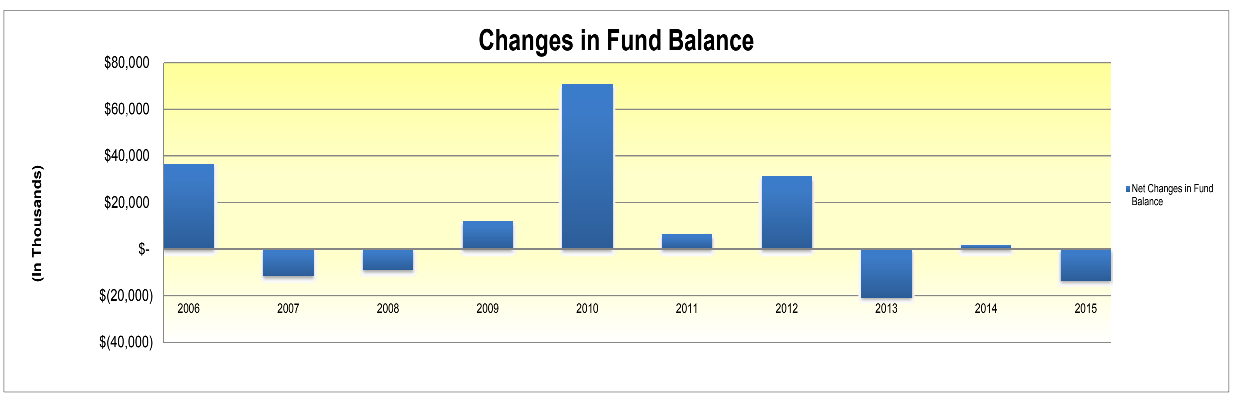
Source: San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

Note: The District implemented GASB Statement No. 54 under which fund balances are reported as nonspendable, restricted, committed, assigned, and unassigned compared to reserved and unreserved.

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

CHANGES IN FUND BALANCE, GENERAL FUND
Last Ten Fiscal Years
(modified accrual basis of accounting)
(In Thousands)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues:										
Program Revenues:										
Fees and Charges - Stationary Sources	$ 10,413	$ 11,317	$ 11,559	$ 15,852	$ 19,348	$ 26,829	$ 26,310	$ 24,768	$ 23,372	$ 23,589
Fees and Charges - Mobile Sources	11,329	12,041	11,915	11,872	11,569	11,004	10,622	11,480	13,945	12,587
Operating Grants	2,135	94	3,845	2,055	1,630	2,123	2,201	2,034	2,032	2,199
Restricted Special Revenue Sources	44,101	30,231	26,628	37,347	98,837	55,524	116,240	58,848	82,255	75,338
General Revenues:										
State Subvention - Not Restricted	884	868	897	899	900	901	917	923	917	916
Interest - Not Restricted	424	625	486	653	164	392	552	920	1,050	1,237
Penalties/Settlements	5,393	3,010	4,007	3,605	4,662	6,151	5,715	3,896	4,204	3,022
Miscellaneous Revenue	46	81	125	100	76	(2)	202	172	71	142
Total Revenues	74,725	58,267	59,462	72,383	137,186	102,922	162,759	103,041	127,846	119,030
Expenditures:										
Operating:										
Salaries and Benefits	21,693	23,479	24,195	26,172	27,209	29,723	30,335	30,707	32,040	32,379
Services and Supplies	4,464	3,815	4,247	5,100	5,095	4,998	4,731	5,030	5,201	4,611
Capital Outlay	1,273	4,786	2,854	1,916	2,183	958	1,959	1,105	1,386	1,968
Debt Services:										
Principal	-	-	-	300	315	330	346	362	-	-
Interest	-	-	-	73	58	43	27	11	-	-
Total Operating Expenditures	27,430	32,080	31,296	33,561	34,860	36,052	37,398	37,215	38,627	38,958
Non-Operating:										
Pass Through and Non-Operating	10,762	37,768	40,453	24,872	31,546	60,728	94,236	86,518	87,628	93,561
Total Expenditures	38,192	69,848	71,749	58,433	66,406	96,780	131,634	123,733	126,255	132,519
Other Financing Sources - Capital Asset Leases	-	-	1,652	-	-	-	-	-	-	-
Net Changes in Fund Balance - Prior to Adjustment	36,533	(11,581)	(10,635)	13,950	70,780	6,142	31,125	(20,692)	1,591	(13,489)
Adjustment to Fund Balance	-	-	1,629	(2,218)	-	-	-	-	-	-
Net Changes in Fund Balance	$ 36,533	$ (11,581)	$ (9,006)	$ 11,732	$ 70,780	$ 6,142	$ 31,125	$ (20,692)	$ 1,591	$ (13,489)
Debt service as a percentage of noncapital expenditures	0.00%	0.00%	0.00%	1.18%	1.14%	1.06%	1.05%	1.03%	0.00%	0.00%

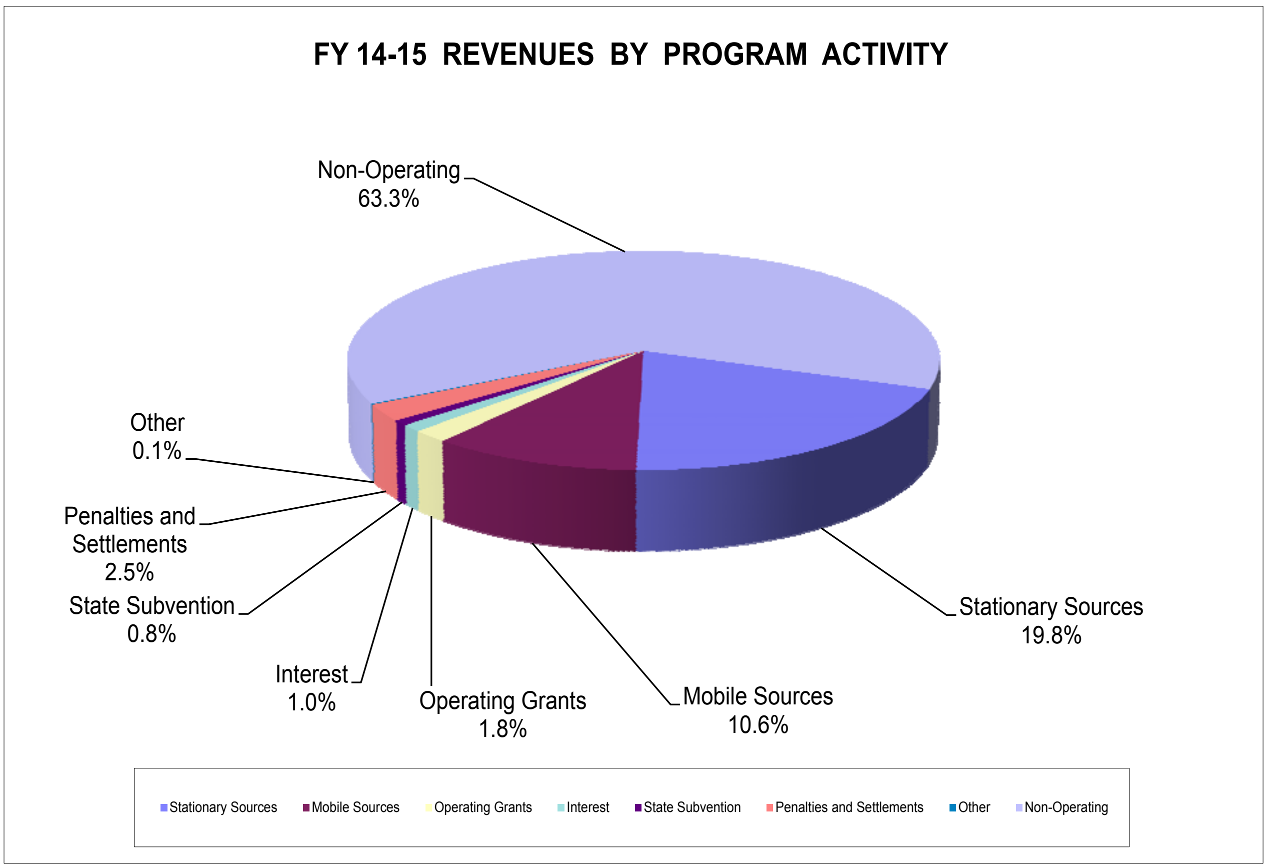


Source: San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

REVENUES BY PROGRAM ACTIVITY
Last Five Fiscal Years

Program Activity	2010-11	2011-12	2012-13	2013-14	2014-15
Stationary Sources	$ 26,861,373	$ 23,969,030	$ 24,767,656	$ 23,372,236	$ 23,589,328
Mobile Sources	11,004,317	12,962,535	11,479,999	13,945,295	12,587,016
Operating Grants	2,123,425	2,200,999	2,034,170	2,032,077	2,198,751
Interest	392,185	552,185	919,905	1,049,885	1,236,409
State Subvention	901,102	916,983	923,280	916,805	916,425
Penalties and Settlements	6,151,499	5,715,216	3,895,600	4,204,663	3,021,904
Other	222,696	175,375	149,587	70,998	141,979
Non-Operating	55,523,858	116,153,677	58,848,227	82,254,719	75,338,055
Total Revenues	$ 103,180,455	$ 162,646,000	$ 103,018,424	$ 127,846,678	$ 119,029,867



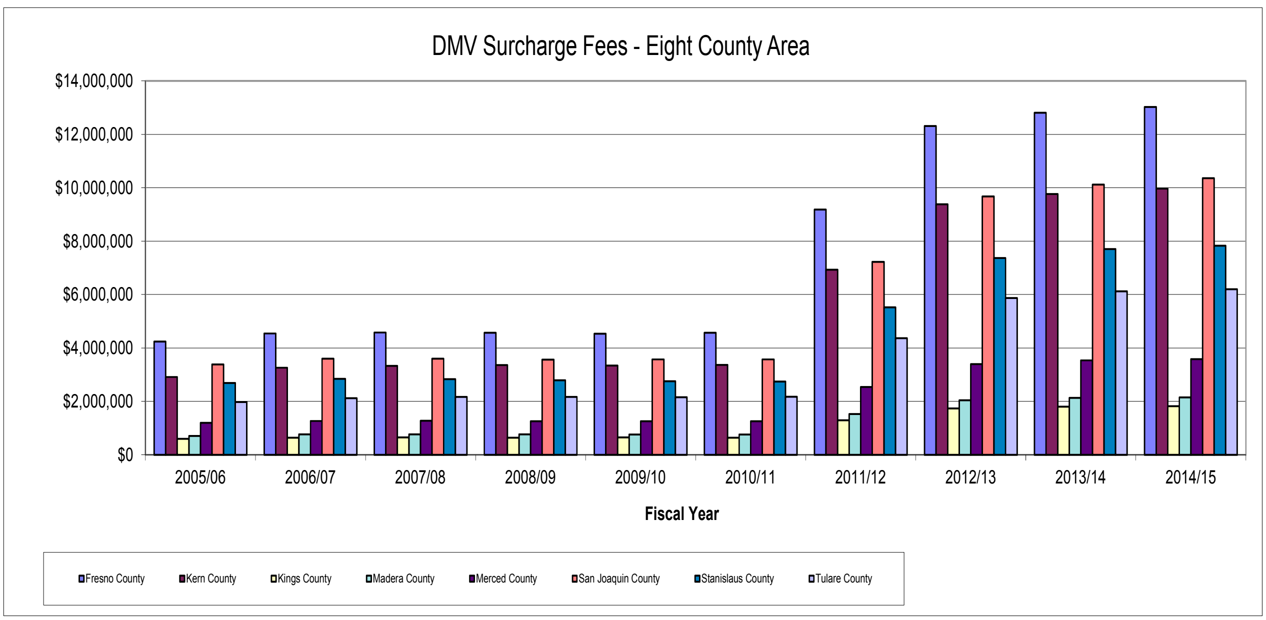
Notes: Other includes: Miscellaneous Revenue and Subscriptions

Source: San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

DMV SURCHARGE FEES - EIGHT COUNTY AREA
Last Ten Fiscal Years
(cash basis of accounting)

Fiscal Year	Fresno County	Kern County	Kings County	Madera County	Merced County	San Joaquin County	Stanislaus County	Tulare County	Total	% Increase
2005/06	$ 4,242,477	$ 2,912,463	$ 596,583	$ 705,113	$ 1,195,142	$ 3,386,635	$ 2,686,686	$ 1,980,099	$ 17,705,198	38.84%
2006/07	4,540,457	3,262,092	638,027	764,935	1,264,960	3,600,963	2,844,147	2,121,519	19,037,100	7.52%
2007/08	4,579,395	3,333,027	649,141	769,579	1,273,970	3,599,834	2,831,833	2,160,649	19,197,428	0.84%
2008/09	4,565,075	3,358,785	645,520	763,627	1,253,828	3,559,192	2,785,930	2,164,078	19,096,035	-0.53%
2009/10	4,538,075	3,335,859	646,014	758,831	1,253,444	3,568,388	2,749,422	2,152,389	19,002,421	-0.49%
2010/11	4,568,020	3,362,490	643,497	761,072	1,253,604	3,568,755	2,741,126	2,172,166	19,070,730	0.36%
2011/12	9,179,990	6,929,110	1,295,433	1,524,931	2,541,760	7,222,200	5,518,649	4,361,007	38,573,080	102.26%
2012/13	12,305,801	9,378,758	1,739,277	2,043,700	3,389,954	9,674,703	7,370,208	5,873,046	51,775,447	34.23%
2013/14	12,808,059	9,761,658	1,802,917	2,130,958	3,535,028	10,115,186	7,703,961	6,117,122	53,974,889	4.25%
2014/15	13,018,575	9,969,430	1,812,567	2,149,631	3,583,162	10,357,161	7,831,201	6,198,103	54,919,830	1.75%



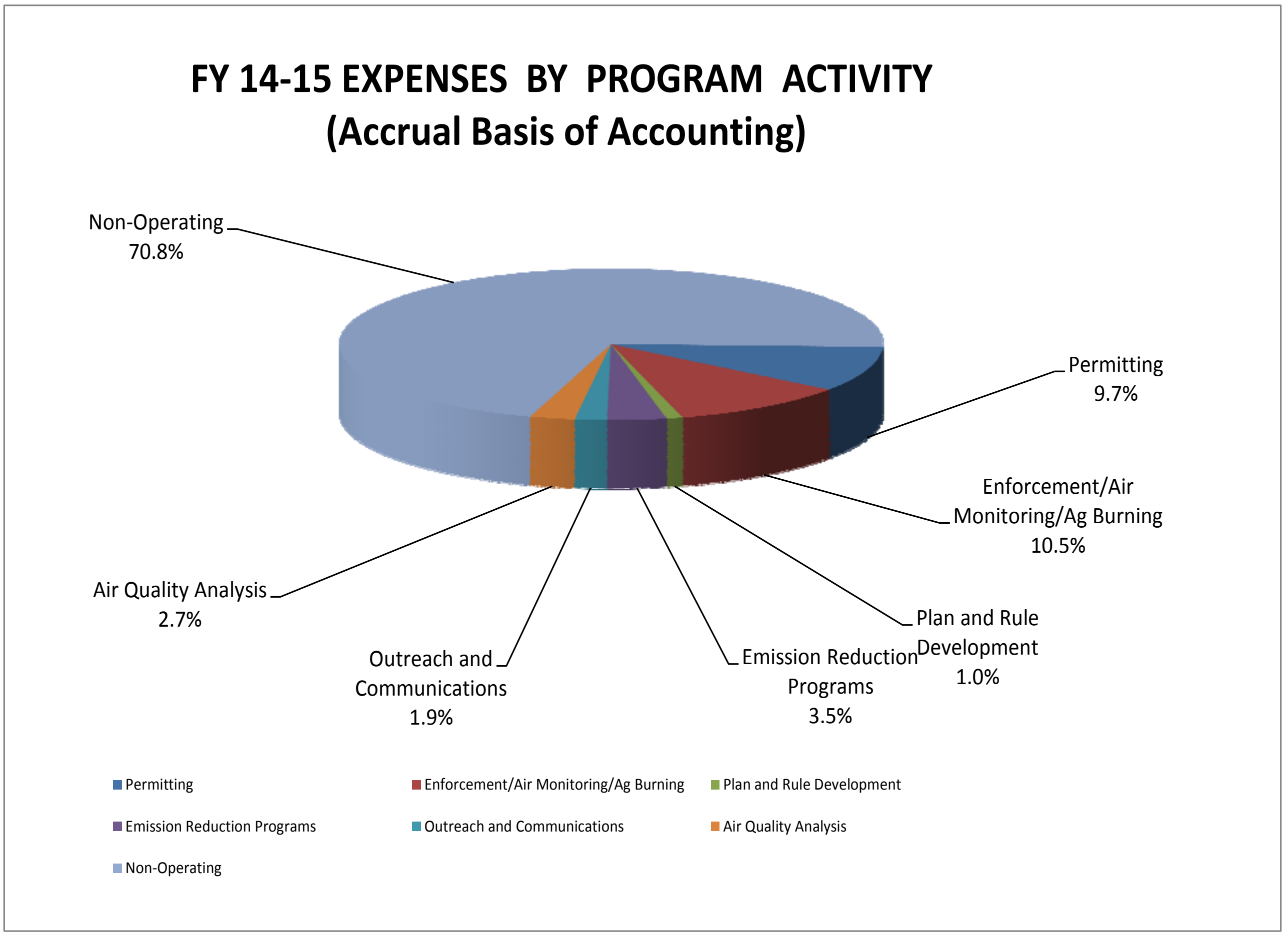
Notes: The San Joaquin Valley Unified Air Pollution Control District encompasses all of Fresno, Kings, Madera, Merced, San Joaquin, Stanislaus, and Tulare Counties, and the valley portion of Kern County.
Starting in 2011/12, total DMV Surcharge Fees include funds from AB2766, AB2522, SB709, and AB923.

Source: California Department of Motor Vehicles

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

EXPENSES BY PROGRAM ACTIVITY (Accrual Basis of Accounting)
Last Five Fiscal Years

Program Activity	2010-11	2011-12	2012-13	2013-14	2014-15
Permitting	$ 13,835,586	$ 14,170,277	$ 14,222,479	$ 13,987,232	$ 12,781,456
Enforcement/Air Monitoring/Ag Burning	12,063,812	12,110,993	12,112,312	12,559,594	13,938,265
Plan and Rule Development	2,054,340	1,696,327	1,539,504	1,780,869	1,271,597
Emission Reduction Programs	3,399,671	3,778,290	4,379,931	4,526,521	4,639,424
Outreach and Communications	2,251,876	2,215,619	2,324,962	2,453,837	2,514,672
Air Quality Analysis	3,022,735	3,335,839	3,096,749	3,499,658	3,520,539
Non-Operating	60,727,740	94,235,828	86,517,953	87,628,449	93,560,856
Total Expenses	$ 97,355,760	$ 131,543,173	$ 124,193,890	$ 126,436,160	$ 132,226,809

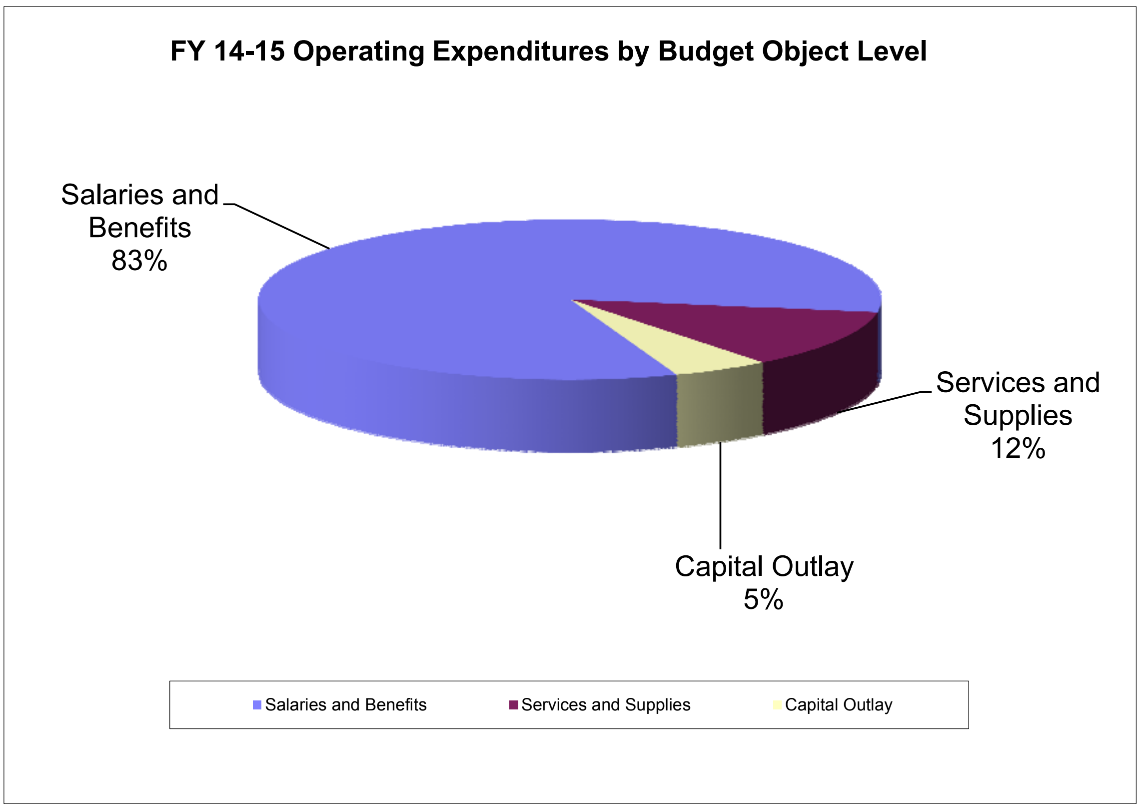


Source: San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

OPERATING EXPENDITURES BY BUDGET OBJECT LEVEL
Last Ten Fiscal Years

Fiscal Year	Salaries and Benefits	Services and Supplies	Capital Outlay	Total Operating Expenditures
2005/06	$ 21,693,531	$ 4,463,578	$ 1,273,182	$ 25,480,708
2006/07	23,479,039	3,814,644	4,786,429	27,430,291
2007/08	24,195,285	4,246,694	2,854,440	32,080,112
2008/09	26,171,573	5,099,751	1,543,520	31,296,419
2009/10	27,209,307	5,094,841	2,183,316	32,814,844
2010/11	29,722,716	4,997,940	958,072	34,487,464
2011/12	30,335,317	4,731,489	1,958,679	35,678,728
2012/13	30,707,207	5,030,082	1,104,906	36,842,195
2013/14	32,039,781	5,201,603	1,385,826	38,627,210
2014/15	32,378,741	4,611,528	1,967,688	38,957,957



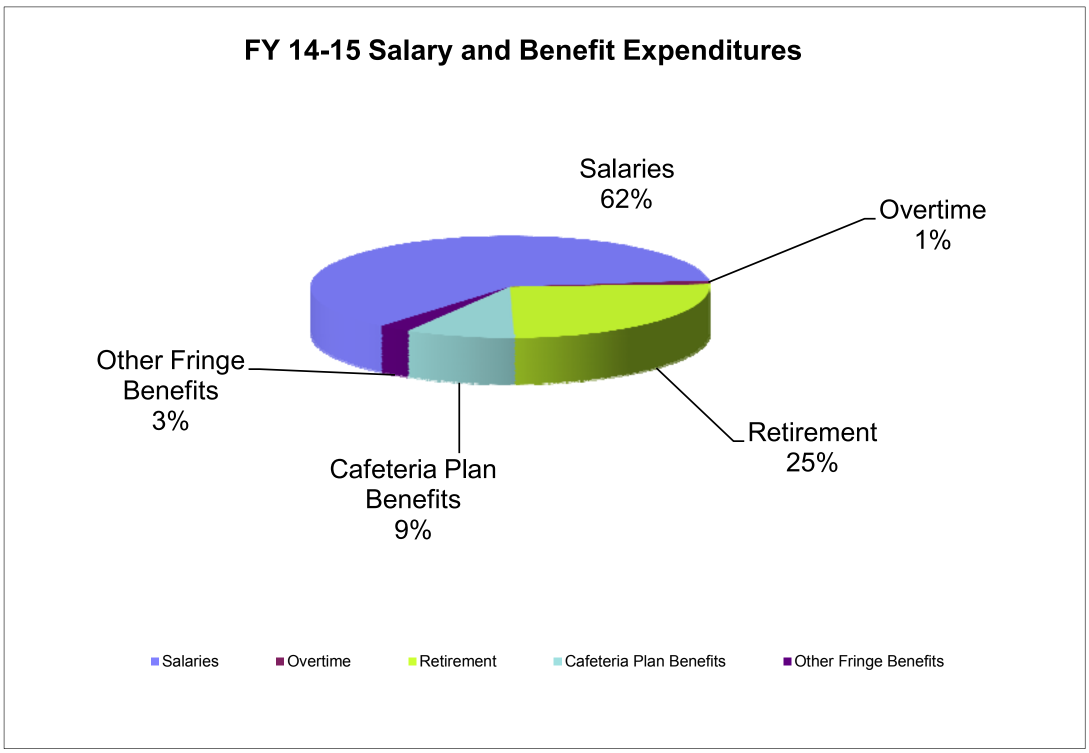
Source: San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

SALARY AND BENEFIT EXPENDITURES
Last Ten Fiscal Years

Fiscal Year	Salaries	Overtime	Retirement	Cafeteria Plan Benefits	Other Fringe Benefits	Total Salaries and Benefits
2005/06	$ 14,325,161	$ 269,618	$ 2,701,422	$ 1,572,390	$ 956,200	$ 19,824,791
2006/07	14,850,007	254,625	4,040,114	1,700,021	848,764	21,693,531
2007/08	16,267,143	276,813	5,078,432	1,909,038	663,859	24,195,285
2008/09	18,065,322	320,202	4,962,833	2,074,820	748,396	26,171,573
2009/10	18,492,855	321,901	5,653,041	2,020,012	721,498	27,209,307
2010/11	19,655,967	338,115	6,962,404	2,006,418	759,812	29,722,716
2011/12	19,729,937	402,265	7,331,907	2,034,625	836,583	30,335,317
2012/13	19,516,057	382,682	7,604,832	2,432,529	771,107	30,707,207
2013/14	19,845,461	361,635	8,117,087	2,889,718	825,880	32,039,781
2014/15	20,056,696	347,558	8,261,724	2,867,501	845,262	32,378,741

Notes: Salaries Includes: Regular Salaries, Temporary Help, and On Call Pay.
Other Fringe Benefits Includes: Unemployment Insurance, OASDI Insurance, Workers' Compensation Contributions, Long-Term Disability Insurance, Clean Air Employee Incentive, and Alternate Transportation Incentive.

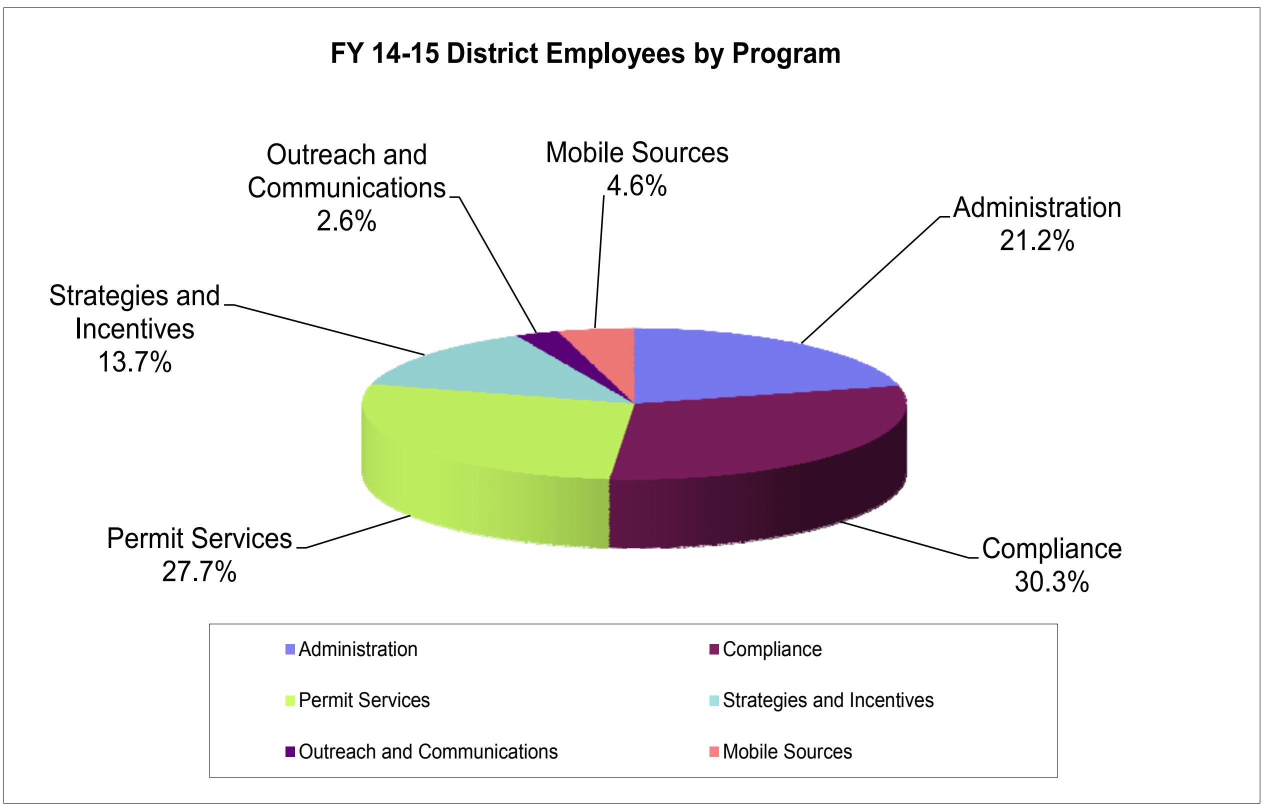


Source: San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

DISTRICT EMPLOYEES BY PROGRAM
Last Ten Fiscal Years

*Fiscal Year	Administration	Compliance	Permit Services	Strategies and Incentives	Outreach and Communications	Mobile Sources	Total Employees
2005/06	50	83	89	45	8	14	289
2006/07	52	83	99	35	8	14	291
2007/08	60	85	95	36	7	23	306
2008/09	62	88	95	36	7	23	311
2009/10	61	97	94	28	7	21	308
2010/11	61	97	94	28	7	21	308
2011/12	61	97	94	28	7	21	308
2012/13	62	97	96	32	7	14	308
2013/14	62	97	96	32	7	14	308
2014/15	65	93	85	42	8	14	307



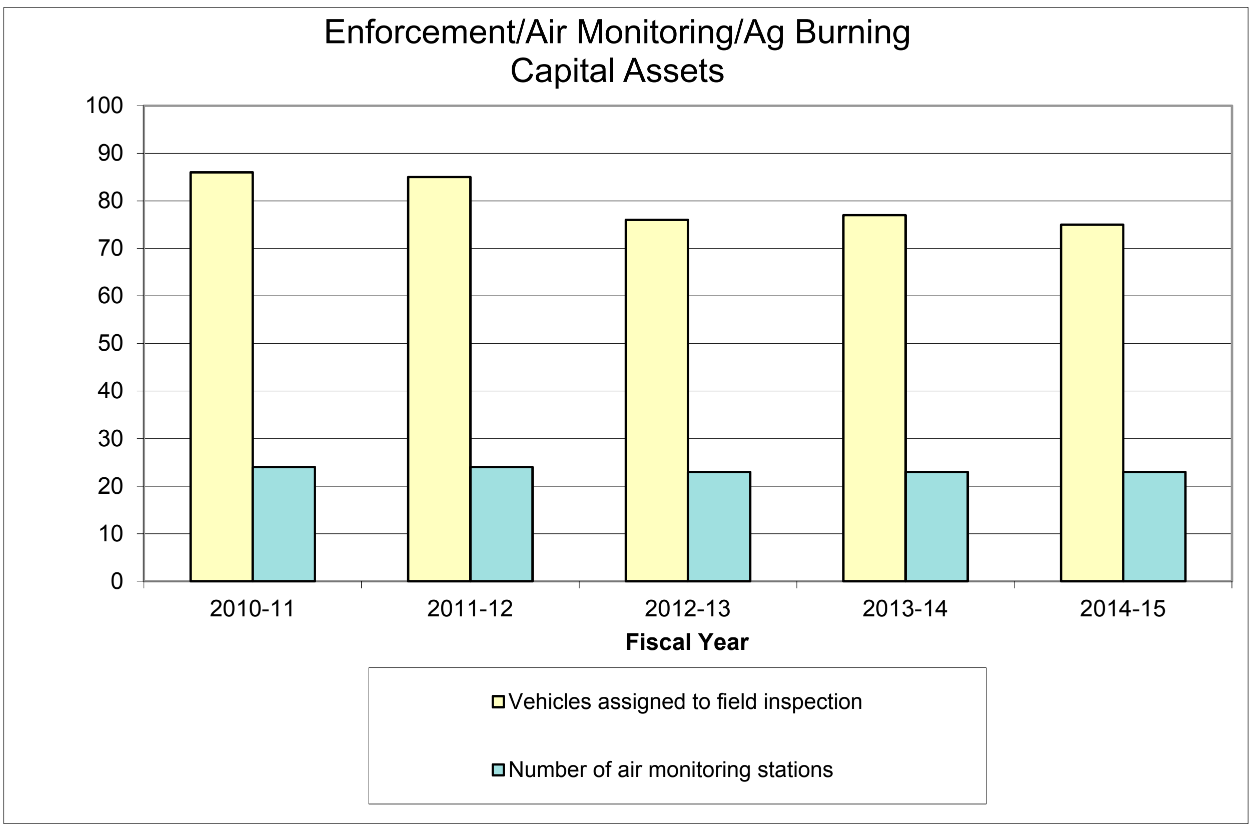
*District Adopted Budget

Source: San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

CAPITAL ASSET STATISTICS BY PROGRAM
Last Five Fiscal Years

Program	2010-11	2011-12	2012-13	2013-14	2014-15
Enforcement/Ag Burning					
Vehicles assigned to field inspection	86	85	76	77	75
Air Monitoring					
Number of air monitoring stations	24	24	23	23	23
Outreach and Communications					
Vehicles assigned to communications	1	1	1	1	1



Source: San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

OPERATING INDICATORS BY PROGRAM
Last Eight Fiscal Years

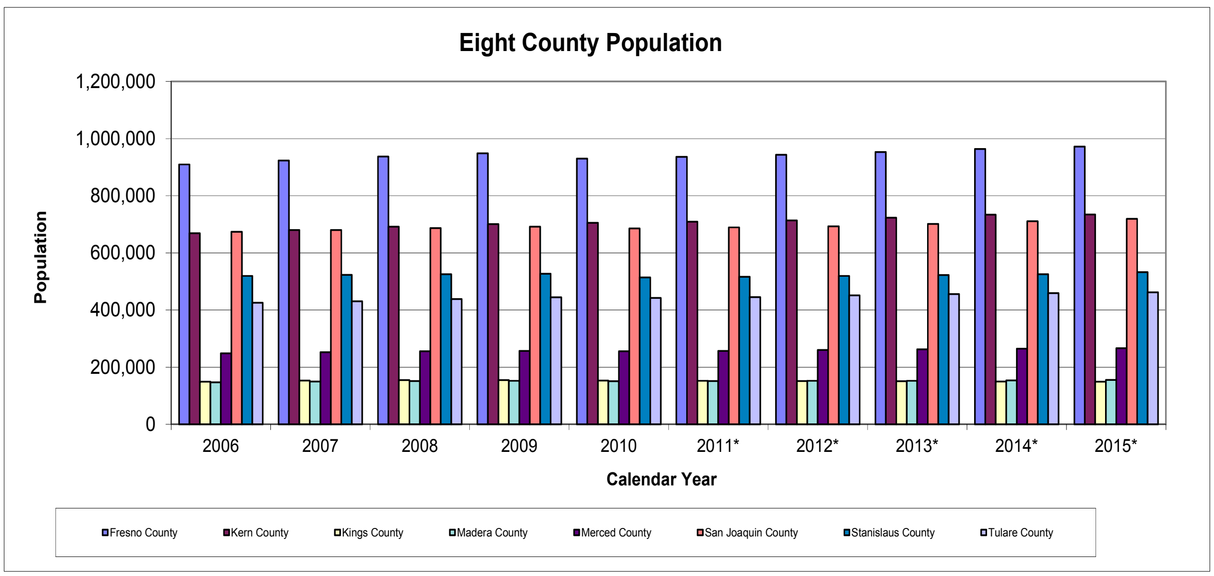
Program Category	2008	2009	2010	2011	2012	2013	2014	2015
Permitting								
Authority to construct permits issued	4,032	5,830	5,201	4,995	7,055	4,034	3,575	3,105
New permits to operate issued	1,405	523	339	577	227	133	127	48
New title V permits issued	630	23	414	1,648	238	2,586	214	201
Title V permit modifications	363	452	642	2,019	8,784	1,532	1,616	2,296
Conservation management practices plans issued	572	662	617	573	680	464	260	459
Emission reduction credit certificates issued or transferred	686	475	339	415	232	346	492	467
Toxic air contaminant risk-management reviews performed	892	919	806	815	903	987	853	876
Annual emissions inventory surveys processed	4,500	3,858	4,375	5,465	1,820	7,443	6,758	6,147
California environmental quality act review requests	2,471	1,848	1,759	1,416	1,367	1,475	1,769	1,796
Indirect source review applications processed	191	166	163	199	214	213	200	175
Enforcement/air monitoring/ag burning								
Permit units inspected	30,844	36,899	23,532	22,630	31,090	32,529	37,422	31,234
Public complaints investigated	2,678	2,801	2,157	2,287	3,239	2,759	3,379	3,376
Open burn sites inspected	2,508	2,827	2,508	1,935	1,993	1,697	1,526	1,512
Incentive funding units (trucks, engines) inspected	3,649	4,018	2,764	3,584	3,792	5,598	5,503	4,029
Asbestos projects reviewed and inspected	727	1,103	1,017	1,974	1,112	967	902	666
Notices of violation	3,299	3,549	2,948	2,919	3,309	2,560	2,810	2,457
Plans and rules developed to Achieve Clean Air								
New rules adopted	25	7	7	10	8	2	4	21
Outreach and communications								
Media calls	619	417	322	293	305	211	250	201
Public calls	2,542	2,309	1,415	1,331	1,278	910	1,078	1,447
News releases	45	42	43	38	51	43	48	28
Events & presentations	100	127	145	132	159	51	77	52
Grants and Incentives								
Contracts awarded	319	461	881	4,919	3,594	4,906	6,008	8,619
Amount contracted	$23,086,922	$35,782,902	$55,842,284	$61,908,384	$98,116,375	$107,648,690	$82,171,567	$76,089,828

Source: San Joaquin Valley Unified Air Pollution Control District Audited Financial Statements

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

EIGHT COUNTY POPULATION
Last Ten Calendar Years

Year	Fresno County	Kern County	Kings County	Madera County	Merced County	San Joaquin County	Stanislaus County	Tulare County	Total	% Increase
2006	909,400	668,900	149,800	147,200	249,100	674,300	519,300	425,600	3,743,600	1.27%
2007	923,100	680,300	153,300	149,900	252,500	680,200	523,100	431,000	3,793,400	1.33%
2008	936,800	691,800	155,000	151,900	256,100	687,000	526,000	438,300	3,842,900	1.30%
2009	948,500	700,500	154,700	152,900	257,000	691,700	527,100	445,000	3,877,400	0.90%
2010	930,450	705,300	152,982	150,865	255,793	685,306	514,453	442,179	3,837,328	-1.03%
2011*	936,089	709,363	152,533	151,658	257,098	689,160	516,244	445,183	3,857,328	0.52%
2012*	943,509	713,985	151,774	152,327	260,039	693,013	519,350	451,529	3,885,526	0.73%
2013*	953,179	723,378	151,127	152,525	262,390	701,745	523,038	456,037	3,923,419	0.98%
2014*	964,040	733,397	150,181	153,897	264,922	710,731	526,042	459,446	3,962,656	1.00%
2015*	972,297	734,382	149,721	155,878	266,134	719,511	532,297	462,189	3,992,409	0.75%



* Estimated population

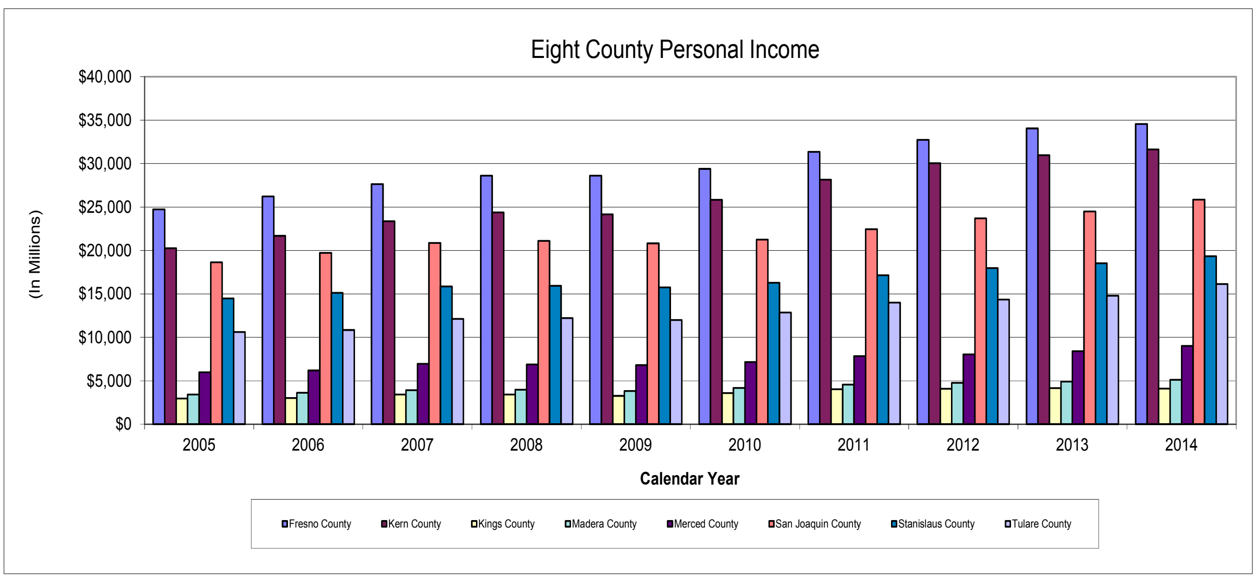
Notes: The San Joaquin Valley Unified Air Pollution Control District encompasses all of Fresno, Kings, Madera, Merced, San Joaquin, Stanislaus, and Tulare Counties, and the valley portion of Kern County.

Source: California State Department of Finance - Demographic Research Unit (SJVUAPCD Portion of Kern County estimated at 84%)

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

EIGHT COUNTY PERSONAL INCOME
Last Ten Calendar Years
(In Millions)

Year	Fresno County	Kern County	Kings County	Madera County	Merced County	San Joaquin County	Stanislaus County	Tulare County	Total	% Increase
2005	$ 24,745	$ 20,267	$ 2,962	$ 3,416	$ 5,972	$ 18,634	$ 14,484	$ 10,612	$ 101,092	-
2006	26,219	21,676	2,992	3,602	6,191	19,732	15,109	10,833	106,354	5.21%
2007	27,634	23,372	3,403	3,918	6,955	20,874	15,864	12,103	114,123	7.30%
2008	28,605	24,392	3,412	3,968	6,864	21,092	15,926	12,219	116,478	2.06%
2009	28,598	24,142	3,260	3,818	6,804	20,810	15,752	11,977	115,161	-1.13%
2010	29,396	25,837	3,578	4,170	7,147	21,262	16,279	12,843	120,512	4.65%
2011	31,354	28,137	4,022	4,555	7,849	22,453	17,164	13,989	129,523	7.48%
2012	32,729	30,061	4,060	4,770	8,039	23,683	17,957	14,343	135,642	4.72%
2013	34,041	30,976	4,138	4,920	8,406	24,481	18,528	14,782	140,272	3.41%
2014	34,568	31,629	4,086	5,107	9,020	25,859	19,341	16,147	145,757	3.91%



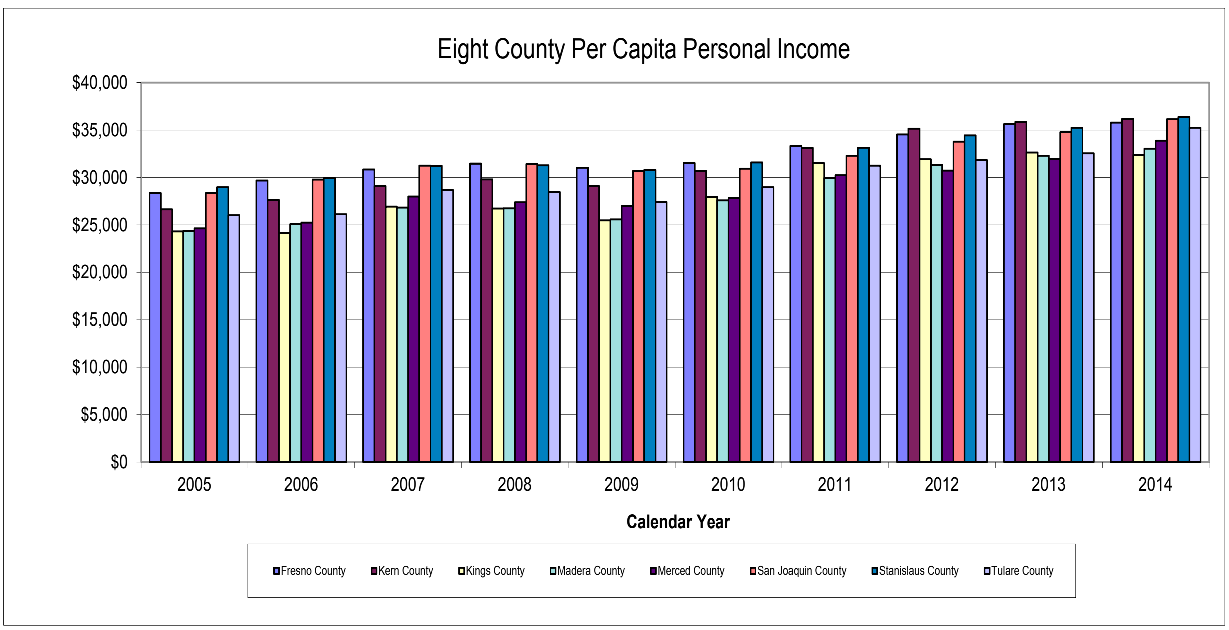
Notes: The San Joaquin Valley Unified Air Pollution Control District encompasses all of Fresno, Kings, Madera, Merced, San Joaquin, Stanislaus, and Tulare Counties, and the valley portion of Kern County.

Source: Bureau of Economic Analysis (SJVUAPCD Portion of Kern County estimated at 84%)

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

EIGHT COUNTY PER CAPITA PERSONAL INCOME
Last Ten Calendar Years

Year	Fresno County	Kern County	Kings County	Madera County	Merced County	San Joaquin County	Stanislaus County	Tulare County	Eight County Average
2005	$ 28,362	$ 26,642	$ 24,295	$ 24,345	$ 24,623	$ 28,363	$ 28,968	$ 26,011	$ 26,451
2006	29,664	27,630	24,116	25,077	25,235	29,770	29,939	26,110	27,193
2007	30,844	29,096	26,936	26,826	27,985	31,245	31,238	28,672	29,105
2008	31,447	29,807	26,719	26,748	27,396	31,402	31,286	28,464	29,159
2009	31,035	29,082	25,484	25,581	26,969	30,705	30,793	27,408	28,382
2010	31,516	30,693	27,949	27,581	27,835	30,926	31,592	28,968	29,633
2011	33,321	33,123	31,503	29,940	30,232	32,300	33,144	31,246	31,851
2012	34,539	35,139	31,926	31,334	30,726	33,777	34,437	31,801	32,960
2013	35,635	35,847	32,635	32,287	31,935	34,755	35,259	32,550	33,863
2014	35,785	36,165	32,371	33,042	33,865	36,136	36,356	35,240	34,870



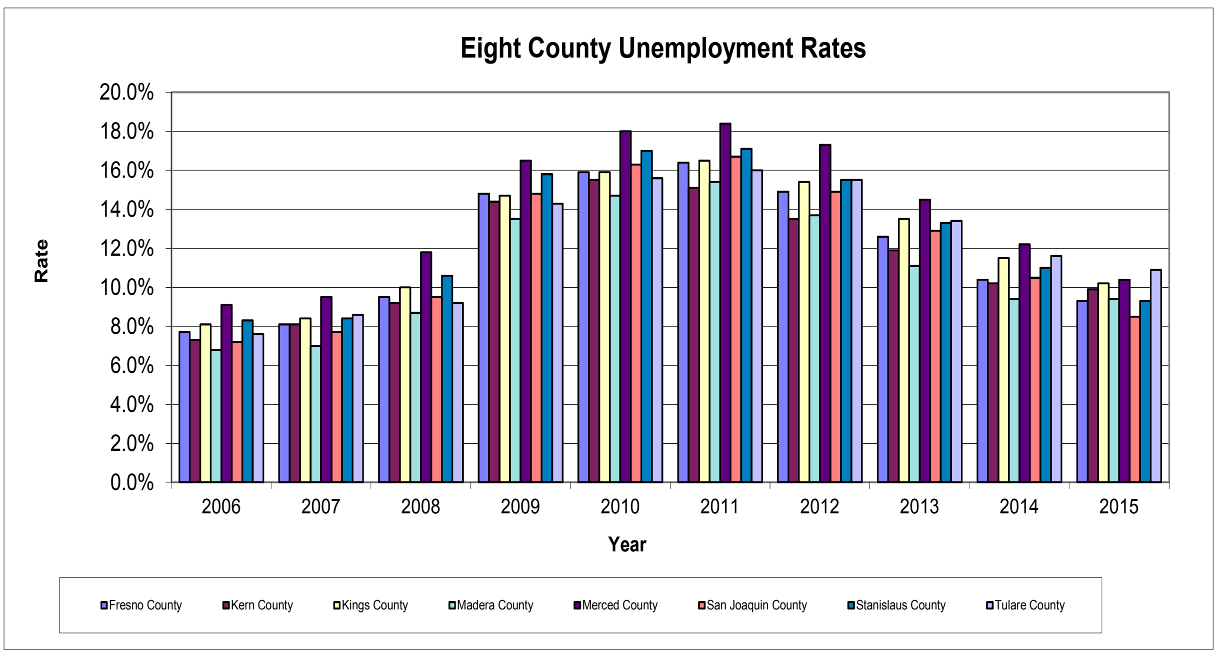
Notes: The San Joaquin Valley Unified Air Pollution Control District encompasses all of Fresno, Kings, Madera, Merced, San Joaquin, Stanislaus, and Tulare Counties, and the valley portion of Kern County.

Source: Bureau of Economic Analysis

SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT

EIGHT COUNTY UNEMPLOYMENT RATES
Last Ten Fiscal Years

Year	Fresno County	Kern County	Kings County	Madera County	Merced County	San Joaquin County	Stanislaus County	Tulare County	Eight County Average
2006	7.7%	7.3%	8.1%	6.8%	9.1%	7.2%	8.3%	7.6%	7.8%
2007	8.1%	8.1%	8.4%	7.0%	9.5%	7.7%	8.4%	8.6%	8.2%
2008	9.5%	9.2%	10.0%	8.7%	11.8%	9.5%	10.6%	9.2%	9.8%
2009	14.8%	14.4%	14.7%	13.5%	16.5%	14.8%	15.8%	14.3%	14.9%
2010	15.9%	15.5%	15.9%	14.7%	18.0%	16.3%	17.0%	15.6%	16.1%
2011	16.4%	15.1%	16.5%	15.4%	18.4%	16.7%	17.1%	16.0%	16.5%
2012	14.9%	13.5%	15.4%	13.7%	17.3%	14.9%	15.5%	15.5%	15.1%
2013	12.6%	11.9%	13.5%	11.1%	14.5%	12.9%	13.3%	13.4%	12.9%
2014	10.4%	10.2%	11.5%	9.4%	12.2%	10.5%	11.0%	11.6%	10.9%
2015	9.3%	9.9%	10.2%	9.4%	10.4%	8.5%	9.3%	10.9%	9.7%



Notes: The San Joaquin Valley Unified Air Pollution Control District encompasses all of Fresno, Kings, Madera, Merced, San Joaquin, Stanislaus, and Tulare Counties, and the valley portion of Kern County.

Source: California Employment Development Department (Reports ran for June of each year)

San Joaquin Valley Unified Air Pollution Control District

Miscellaneous Statistics

District Established:	March 21, 1991
Area Covered:	25,000 Square Miles
Counties Included in District:	San Joaquin, Stanislaus, Merced, Madera, Fresno, Kings, and Tulare Counties, and the Valley portion of Kern County
Population:	3,992,409 (2015 Estimate)
Transportation:	Two Transcontinental Railroads – Burlington Northern, Santa Fe and the Union Pacific Six Commercial Airports – Stockton Metro, Modesto, Merced Municipal, Fresno Yosemite, Visalia Municipal, and Meadows Field (Bakersfield) Two Major Interstate Freeways – California State Highway 99 and U.S. Interstate Highway 5 One Major Port – Port of Stockton
Visitor Destinations:	Yosemite National Park, Kings Canyon National Park, Sequoia National Park
Number of Registered Vehicles:	2,816,000 (6/30/15) Estimate
Stationary Sources of Air Pollution	Oil Refineries, Oil Production Equipment, Power Regulated Plants, Manufacturing and Processing Facilities, Boilers and other Combustion Equipment, Emergency Generators, Paint Spray Booths, Service Stations, Agricultural Operations, and Dry Cleaners
Number of Sources:	Approximately 13,700 operating locations with more than 33,000 Permits to Operate and 6,200 Agricultural Conservation Management Practice Plans
Number of Air Monitoring Stations:	29, District, Air Resources Board, Tribal, and National Park Service Combined (Including 2 Lower Air Profilers)
District Full-time Authorized Positions:	307
Adopted Fiscal Year 2015-16 Budget:	$183,737,889

Northern Region
Serving San Joaquin, Stanislaus and Merced counties
4800 Enterprise Way
Modesto, CA 95356-8718
(209) 557-6400 FAX (209) 557-6475

Central Region
Serving Madera, Fresno and Kings counties
1990 E. Gettysburg Avenue
Fresno, CA 93726-0244
(559) 230-6000 FAX (559) 230-6061

Southern Region
Serving Tulare and Valley air basin portions of Kern counties
34946 Flyover Court
Bakersfield, CA 93308-9725
(661) 392-5500 FAX (661) 392-5585