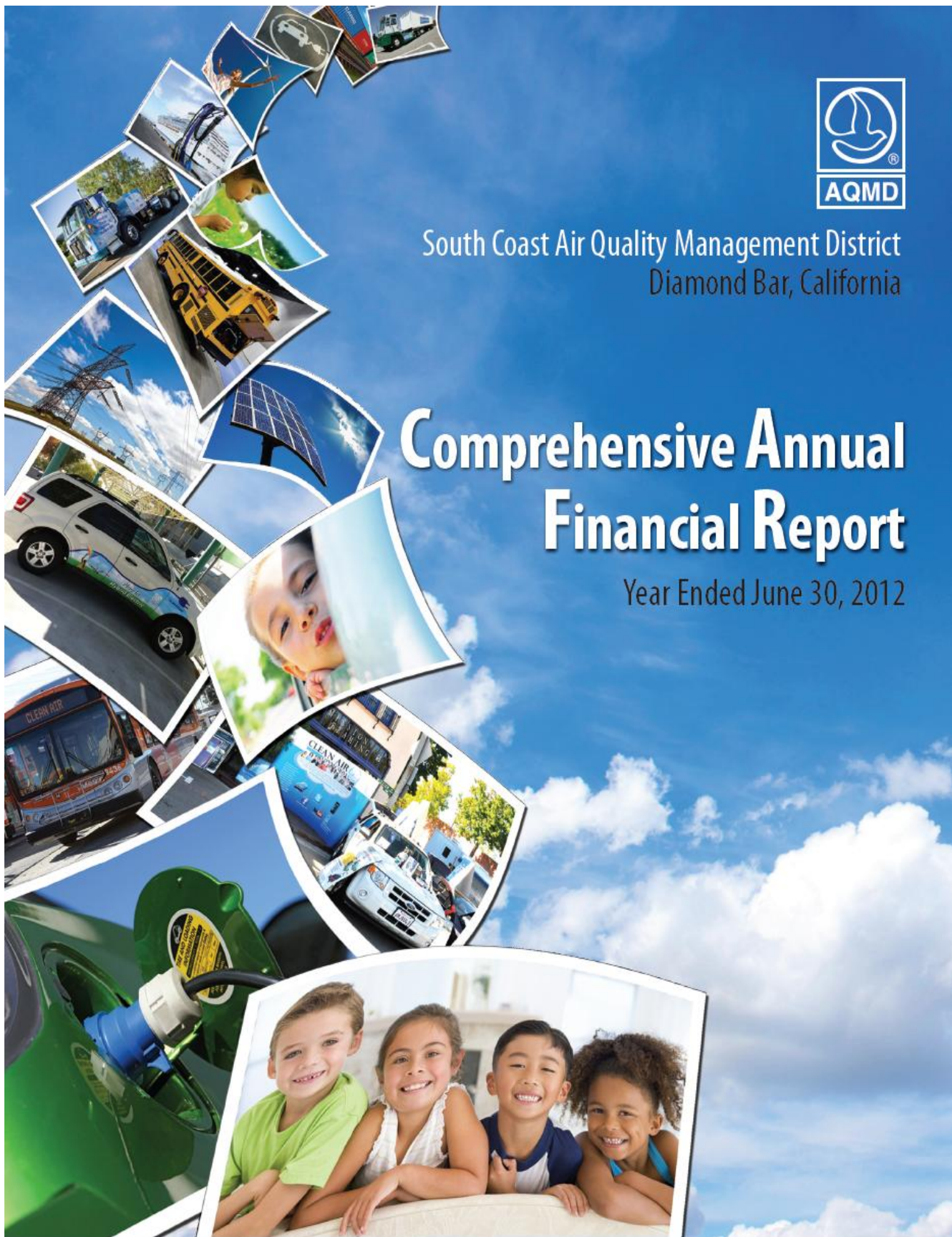




South Coast Air Quality Management District
Diamond Bar, California

Comprehensive Annual Financial Report

Year Ended June 30, 2012





MISSION STATEMENT

The South Coast AQMD believes all residents have a right to live and work in an environment of clean air and is committed to undertaking all necessary steps to protect public health from air pollution with sensitivity to the impacts of its actions on the community, public agencies and businesses.

South Coast
Air Quality Management District

Diamond Bar, California

Comprehensive Annual Financial Report
Year Ended June 30, 2012

Prepared by:
Finance Office
Michael B. O'Kelly, Chief Financial Officer

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

Comprehensive Annual Financial Report
Year Ended June 30, 2012

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SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

GOVERNING BOARD

June 30, 2012

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

DENNIS YATES
Vice Chair
County of San Bernardino
Cities Representative

MICHAEL D. ANTONOVICH
County of Los Angeles Representative

JUDY MITCHELL
County of Los Angeles
Cities Representative
Western Region

JOHN BENOIT
County of Riverside Representative

SHAWN NELSON
County of Orange Representative

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

CLARK E. PARKER, Ph.D.
Senate Rules Committee Appointee

JOSIE GONZALES
County of San Bernardino Representative

JAN PERRY
City of Los Angeles Representative

RONALD O. LOVERIDGE
County of Riverside
Cities Representative

MIGUEL A. PULIDO
County of Orange
Cities Representative

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

BARRY R. WALLERSTEIN, D.Env.
Executive Officer



South Coast Air Quality Management District

21865 Copley Drive, Diamond Bar, CA 91765-4178
(909) 396-2000 • <http://aqmd.gov>

October 17, 2012

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

State law requires that local governments publish within six months of the close of each fiscal year a complete set of audited financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This report is published to fulfill that requirement for the fiscal year ended June 30, 2012.

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

AQMD's financial statements have been audited by Simpson & Simpson, Certified Public Accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of AQMD for the fiscal year ended June 30, 2012 are free of material misstatements. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified (clean) opinion that AQMD's financial statements for the fiscal year ended June 30, 2012 are fairly presented in conformity with accounting principles generally accepted in the United States. The independent auditor's report is located at the front of the financial section of this report.

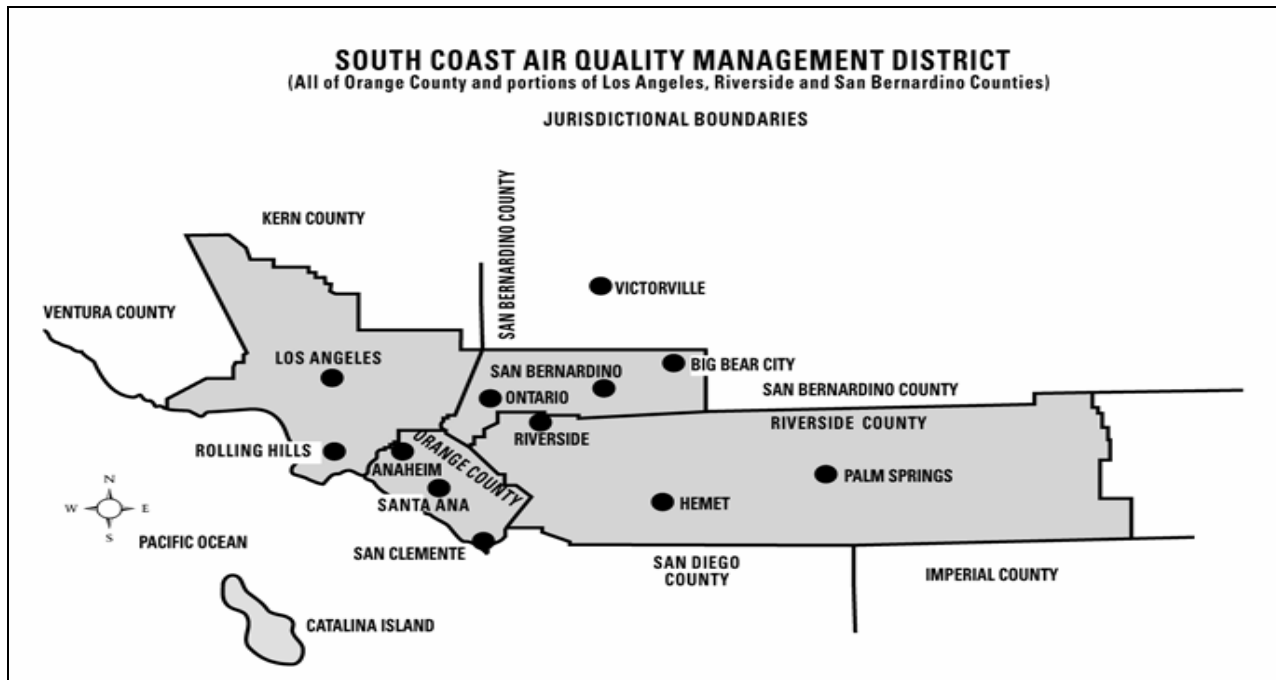
The independent audit of the financial statements of AQMD was part of a broader, federally mandated "Single Audit" designed to meet the special needs of Federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on

the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of Federal awards. These reports are available in AQMD's separately issued Single Audit Report.

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

Profile of the South Coast Air Quality Management District

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



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

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

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

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

vendors and grantees. Administrative expenditures related to managing and accounting for Special Revenue Fund projects are appropriated within the General Fund budget.

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

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

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

Factors Affecting Financial Condition

AQMD is a fee-supported agency and does not receive sales or property tax support. Approximately 73% of its General Fund revenue is derived from permit evaluation fees, annual permit operating fees, emission fees, Hearing Board fees, penalties and settlements, interest earnings, and other revenues. The remaining 27% of its revenue is derived from federal grants, state grants, California Air Resources Board (CARB) subvention funds, and motor vehicle fees.

To meet its program commitments, despite new federal and state mandates, increased workload complexity, and the continuing stagnant economic environment, AQMD continues to streamline many of its operations. Compared to the 1991-92 fiscal year, 2011-12 reflects funded staffing levels that are 30% (346 FTEs) below 1991-92 levels and expenditures, when adjusted for inflation, that are approximately 29% less than the 1991-92 period.

Overall revenues during this fiscal year were stable (within 1.3%) as compared to the prior fiscal year. General Fund revenues were also stable (within 1.0%) as compared to the prior fiscal year. Future changes in overall revenue are highly dependent on the timing of receipts and continuation of state and federal grant funding, while General Fund revenues are expected to continue to remain stable through the following fiscal year due to the continuing stagnant economic environment.

Overall expenditures were approximately 8.8% lower due to the timing of Proposition 1B and other grant program expenditures, while General Fund expenditures were approximately 1.3% lower due to cost savings measures resulting in decreased services and supplies costs. An increase in overall expenditures coupled with stable General Fund expenditures is expected to continue in the following fiscal year due to continued federal and state grant fund expenditures along with cost-containment measures incorporated into the fiscal year 2012-13 General Fund budget. These General Fund cost-containment measures continue to include removing vacant positions, a hiring freeze, no salary increases over the last four years, negotiated changes to retirement plan employee contributions, and reduced services and supplies costs.

Long-term Financial Planning

In addressing long-term program costs, AQMD has pursued actions over the past several years including legislative changes to the employee retirement plan and the use of one-time revenues to lower its long-term retirement costs and economically defease a portion of its current debt service. AQMD was unsuccessful in obtaining legislative changes to the retirement plan in prior years, although statewide pension reform legislation was signed into law in September 2012, which enacts more broad changes to AQMD's retirement plan than initially sought through previous legislative action. Beginning in fiscal year 2014-15, AQMD's debt service on its Installment Sale Revenue Bonds (associated with its Headquarters building) will be retired, resulting in an approximate \$3.4 million net annual savings to the General Fund. During the current fiscal year and beyond, AQMD continues to look for cost savings as a means of balancing revenues and expenditures to ensure long term financial sustainability.

Relevant Financial Policies

In recent fiscal years, AQMD's Governing Board has designated and/or assigned significant portions of the General Fund balance in anticipation of retirement cost increases, potential state and federal funding declines, and Other Post Employment Benefits (OPEB) obligations inherited as part of the consolidation of the four county Air Pollution Control Districts in 1977.

During the previous fiscal year, AQMD's Governing Board approved a rule which provides that certain fees would automatically be adjusted effective July 1 of each year by the California Consumer Price Index for the preceding calendar year unless the Governing Board by rule decides not to implement such fee increase for a given year, either for all fees or for a specified fee or fees.

Major Initiatives

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

- I. Ensure expeditious progress toward meeting clean air standards and protecting public health.
- II. Enhance public education and ensure equitable treatment for all communities.
- III. Operate efficiently and in a manner sensitive to businesses, the public, and AQMD staff.
- IV. Operate a “Clean and Green” program to promote and support sustainable practice strategies.

During the current and upcoming fiscal year, AQMD highlighted three projects which are particularly important to achieving our mission and goals, they are: 1) continued demonstration/deployment of a zero-emission cargo container movement system, 2) developing modified or new permitting programs to meet the region’s evolving air quality and economic needs, including incentivizing the use of new, lower emitting technologies, manufacture of such clean technologies, incentivize in-basin renewable distributed electricity generation and storage to support electric technology applications, and 3) make substantial progress in creating programs to facilitate construction of new and modified stationary sources in areas where the supply of emissions offsets is limited, consistent with AQMD’s clean air objectives. In addition, AQMD continues to address other priorities such as the 2012 Air Quality Management Plan preparation, goods movement projects, architectural coating compliance, and environmental justice activities.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the South Coast Air Quality Management District for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2011. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. The Comprehensive Annual Financial Report must satisfy both generally accepted accounting principles and applicable legal requirements. The Certificate of Achievement is valid for a period of one year only. We believe our current report continues to meet the Certificate of Achievement program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

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

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

Respectfully submitted,



Barry R. Wallerstein, D.Env.
Executive Officer



Michael B. O'Kelly, CPA
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

South Coast Air Quality
Management District (AQMD)
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



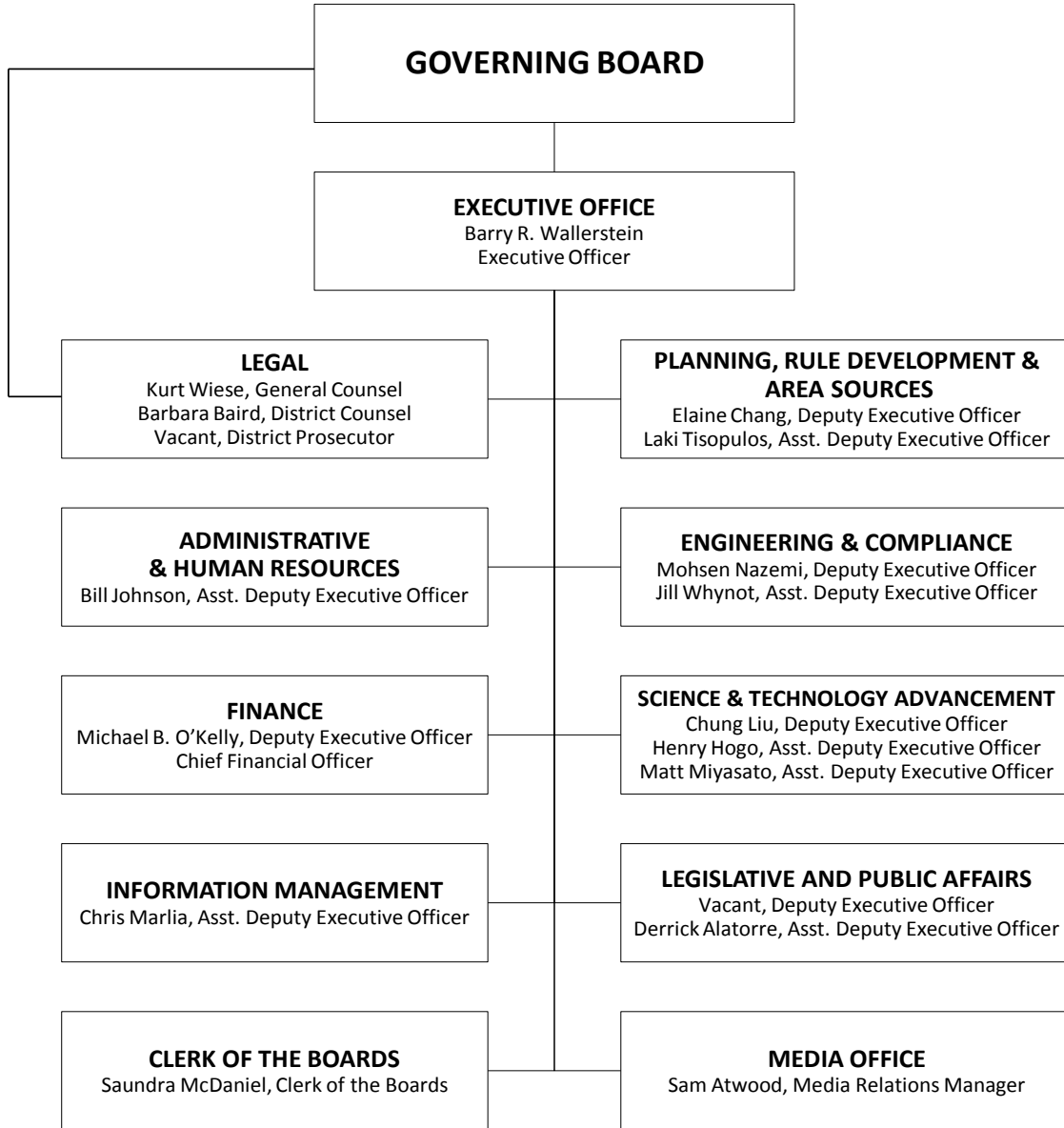
Linda C. Danison

President

Jeffrey R. Emer

Executive Director

**South Coast Air Quality Management District, California
Organizational Chart
June 30, 2012**





SIMPSON & SIMPSON
CERTIFIED PUBLIC ACCOUNTANTS

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The Governing Board of
South Coast Air Quality Management District

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the blended component unit, each major fund, and the aggregate remaining fund information of the **South Coast Air Quality Management District (AQMD)**, as of and for the year ended June 30, 2012, which collectively comprise the AQMD's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the AQMD's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the AQMD's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the blended component unit, each major fund, and the aggregate remaining fund information of the AQMD, as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2012, on our consideration of the AQMD'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* and should be considered in assessing the results of our audit.



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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 22 and 68 through 71 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the AQMD's basic financial statements as a whole. The introductory section, other supplementary information, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. 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.

A handwritten signature in cursive script that reads "Simpson & Simpson".

Los Angeles, California
October 17, 2012

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

As management of the South Coast Air Quality Management District (AQMD), we offer readers of AQMD's financial statements this narrative overview and analysis of the financial activities of AQMD for fiscal year ended June 30, 2012. Please read it in conjunction with the accompanying transmittal letter, the basic financial statements, and the accompanying notes to those financial statements.

A. Financial Highlights

- Total assets of AQMD exceeded its total liabilities at the close of the most recent fiscal year by \$584.7 million (net assets). Of this amount, \$30.1 million (unrestricted net assets), may be used to meet AQMD's ongoing obligations to creditors.
- AQMD's total net assets increased by \$61.2 million. Total revenues from all sources were \$329.3 million and total expenses for all functions/programs were \$268.1 million.
- As of the close of the fiscal year, AQMD's governmental funds reported combined ending fund balances of \$574.3 million, an increase of \$55.9 million in comparison to the prior year. Of the \$574.3 million combined ending fund balances, \$46.7 million represents the fund balance of the General Fund.
- Out of the general fund balance of \$46.7 million at the end of the fiscal year, \$73,043 was nonspendable, \$6.6 million was committed, \$15.4 million was assigned and \$24.7 million was unassigned, which is 18.6% of the general fund expenditures.
- AQMD's capital assets decreased by \$2.3 million from the prior year.
- AQMD's long term debt decreased by \$10.3 million or 14.4% of the long term debt outstanding.

B. Overview of the Financial Statements

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

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

In general, the purpose of financial reporting is to provide the external parties that read financial statements with information that will help them make decisions or draw conclusions about an entity. In order to address the needs of as many parties as reasonably possible, AQMD, 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 AQMD. These financial statements are constructed around the concept of a primary government and its component unit, excluding fiduciary funds. The financial statements of AQMD's fiduciary funds are not included in the government-wide financial statements because these funds cannot be used to finance AQMD's activities.

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

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

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

Fund Financial Statements

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

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

Governmental Funds

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

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

AQMD maintains 41 individual special revenue funds, one debt service fund and a blended component unit in addition to the General Fund. Eight of the special revenue funds are considered major funds. The information for the major special revenue funds is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund balances. Data for the other 33 non-major special revenue funds, debt service fund and blended component unit are combined into a single, aggregated presentation. Individual fund data for each of the 33 non-major governmental funds, debt service fund and blended component unit, is reported in the Other Supplementary Information section of this report.

AQMD adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. This is presented in the Required Supplementary Information section of this report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

The Basic Governmental Fund Statements can be found under the Fund Financial Statements section of this report.

Proprietary Funds

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

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

Fiduciary Funds

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

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

Notes to the Basic Financial Statements

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

Other Information

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

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

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

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

C. Government-wide Financial Analysis

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

The schedule below presents a condensed Statement of Net Assets as of June 30, 2012 compared with the prior fiscal year.

	Net Assets (amounts expressed in thousands)					
	Governmental Activities		Business-Type Activities		TOTAL	
	<u>FY 2011-12</u>	<u>FY 2010-11</u>	<u>FY 2011-12</u>	<u>FY 2010-11</u>	<u>FY 2011-12</u>	<u>FY 2010-11</u>
Current and other assets	\$ 612,888	\$ 559,913	\$ 539	\$ 387	\$ 613,427	\$ 560,300
Prepaid pension assets	43,543	44,634	-	-	43,543	44,634
Capital assets	40,827	43,148	-	-	40,827	43,148
Total assets	<u>697,258</u>	<u>647,695</u>	<u>539</u>	<u>387</u>	<u>697,797</u>	<u>648,082</u>
Long-term liabilities outstanding	71,434	81,718	-	-	71,434	81,718
Other liabilities	41,687	42,873	14	17	41,701	42,890
Total liabilities	<u>113,121</u>	<u>124,591</u>	<u>14</u>	<u>17</u>	<u>113,135</u>	<u>124,608</u>
Net Assets:						
Invested in capital assets, net of related debt	25,697	22,778	-	-	25,697	22,778
Restricted for:						
Pension assets	1,362	-	-	-	1,362	-
Restricted for long-term emission-reduction projects	527,549	465,790	-	-	527,549	465,790
Unrestricted	29,529	34,536	525	370	30,054	34,536
Total net assets	<u>\$ 584,137</u>	<u>\$ 523,104</u>	<u>\$ 525</u>	<u>\$ 370</u>	<u>\$ 584,662</u>	<u>\$ 523,104</u>

As noted earlier, net assets may serve over time as a useful indicator of AQMD's financial position. At the close of the most recent fiscal year, AQMD's assets exceeded liabilities by \$584.1 million.

The largest portion of AQMD's net assets (90.3%) represents resources that are subject to external restrictions on how they may be used. The revenue in special revenue funds is restricted to expenditures for specific purposes. Approximately 4.4% of AQMD's net assets reflect its investment in capital assets used by AQMD (e.g. land, buildings, equipment, and vehicles) less any related debt used to acquire those assets that is still outstanding. AQMD uses these capital assets in carrying out its mission of protecting public health while being sensitive to the economic needs of local businesses. Consequently, these assets are not available for future spending.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
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Although AQMD's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. The debt service installment schedules for the 1995 and 2004 Pension Obligation Bonds will be fully paid by 2022 and 2024 respectively.

AQMD executed a Guaranteed Investment Contract (GIC) and Escrow Agreement in December 2006 to economically defease a portion of its debt. With the downgrading of the GIC provider rating during the current weak economic condition, AQMD in February 2009 terminated its GIC agreement without penalty. A Debt Service Fund was set up to provide debt service payments through 2014.

The remaining portion of AQMD's net assets (5.3%) are unrestricted and may be used to meet AQMD's ongoing operations and obligations to creditors. At the end of the current fiscal year, AQMD is able to report positive balances in all three categories of net assets and positive fund balance in unrestricted category for the business-type activities.

The net assets for governmental activities increased by \$61.0 million compared with the prior fiscal year. Most of the increase represents stable revenues along with a decrease in expenses in long term emission reduction projects.

Program revenues decreased by approximately \$0.9 million, 0.3% change from the prior year. These are largely due to a decrease of approximately \$2.7 million in state grants in special revenue funds. General revenue decreased by \$3.0 million, compared with the prior fiscal year, which is primarily attributed to a one-time decrease in penalties and settlements.

Expenses decreased by \$23.5 million largely due to an decrease in contract expenditures in the special revenue funds in which revenues are restricted to expenditures for specific purposes.

A condensed Changes in Net Assets schedule for the fiscal year ending June 30, 2012 compared with the prior fiscal year can be found on the following page.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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**Changes in Net Assets
(amounts expressed in thousands)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>TOTAL</u>	
	<u>FY 2011-12</u>	<u>FY 2010-11</u>	<u>FY 2011-12</u>	<u>FY 2010-11</u>	<u>FY 2011-12</u>	<u>FY 2010-11</u>
Revenues:						
Program Revenues:						
Fees and charges – stationary sources	\$ 82,624	\$ 81,291	\$ -	\$ -	\$ 82,624	\$ 81,291
Fees and charges – mobile sources	23,385	22,513	-	-	23,385	21,988
Operating grants and subventions	8,487	8,867	-	-	8,487	8,867
Restricted long-term project grants	204,845	207,556	-	-	204,845	207,556
General Revenues:						
Grants and subventions – not restricted to specific programs	2,890	2,919	-	-	2,890	2,919
Penalties and settlements	4,906	7,349	-	-	4,906	7,349
Interest	529	832	-	-	529	832
Other revenues	1,359	1,639	-	-	1,359	1,639
CNG fuel sales	-	-	291	274	291	274
Total revenues	<u>329,025</u>	<u>332,966</u>	<u>291</u>	<u>274</u>	<u>329,316</u>	<u>333,240</u>
Expenses:						
Advance clean air technology	6,673	6,399	-	-	6,673	6,389
Ensure compliance with clean air rules	47,026	46,877	-	-	47,026	46,794
Customer service	7,729	7,579	-	-	7,729	7,560
Develop programs to achieve clean air	12,131	11,781	-	-	12,131	11,760
Develop rules to achieve clean air	7,286	8,827	-	-	7,286	8,812
Monitoring air quality	15,930	15,093	-	-	15,930	15,069
Timely review of permits	27,241	28,046	-	-	27,241	27,997
Policy support	1,484	1,792	-	-	1,484	1,767
Interest on long-term debt	4,692	3,278	-	-	4,692	3,278
Long-term emission reduction projects	137,800	161,905	-	-	137,800	161,905
Other expenses	-	-	136	150	136	150
Total expenses	<u>267,992</u>	<u>291,577</u>	<u>136</u>	<u>150</u>	<u>268,128</u>	<u>291,727</u>
Increase in net assets, before transfers	<u>61,033</u>	<u>41,389</u>	<u>155</u>	<u>124</u>	<u>61,188</u>	<u>41,513</u>
Transfers	-	-	-	-	-	-
Increase in net assets	<u>\$ 61,033</u>	<u>\$ 41,389</u>	<u>\$ 155</u>	<u>\$ 124</u>	<u>\$ 61,188</u>	<u>\$ 41,513</u>

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

Governmental Activities

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

The Statement of Activities presents information showing how AQMD's net assets changed during fiscal year 2012. All changes in net assets are reported as soon as the underlying event occurs regardless of the timing of the cash flows.

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

There was a slight decrease in program revenues in the Restricted Special Revenues Sources. The program revenues in the long-term projects grants category are made up of revenues from several special revenue funds. Following are explanations of the significant revenue variances from fiscal year 2010-11 to fiscal year 2011-12:

- **Carl Moyer Fund** – This fund was established to account for the money received from the California Air Resources Board (CARB) to provide funds for incentive programs for the incremental cost of cleaner-than-required engines and equipment. In fiscal year 2011-12, the revenue for state grant was lower by approximately \$8 million as compared to fiscal year 2010-11.
- **AB 1318 Mitigation Fee Fund** – This fund was created in fiscal year 2010-11 and received one-time revenue of \$53.3 million from a mitigation fee payment for the transfer of emission credits under AB 1318. In fiscal year 2011-12, no additional revenue was received.
- **Air Quality Improvement Fund** – There was no significant change in revenue in this fund from fiscal year 2010-11 to fiscal year 2011-12. The reason this fund is classified as a major fund is due to significant increase in its liability which is due to the timing of the payments that vary from year to year.

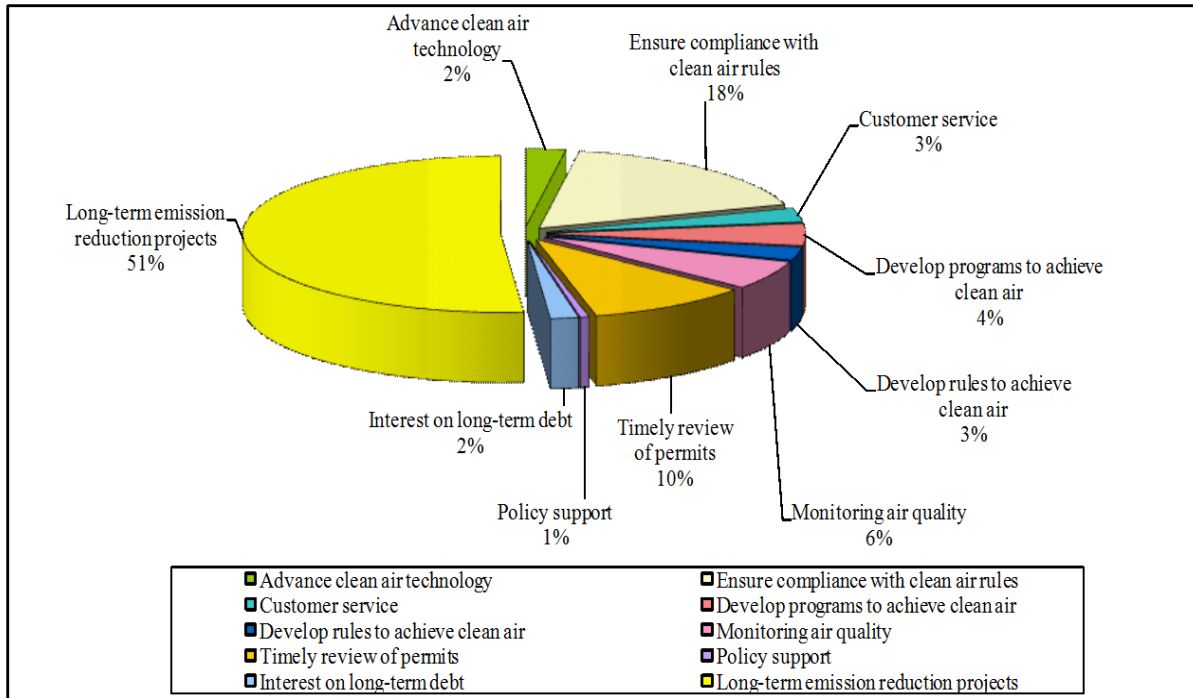
**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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- **Mobile Sources Air Pollution Reduction Fund** – In fiscal year 2011-12 revenue increased overall by \$1.2 million. The increase is related to the timing of these revenues received from the state in fiscal year 2010-11.
- **Plug In Hybrid Electric Vehicle Fund** – In fiscal year 2011-12 this fund revenue increased by approximately \$3.4 million due to receipt of ARRA federal grants from DOE for developing plug in vehicle infrastructure.
- **Clean Fuels Program Fund** – In Fiscal Year 2011-12 revenue in this fund increased overall by \$1.7 million. The main reason for the increase is due to \$0.8 million increase in state funds and approximately \$1 million increase in federal revenue from four EPA grants that fund retrofit technology for Heavy Duty Trucks, diesel emissions, and a DOE grant for the taxicab/shuttle van project.
- **Carl Moyer Program AB 923 Special Revenue Fund** – This fund was established in November 2007 to separately report the Carl Moyer AB 923 program activities. In fiscal year 2011-12 revenue increased overall by \$1.6 million. The increase is related to the timing of these revenues received from the state in fiscal year 2010-11.
- **Prop 1B Lower Emission School Bus Fund** – In fiscal year 2011-12 revenue decreased by \$4.6 million. In fiscal year 2011-12 no Prop 1B Lower Emission School Bus project funds were received as the project was fully reimbursed and all expenses were paid by June 30, 2012.
- **Prop 1B Goods Movement Fund** – This fund was set up in fiscal year 2007-08 to receive funds from the voter approved bond funding under Proposition 1B to implement programs that reduce emissions from the movement of freight or “goods” along California’s trade corridors. In fiscal year 2011-12, this fund received \$97.8 million in state grants, an increase of \$52.5 million.

Business-type Activities

The Business-type Activities section reports transactions relating to the CNG fueling station. The CNG fueling station expenditures are reported on a cash basis and are offset by sales. The net assets of the business-type activities increased by \$155,000 from \$370,000 to \$525,000. The increase is primarily due to a federal rebate for the purchase and sale of CNG fuel, and an increase in sales.

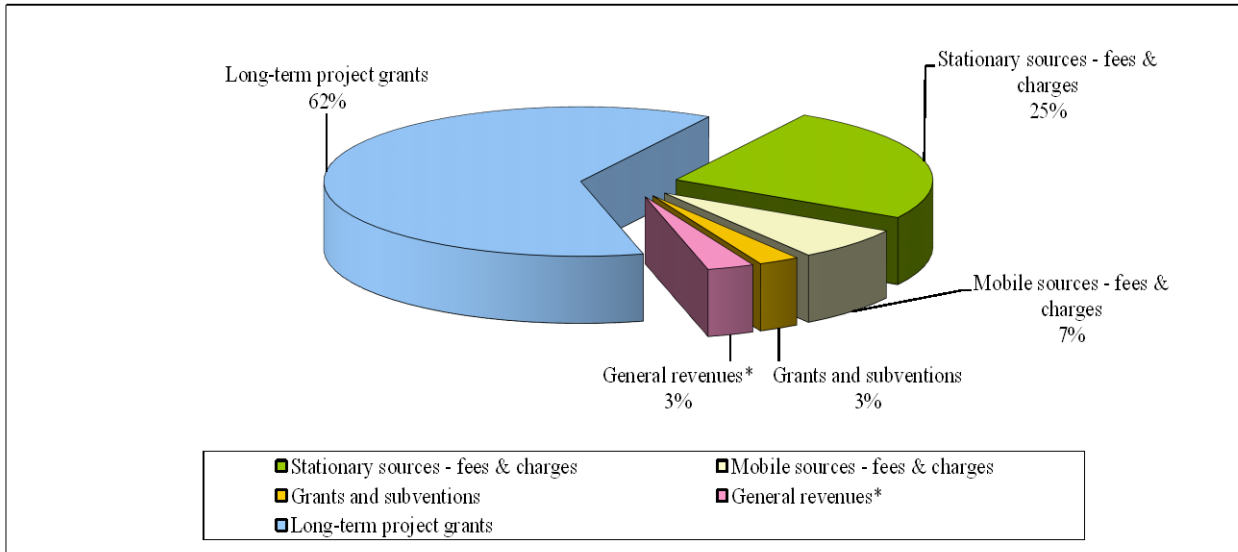
**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
EXPENSES BY ACTIVITY
Government Activities
FY 2011-12**



Activity	FY 11-12	FY 10-11	FY 09-10	FY 08-09	FY 07-08	FY 06-07
Advance clean air technology	\$ 6,672,977	\$ 6,398,859	\$ 6,512,144	\$ 7,111,931	\$ 7,113,642	\$ 7,067,528
Ensure compliance with clean air rules	47,026,447	46,877,017	46,154,574	43,823,112	39,463,040	42,699,519
Customer service	7,729,015	7,578,813	7,682,897	7,441,806	6,696,664	8,687,842
Develop programs to achieve clean air	12,130,832	11,780,948	10,861,040	10,216,378	7,969,413	8,721,816
Develop rules to achieve clean air	7,286,149	8,826,846	8,436,415	8,433,410	8,390,762	7,350,795
Monitoring air quality	15,930,225	15,093,093	14,239,509	14,067,041	12,866,270	12,229,451
Timely review of permits	27,241,449	28,045,891	28,530,507	26,205,282	24,580,945	24,508,757
Policy support	1,483,613	1,792,208	1,760,038	4,782,531	3,630,367	3,442,207
Interest on long-term debt	4,691,658	3,277,933	3,871,465	4,325,460	4,614,842	-
Long-term emission reduction projects	137,800,260	161,904,680	150,362,508	104,277,915	93,109,973	62,831,313
Total	\$ 267,992,627	\$ 291,576,288	\$ 278,411,097	\$ 230,684,866	\$ 208,435,918	\$ 177,539,228

Source: FY 2011-12 CAFR Statement of Activities

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
REVENUES BY MAJOR SOURCE
Government Activities
FY 2011-12**



Source	FY 11-12	FY 10-11	FY 09-10	FY 08-09	FY 07-08	FY 06-07
Stationary sources - fees & charges	\$ 82,624,489	\$ 81,291,028	\$ 81,097,647	\$ 92,703,725	\$ 82,825,774	\$ 75,200,253
Mobile sources - fees & charges	23,384,894	22,512,790	23,728,238	24,128,436	22,170,323	23,966,240
Grants and subventions	8,486,563	8,867,069	8,379,757	8,782,322	8,858,458	8,946,833
General revenues*	9,684,052	12,739,158	14,929,145	14,796,424	12,579,473	21,421,637
Long-term project grants	204,845,839	207,555,510	243,802,246	133,185,494	105,383,067	92,925,386
Total	\$ 329,025,837	\$ 332,965,555	\$ 371,937,033	\$ 273,596,401	\$ 231,817,095	\$ 222,460,349

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

Source: FY 2011-12 CAFR Statement of Activities

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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The following schedule presents the cost of each AQMD program as well as each program's net cost (total cost less revenues generated by the activities):

GOVERNMENTAL ACTIVITIES

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

	<u>FY 2011-2012</u>	
	<u>Total Cost of Program Activities</u>	<u>Net Cost of Program Activities</u>
Advance clean air technology	\$ 6,673	\$ 256
Ensure compliance with clean air rule	47,026	(6,491)
Customer service and business assistance	7,729	(580)
Develop programs to achieve clean air	12,131	(764)
Develop rules to achieve clean air	7,286	(989)
Monitoring air quality	15,930	(1,399)
Timely review of permits	27,241	(1,008)
Policy support	1,486	(30)
Interest on long-term debt	4,691	(4,691)
Long-term emission reduction projects	137,800	67,046
Total	\$ <u><u>267,993</u></u>	\$ <u><u>51,350</u></u>

The program activities are described as follows:

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

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

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

D. Financial Analysis of AQMD's Funds

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

Governmental Funds

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

As of the end of the fiscal year, AQMD's governmental funds reported combined ending fund balances of \$574.3 million, an increase of \$55.9 million in comparison with the prior year. Approximately 91.9% of these fund balances (\$527.5 million) constitutes the portion pertaining to special revenue funds. Expenditures under these funds are restricted for specific purposes. The long-term contractual commitments related to these special fund programs, such as replacement of diesel-fueled school buses, involve multiple-year spending.

- **The General Fund** is the operating fund of AQMD. At the end of the fiscal year, the total fund balance of the General Fund was \$46.7 million. The unassigned fund balance was \$24.7 million; assigned was \$15.4 million or 32.9% of the total fund balance. The assigned amount represent AQMD's intended use of the financial resources in future periods. Its components are presented under Notes to the Basic Financial Statements. One measure of the General Fund's liquidity is the comparison of both assigned and unassigned fund balance to total expenditures. The assigned and unassigned fund balance represent 30.3% of total General Fund expenditures, while total fund balance represents 35.3% of the total General Fund expenditures. In the General Fund, the assigned and unassigned fund balance may serve as a useful measure of AQMD's net resources available for spending at the end of the fiscal year.

Overall, the fiscal year 2011-12 adopted budget represented a \$48,444 (0.03%) decrease over the fiscal year 2010-11 adopted budget. The fiscal year 2011-12 adopted budget included a 6% salary savings (which represented 49 unfilled positions) and a decrease of approximately \$1.5 million in the services, supplies and equipment budget. On a budgetary basis, actual fiscal year 2011-12 General Fund expenditures exceeded revenues by \$6.1 million.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Fund balance changes in other major governmental funds are noted below:

- **Air Quality Improvement Fund** – The fund balance increased slightly compared with the prior year due to revenues exceeding expenditures in fiscal year 2011-12. Many of the contracts executed in this special revenue fund are multi-year and the projects are often long-term and expenditures can vary significantly from year to year.
- **Mobile Sources Air Pollution Reduction Fund** – The fund balance increased compared with the prior year due to revenues exceeding expenditures in fiscal year 2011-12. Many of the contracts executed in this special revenue fund are multi-year and the projects are often long-term and expenditures can vary significantly from year to year.
- **Clean Fuels Program Fund** – The fund balance increased compared with the prior year due to revenues exceeding expenditures in fiscal year 2011-12. Many of the contracts executed in this special revenue fund are multi-year and the projects are often long-term and expenditures can vary significantly from year to year.
- **Carl Moyer Program Fund** – The fund balance decreased compared with the prior year due to lesser amount received in state revenues in fiscal year 2011-12 as compared to fiscal year 2010-11.
- **Plug-in Hybrid Electric Vehicles Fund** – The fund balance increased very slightly compared with the prior year due to revenues exceeding expenditures in fiscal year 2011-12. Projects in this special revenue fund are multi-year and expenditures can vary from year to year.
- **Carl Moyer Program AB 923 Fund** – The fund balance increased due to revenues exceeding expenditures in fiscal year 2011-12. Many of the contracts executed in this special revenue fund are multi-year and expenditures can vary significantly from year to year.
- **Prop 1B Goods Movement Fund** –The increase in fund balance is due to revenues exceeding expenditures. Many of the contracts executed in this special revenue fund are multi-year and expenditures can vary from year to year.
- **Prop 1B Lower Emission School Bus Fund** – The decrease in fund balance is due to expenditures exceeding revenues. In fiscal year 2011-12, no additional funding was received for the Prop 1B-Lower Emission School Bus program. Contracts expended per the CARB close-out deadline.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Proprietary Funds

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

E. General Fund Budgetary Highlights

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

The fiscal year 2011-12 amended budget compared to the adopted budget reflects an increase in appropriations of \$7.3 million. The changes to the budget were the result of Governing Board actions that allocated additional funding after the budget was adopted. Also, changes can be attributed to Governing Board approved transfers from other funds and the use of a portion of unassigned fund balance for program needs that were unknown at the time the budget was developed.

Additional funding was appropriated during fiscal year 2011-12 from the following agencies:

EPA - \$1,816,000 for the following programs: Photochemical Assessment Monitoring Stations (PAMS), PM 2.5 Monitoring, the National Air Toxics Monitoring Program, Community Scale Air Toxics Program, developing Green House Gas (GHG) reporting tools and GHG outreach assistance and a Pollution Prevention Grant.

Department of Homeland Security - \$410,000 for an enhanced particulate monitoring program.

The following amounts were transferred from other funds and designations to the General Fund:

Clean Fuels Program Fund - \$1,618,000 to support Clean Fuels Program activities such as technical assistance, expert consultations, public outreach, technical conference sponsorships, advance technology vehicle leases, and the advancement of plug-in hybrid vehicles and the Multiple Air Toxics Exposure Study (MATES) IV study.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
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Carl Moyer Program AB 923 Special Revenue Fund – \$ 300,000 for support of various Carl Moyer Program activities such as public outreach, technical conference sponsorships, technical assistance and expert consultations.

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

Air Quality Investment Fund - \$90,000 for the outreach and administrative expenses to implement the Mow Down Air Pollution Program 2011, which exchanged gas-powered lawn mowers with electric mowers and to provide systems development, maintenance and support services.

Mobile Sources Air Pollution Reduction Fund - \$59,000 to facilitate reimbursement of administrative costs.

Rule 1309.1 Priority Reserve Fund - \$30,000 for the outreach and administrative expenses to implement the Mow Down Air Pollution Program 2011, which exchanged gas-powered lawn mowers with electric mowers.

Advanced Technology, Outreach & Education Fund - \$20,000 for implementation of the Yard Equipment Exchange Incentive Program under the Targeted Air Shed Grant.

Clean Fuels Conference Fund - \$23,000 for air quality and transportation conferences.

Designation for Litigation and Enforcement - \$400,000 for outside counsel to represent and advise AQMD on legal matters relating to environmental law and special litigation matters.

Designation for Facilities Refurbishing - \$600,000 for emergency funds for remediation of flood damage to conference rooms and to replace two hot water boilers at AQMD headquarters.

The remaining \$1,648,000 increase can be attributed to transfers from the unassigned fund balance for the following: development and distribution of the AQMD Signature Video; labor agreements with various labor groups; legislative advocacy in Washington, DC; Check Before You Burn air quality reports during the KTLA and KCBS TV morning weather segments; continuation of Air Quality Institute Program; AQMD web-site design; and the construction of a new platform at the LA Main St. air monitoring station.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
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For fiscal year 2011-12, actual revenues came under the final budget by \$1,912,921 or 1.5% and expenditure savings were \$6,457,599 or 4.6%.

Revenue came in under budget for the year primarily due to the declining annual operating renewal fees. In addition, mobile source/ clean fuel revenue was lower than the amount estimated due to the timing of the projects that are reimbursed for staff time working on incentive program projects.

The expenditure savings can be primarily attributed to salary savings, which was a result of filling only critical vacant positions throughout the year and having retirees exceed the number of new employees during the year. Additional significant savings were achieved in Professional and Special Services, Office Expense, Supplies and Capital Outlays through prudent purchase decisions and postponing contract work and fixed asset purchases.

F. Capital Assets and Debt Administration

Capital Assets

AQMD's investment in capital assets is mostly for its governmental activities. The book value was \$40.8 million (net of accumulated depreciation of \$70.7 million) as of June 30, 2012. This investment in capital assets includes land, buildings, laboratory equipment, air monitoring stations, intangible assets (internally generated software) and AQMD fleet vehicles. Depreciation on capital assets is recognized in the Government-wide financial statements.

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

Long-Term Debt

At the end of the current fiscal year, AQMD had a total long-term debt outstanding of \$71.4 million, including the current portion of \$9.8 million. Of this amount, \$15.1 million represents the Installment Sale Revenue Bonds issued by the AQMD Building Corporation (the Corporation) and AQMD is required to make debt service payments. This is in accordance with the Installment Purchase Agreement between the Corporation and AQMD. The amount of \$42.1 million represents the Pension Obligation Bonds. The 1995 series (outstanding balance of \$6.4 million) and the 2004 Series issued in June 2004 with \$35.7 million outstanding balance retired the Unfunded Actuarial Accrued Liability due to San Bernardino County Employees Retirement Association as of June 30, 2004. Other long-term debt includes general liability claims and workers' compensation claims payable of \$721,510 and compensated absences of \$13.4 million.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

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

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

The fiscal year 2012-13 expenditure budget decreases by 3% compared to the fiscal year 2011-12 amended budget. The budget reflects a decrease of \$4.1 million in expenditures from the fiscal year 2011-12 Amended Budget and a \$1.7 million increase from the fiscal year 2011-12 Adopted Budget. This fiscal year 2012-13 Budget reflects a reduction of 19 funded vacant positions. Also, the Services and Supplies budget was reduced mainly in the area of contracts and professional services expenditures. The fiscal year 2012-13 Adopted Budget includes the full cost increase associated with AQMD's labor agreements, which in the long term will continue to reduce the agency's overall retirement cost by shifting a portion of the cost of retirement to its new employees. In addition, the fiscal year 2011-12 Adopted Budget includes a 7% vacancy factor reflecting the agency's efforts to reduce program costs.

In recent years, AQMD's revenues have not kept pace with program costs mainly due to increases in retirement costs as the result of market losses to the retirement system's investments. In fiscal year 2012-13 revenues are projected to increase by approximately \$3.1 million from the fiscal year 2011-12 Adopted budget. The increase in revenue can be mainly attributed to a 2.4% CPI fee increase in Annual Operating, Permit Processing and Emission fees. Since retirement costs are increasing by approximately \$2.7 million and Federal Grant revenue is decreasing by \$1.2 million, in order to finance the fiscal year 2012-13 Budget, prior year revenue that was set-aside (assigned) for specific programs such as enhanced compliance and permit streamlining along with unassigned fund balance were utilized to balance the budget. Estimated revenues for fiscal year 2012-13 are \$127.4 million along with \$6.0 million of prior year revenue bringing funding in balance with expenditures.

Since fiscal year 1991-92, the AQMD has reduced staffing and program costs despite increased program requirements. The fiscal year 2012-13 expenditure budget is \$133.4 million and includes 798 authorized positions. Compared to fiscal year 1991-92, this reflects a reduction of 31% in authorized positions. Program costs, however, will exceed by \$20.4 million (approximately 18%) the 1991-92 budget. Using inflation-adjusted dollars, however, this year's budget request is 29% less than the budget approved in fiscal year 1991-92.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

H. Requests for Information

This financial report is designed to provide a general overview of AQMD'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 Office of the Chief Financial Officer, South Coast Air Quality Management District, 21865 Copley Drive, Diamond Bar, CA 91765-4182.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
STATEMENT OF NET ASSETS
June 30, 2012

<u>Assets</u>	Primary Government		Total
	Governmental Activities	Business- type Activities	
Current Assets:			
Cash and cash equivalents	\$ 586,435,540	\$ 538,087	\$ 586,973,627
Interest receivable	801,236	560	801,796
Due from other governmental agencies	22,846,862	-	22,846,862
Accounts receivable, net	2,721,863	-	2,721,863
Inventories	73,043	-	73,043
Other assets	9,527	-	9,527
Total current assets	612,888,071	538,647	613,426,718
Noncurrent Assets:			
Prepaid pension assets	43,543,212	-	43,543,212
Capital assets:			
Land	8,829,792	-	8,829,792
Depreciable building and improvements, equipment, vehicles and furniture, net	31,996,936	-	31,996,936
Total capital assets	40,826,728	-	40,826,728
Total noncurrent assets	84,369,940	-	84,369,940
Total assets	697,258,011	538,647	697,796,658
 <u>Liabilities</u>			
Current Liabilities:			
Accounts payable and accrued liabilities	18,518,134	13,569	18,531,703
Interest payable	3,095,691	-	3,095,691
Salaries and benefits payable	5,909,928	-	5,909,928
Unearned revenue	14,162,769	-	14,162,769
Long term debt - due within one year	9,764,054	-	9,764,054
Total current liabilities	51,450,576	13,569	51,464,145
Noncurrent Liabilities:			
Long term debt - due in more than one year	61,670,117	-	61,670,117
Total noncurrent liabilities	61,670,117	-	61,670,117
Total liabilities	113,120,693	13,569	113,134,262
 <u>Net Assets</u>			
Investment in capital assets, net of related debt	25,696,728	-	25,696,728
Restricted for:			
Pension asset	1,361,315	-	1,361,315
Long-term emission-reduction projects	527,549,463	-	527,549,463
Unrestricted	29,529,812	525,078	30,054,890
Total net assets	\$ 584,137,318	\$ 525,078	\$ 584,662,396

See accompanying notes to the basic financial statements.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012**

Functions/ Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Fees and Charges		Operating Grants and Subventions	Long-term project grants*	Governmental Activities **	Business-Type Activities	Total
		Stationary Sources **	Mobile Sources					
Primary Government:								
Governmental Activities:								
Advance clean air technology	\$ 6,672,977	419,662	6,244,713	264,412		\$ 255,810	\$ -	\$ 255,810
Ensure compliance with clean air rules	47,026,449	35,213,789	2,461,530	2,860,445		(6,490,685)	-	(6,490,685)
Customer service and business assistance	7,729,015	5,066,140	1,876,954	205,787		(580,134)	-	(580,134)
Develop programs to achieve clean air	12,130,832	5,528,205	5,736,558	101,921		(764,148)	-	(764,148)
Develop rules to achieve clean air	7,286,149	5,037,984	1,056,433	203,047		(988,685)	-	(988,685)
Monitoring air quality	15,930,225	5,075,023	5,331,606	4,125,054		(1,398,542)	-	(1,398,542)
Timely review of permits	27,241,449	25,507,650	-	725,897		(1,007,902)	-	(1,007,902)
Policy support	1,483,613	776,036	677,100			(30,477)	-	(30,477)
Interest on long-term debt	4,691,658					(4,691,658)	-	(4,691,658)
Long-term emission reduction projects *	137,800,260				204,845,838	67,045,578	-	67,045,578
Total governmental activities	<u>267,992,627</u>	<u>82,624,489</u>	<u>23,384,894</u>	<u>8,486,563</u>	<u>204,845,838</u>	<u>51,349,157</u>		<u>51,349,157</u>
Business-type Activities:								
CNG fueling station	135,805						(135,805)	(135,805)
Total business-type activities	<u>135,805</u>						<u>(135,805)</u>	<u>(135,805)</u>
Total primary government	\$ <u>268,128,432</u>	<u>82,624,489</u>	<u>23,384,894</u>	<u>8,486,563</u>	<u>204,845,838</u>	\$ <u>51,349,157</u>	\$ <u>(135,805)</u>	\$ <u>51,213,352</u>
General Revenues **:								
Grants and subventions - not restricted to specific stationary source programs						2,890,117		2,890,117
Interest						529,031		529,031
Penalties/ settlement						4,906,391		4,906,391
Subscriptions						6,095		6,095
Other						1,352,418		1,352,418
CNG fuel sales***							290,796	290,796
Total general revenues						<u>9,684,052</u>	<u>290,796</u>	<u>9,974,848</u>
Change in net assets						61,033,209	154,991	61,188,200
Net assets - July 1, 2011						523,104,109	370,087	523,474,196
Net assets - June 30, 2012						\$ <u>584,137,318</u>	\$ <u>525,078</u>	\$ <u>584,662,396</u>

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

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

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

See accompanying notes to the basic financial statements.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2012**

<u>Assets</u>	<u>General</u>	<u>Air Quality Improvement Fund</u>	<u>Mobile Sources Air Pollution Reduction Fund</u>	<u>Clean Fuels Program Fund</u>	<u>Carl Moyer Program Fund</u>
Cash and cash equivalents	\$ 58,867,990	\$ 1,622,548	\$ 60,458,956	\$ 53,022,230	\$ 42,839,947
Interest receivable	59,185	1,169	55,460	50,274	41,603
Due from other governmental agencies	6,861,578	3,408,838	2,556,628	2,118,986	-
Due from other funds	3,244,163	-	-	6,870,422	39,240
Accounts receivable, net	2,120,399	-	-	313,712	-
Inventories	73,043	-	-	-	-
Other assets	-	-	-	-	-
Total assets	<u>\$ 71,226,358</u>	<u>\$ 5,032,555</u>	<u>\$ 63,071,044</u>	<u>\$ 62,375,624</u>	<u>\$ 42,920,790</u>
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 3,924,925	\$ 5,022,511	\$ 615,794	\$ 587,922	\$ 2,084,127
Salaries and benefits payable	5,909,928	-	-	-	-
Due to other funds	480,959	-	-	147,065	247,080
Unearned revenue	14,162,769	-	-	-	-
Total liabilities	<u>24,478,581</u>	<u>5,022,511</u>	<u>615,794</u>	<u>734,987</u>	<u>2,331,207</u>
Fund Balances:					
Nonspendable	73,043	-	-	-	-
Restricted	-	-	-	-	7,446,967
Committed	6,594,167	-	25,429,800	19,479,019	33,142,616
Assigned	15,390,753	10,044	37,025,450	42,161,618	-
Unassigned	24,689,814	-	-	-	-
Total fund balances	<u>46,747,777</u>	<u>10,044</u>	<u>62,455,250</u>	<u>61,640,637</u>	<u>40,589,583</u>
Total liabilities and fund balances	<u>\$ 71,226,358</u>	<u>\$ 5,032,555</u>	<u>\$ 63,071,044</u>	<u>\$ 62,375,624</u>	<u>\$ 42,920,790</u>

See accompanying notes to the basic financial statements.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2012**

<u>Assets</u>	Plug-in Hybrid Electric Vehicles Fund	CMP AB 923 Fund	Prop 1B Goods Movement Fund	Prop 1B Lower Emission School Bus Fund	Other Governmental Funds	Total
Cash and cash equivalents	\$ 3,053,273	\$ 87,121,256	\$ 106,909,298	\$ 2,032,443	\$ 170,507,598	\$ 586,435,540
Interest receivable	2,888	77,738	85,237	5,804	421,877	801,236
Due from other governmental agencies	3,479,338	4,261,048	77,812	-	82,635	22,846,862
Due from other funds	-	335,619	75,486	-	30,614	10,595,544
Accounts receivable, net	-	-	-	710	287,043	2,721,863
Inventories	-	-	-	-	-	73,043
Other assets	-	-	-	-	9,527	9,527
Total assets	<u>\$ 6,535,499</u>	<u>\$ 91,795,661</u>	<u>\$ 107,147,833</u>	<u>\$ 2,038,957</u>	<u>\$ 171,339,294</u>	<u>\$ 623,483,615</u>
<u>Liabilities and Fund Balances</u>						
Liabilities:						
Accounts payable and accrued liabilities	\$ 3,438,506	\$ 118,187	\$ 84,482	\$ -	\$ 2,641,681	\$ 18,518,134
Salaries and benefits payable	-	-	-	-	-	5,909,928
Due to other funds	3,072,820	537,448	1,727,793	396,083	3,986,296	10,595,544
Unearned revenue	-	-	-	-	-	14,162,769
Total liabilities	<u>6,511,326</u>	<u>655,635</u>	<u>1,812,275</u>	<u>396,083</u>	<u>6,627,977</u>	<u>49,186,375</u>
Fund Balances:						
Nonspendable	-	-	-	-	-	73,043
Restricted	-	84,395,231	91,951,476	1,536,290	6,400,490	191,730,455
Committed	-	6,744,795	13,384,082	106,584	28,913,210	133,794,274
Assigned	24,173	-	-	-	131,367,653	225,979,690
Unassigned	-	-	-	-	(1,970,036)	22,719,778
Total fund balances	<u>24,173</u>	<u>91,140,026</u>	<u>105,335,558</u>	<u>1,642,874</u>	<u>164,711,317</u>	<u>574,297,240</u>
Total liabilities and fund balances	<u>\$ 6,535,499</u>	<u>\$ 91,795,661</u>	<u>\$ 107,147,833</u>	<u>\$ 2,038,957</u>	<u>\$ 171,339,294</u>	<u>\$ 623,483,615</u>

See accompanying notes to the basic financial statements.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS
June 30, 2012**

Total fund balances – total governmental funds	\$ 574,297,240
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Pension assets and related AQMD costs resulting from contributions in excess of the annual required contribution are not financial resources and therefore are not reported in the governmental funds.	43,543,212
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the Governmental Funds Balance Sheet. These capital assets net of accumulated depreciation are reported in the Statement of Net Assets as capital assets of AQMD as a whole.	40,826,728
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in Governmental Funds Balance Sheet.	(3,095,691)
Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Assets.	
Long-term debt	(57,311,896)
General liability	(330,000)
Workers' compensation	(391,510)
Compensated absences	(13,400,765)
Net assets of governmental activities	<u>\$584,137,318</u>

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012

<u>Revenues:</u>	<u>General Fund</u>	<u>Air Quality Improvement Fund</u>	<u>Mobile Sources Air Pollution Reduction Fund</u>	<u>Clean Fuels Program Fund</u>	<u>Carl Moyer Fund</u>
Emission fees	\$ 19,714,882	\$ -	\$ -	\$ -	\$ -
Annual renewal fees	42,189,557	-	-	-	-
Area Sources	2,808,927	-	-	-	-
Permit processing fees	15,658,916	-	-	-	-
Mobile sources/clean fuels	20,300,981	-	15,296,280	9,079,386	-
Air Toxics "Hot Spots"	1,270,714	-	-	-	-
Transportation programs	848,829	-	-	-	-
State subvention	3,949,672	-	-	-	-
Federal grant	7,427,008	-	-	3,092,277	1,500,000
State grant	2,235,084	-	-	-	24,495,573
Interest revenue	529,027	18,647	466,530	456,819	538,736
Lease revenue	281,284	-	-	-	-
Source test/analysis fees	759,784	-	-	-	-
Hearing Board fees	221,709	-	-	-	-
Penalties and settlements	4,906,391	-	-	-	-
Subscriptions	6,095	-	-	-	-
Other revenues	1,071,129	-	-	267,193	-
Total revenues	<u>124,179,989</u>	<u>18,647</u>	<u>15,762,810</u>	<u>12,895,675</u>	<u>26,534,309</u>
 <u>Expenditures:</u>					
Current:					
Salaries and employee benefits	101,364,885	-	-	-	-
Insurance	882,871	-	-	-	-
Rent	532,089	-	-	-	-
Supplies	2,371,901	-	-	-	-
Contract and special services	9,220,411	-	9,772,758	6,917,584	35,252,555
Maintenance	1,183,238	-	-	-	-
Travel and auto	791,042	-	-	-	-
Utilities	1,342,945	-	-	-	-
Communications	587,930	-	-	-	-
Uncollectible accounts	952,792	-	-	-	-
Other expenditures	840,924	-	608,533	-	-
Capital outlay	2,051,740	-	-	-	-
Debt service:					
Principal	8,045,000	-	-	-	-
Interest	2,150,639	-	-	-	-
Total expenditures	<u>132,318,407</u>	<u>-</u>	<u>10,381,291</u>	<u>6,917,584</u>	<u>35,252,555</u>
Excess (deficiency) of revenues over (under) expenditures before transfers	<u>(8,138,418)</u>	<u>18,647</u>	<u>5,381,519</u>	<u>5,978,091</u>	<u>(8,718,246)</u>
 <u>Other Financing Sources (uses):</u>					
Transfers in	2,285,822	-	-	-	-
Transfers out	-	-	(58,880)	(1,679,040)	(3,951,285)
Total other financing sources (uses)	<u>2,285,822</u>	<u>-</u>	<u>(58,880)</u>	<u>(1,679,040)</u>	<u>(3,951,285)</u>
Net change in fund balance	<u>(5,852,596)</u>	<u>18,647</u>	<u>5,322,639</u>	<u>4,299,051</u>	<u>(12,669,531)</u>
Fund balances, July 1, 2011	<u>52,600,373</u>	<u>(8,603)</u>	<u>57,132,611</u>	<u>57,341,586</u>	<u>53,259,114</u>
Fund balances, June 30, 2012	<u>\$ 46,747,777</u>	<u>\$ 10,044</u>	<u>\$ 62,455,250</u>	<u>\$ 61,640,637</u>	<u>\$ 40,589,583</u>

See accompanying notes to the basic financial statements.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012

<u>Revenues:</u>	Plug-in Hybrid Electric Vehicles Fund	CMP AB 923 Fund	Prop 1B Goods Movement Fund	Prop 1B Lower Emission School Bus Fund	Other Governmental Funds	Total
Emission fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,714,882
Annual renewal fees	-	-	-	-	-	42,189,557
Area Sources	-	-	-	-	-	2,808,927
Permit processing fees	-	-	-	-	-	15,658,916
Mobile sources/clean fuels	-	25,013,266	-	-	-	69,689,913
Air Toxics "Hot Spots"	-	-	-	-	562,774	1,833,488
Transportation programs	-	-	-	-	-	848,829
State subvention	-	-	-	-	-	3,949,672
Federal grant	3,439,459	-	6,224,494	-	5,825,621	27,508,859
State grant	-	-	97,828,367	-	3,540,284	128,099,308
Interest revenue	-	824,585	354,504	213,351	1,559,822	4,962,021
Lease revenue	-	-	-	-	-	281,284
Source test/analysis fees	-	-	-	-	-	759,784
Hearing Board fees	-	-	-	-	-	221,709
Penalties and settlements	-	-	-	-	1,100,000	6,006,391
Subscriptions	-	-	-	-	-	6,095
Other revenues	-	-	250,000	-	2,897,876	4,486,199
Total revenues	<u>3,439,459</u>	<u>25,837,851</u>	<u>104,657,365</u>	<u>213,351</u>	<u>15,486,377</u>	<u>329,025,834</u>
<u>Expenditures:</u>						
Current:						
Salaries and employee benefits	-	-	-	-	-	101,364,885
Insurance	-	-	-	-	-	882,871
Rent	-	-	-	-	-	532,089
Supplies	-	-	-	-	-	2,371,901
Contract and special services	3,438,506	16,854,511	18,208,790	27,918,655	17,732,734	145,316,505
Maintenance	-	-	-	-	-	1,183,238
Travel and auto	-	-	-	-	-	791,042
Utilities	-	-	-	-	-	1,342,945
Communications	-	-	-	-	-	587,930
Uncollectible accounts	-	-	-	-	1,000	953,792
Other expenditures	-	-	-	396,083	698,550	2,544,090
Capital outlay	-	-	-	-	-	2,051,740
Debt service:						
Principal	-	-	-	-	2,205,000	10,250,000
Interest	-	-	-	-	795,000	2,945,639
Total expenditures	<u>3,438,506</u>	<u>16,854,511</u>	<u>18,208,790</u>	<u>28,314,738</u>	<u>21,432,284</u>	<u>273,118,666</u>
Excess (deficiency) of revenues over (under) expenditures before transfers	<u>953</u>	<u>8,983,340</u>	<u>86,448,575</u>	<u>(28,101,387)</u>	<u>(5,945,907)</u>	<u>55,907,168</u>
<u>Other Financing Sources (uses):</u>						
Transfers in	-	-	-	-	6,384,285	8,670,107
Transfers out	-	(2,021,296)	(224,514)	-	(735,092)	(8,670,107)
Total other financing sources (uses)	<u>-</u>	<u>(2,021,296)</u>	<u>(224,514)</u>	<u>-</u>	<u>5,649,193</u>	<u>-</u>
Net change in fund balance	<u>953</u>	<u>6,962,044</u>	<u>86,224,061</u>	<u>(28,101,387)</u>	<u>(296,714)</u>	<u>55,907,168</u>
Fund balances, July 1, 2011	<u>23,220</u>	<u>84,177,982</u>	<u>19,111,497</u>	<u>29,744,261</u>	<u>165,008,031</u>	<u>518,390,072</u>
Fund balances, June 30, 2012	<u>\$ 24,173</u>	<u>\$ 91,140,026</u>	<u>\$ 105,335,558</u>	<u>\$ 1,642,874</u>	<u>\$ 164,711,317</u>	<u>\$ 574,297,240</u>

See accompanying notes to the basic financial statements.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012**

Net change in fund balances – total governmental funds \$55,907,168

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

Governmental funds report capital outlays as expenditures. However, in the Government-wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital outlays recorded in the current period. 2,051,740

Depreciation expense on capital assets is reported in the Government-wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in governmental funds. (4,372,720)

Amortization of prepaid pension asset is reported in the Government-wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, amortized amount is not reported in governmental funds. (1,091,026)

Repayment of bond principal is an expenditure in the governmental funds. For AQMD as a whole, principal payments reduce the liabilities in the Government-wide Statement of Net Assets and do not result in an expense in the Statement of Activities and Changes in Net Assets. 10,250,000

Accrued interest expense on long-term debt is reported in the Government-wide Statement of Activities and Changes in Net Assets, but it does not require the use of current financial resources. Therefore, accrued interest expense is not reported as an expenditure in governmental funds. The following amount represents the change in accrued interest from the prior year. (1,746,018)

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

Compensated absences 101,793

General liability/workers' compensation claims (67,728)

Change in net assets of governmental activities \$61,033,209

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012**

		Business-type Activities - Enterprise Funds
<u>Assets</u>		CNG Fueling Station Fund
Current Assets:		
Cash and cash equivalents	\$	538,087
Interest receivable		560
Total current assets		538,647
Noncurrent Assets:		
Capital assets:		
Equipment		610,200
Less accumulated depreciation		(610,200)
Total capital assets, net of accumulated depreciation		-
Total noncurrent assets		-
Total assets		538,647
 Liabilities		
Current Liabilities:		
Accounts payable and accrued liabilities		13,569
Total liabilities		13,569
 Net Assets		
Unrestricted		525,078
Total net assets	\$	525,078

See accompanying notes to the basic financial statements.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2012

	Business-type Activities - Enterprise Funds
	CNG Fueling Station Fund
Operating revenues:	
Merchandise sales	\$ 260,816
Other operating revenues	29,980
Total operating revenues	290,796
Operating expenses:	
Depreciation	-
Cost of goods and services	135,805
Total operating expenses	135,805
Operating income	154,991
Total net assets, July 1, 2011	370,087
Total net assets, June 30, 2012	\$ 525,078

See accompanying notes to the basic financial statements.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2012**

		Business-type Activities - Enterprise Funds
		CNG Fueling Station Fund
<u>Cash Flows from Operating Activities:</u>		
Cash received from merchandise sales	\$	276,366
Cash payment for goods and services		(139,376)
Other operating revenues		30,974
		<hr/>
Net cash provided by operating activities		167,964
		<hr/>
Beginning cash balance, July 1, 2011		370,123
		<hr/>
Ending cash balance, June 30, 2012	\$	<u><u>538,087</u></u>

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

Operating income	\$	<u>154,991</u>
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation		-
Decrease in interest receivable		994
Decrease in accounts receivable		15,550
Decrease in accounts payable and accrued liabilities		(3,571)
Total adjustments		<hr/> 12,973
		<hr/>
Net cash provided by operating activities	\$	<u><u>167,964</u></u>

See accompanying notes to the basic financial statements.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2012**

<u>Assets</u>	<u>Agency Funds</u>	<u>Retirement Benefit Trust Fund</u>
Cash and cash equivalents	\$ 149,832	\$ 922,546
Interest receivable	<u>14</u>	<u>1,377</u>
Total assets	<u>\$ 149,846</u>	<u>923,923</u>
<u>Liabilities</u>		
Liabilities:		
Accounts payable and accrued liabilities	<u>\$ 149,846</u>	<u>19,281</u>
Total liabilities	<u>\$ 149,846</u>	<u>19,281</u>
<u>Net Assets</u>		
Net assets held in trust for retirement benefit		<u>904,642</u>
Total net assets		<u>\$ 904,642</u>

See accompanying notes to the basic financial statements.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Year Ended June 30, 2012**

	<u>Retirement Benefit Trust Fund</u>
<u>Additions:</u>	
Contributions	\$ 185
Interest revenue	5,880
Other revenues	4
Total additions	<u>6,069</u>
 <u>Deductions:</u>	
Other expenditures	<u>221,184</u>
Total deductions	<u>221,184</u>
Change in net assets	<u>(215,114)</u>
Net assets held in trust for retirement benefits, July 1, 2011	<u>1,119,756</u>
Net assets held in trust for retirement benefits, June 30, 2012	\$ <u>904,642</u>

See accompanying notes to the basic financial statements.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Financial Reporting Entity

The South Coast Air Quality Management District (AQMD) was established pursuant to the Lewis Air Quality Management Act on February 1, 1977, commencing at Section 40400 of the Health and Safety Code of the State of California. AQMD encompasses all of Orange County and parts of Los Angeles, San Bernardino, and Riverside Counties. AQMD 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 AQMD's permit system.

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

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

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

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

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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

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

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

Government-wide Financial Statements

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

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

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

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

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

AQMD's functional activities are broken down into the following nine categories:

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

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

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

Governmental Fund Financial Statements

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

AQMD has presented all major funds that met those qualifications. These major funds are Air Quality Improvement Fund, Mobile Sources Air Pollution Reduction Fund, Clean Fuels Program Fund, Carl Moyer Fund, Carl Moyer Program AB 923 Special Revenue Fund, Proposition 1B Funding-Goods Movement, Proposition 1B Funding – Lower Emission School Bus and Plug-in Hybrid Electric Vehicles Fund, in addition to the General Fund.

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

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

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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

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

Proprietary Fund Financial Statements

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

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of AQMD’s enterprise fund are sales of CNG fuel. Operating expenses include the cost of sales and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

Fiduciary Fund Financial Statements

Fiduciary Fund financial statements include a Statement of Fiduciary Net Assets and Statement of Changes in Fiduciary Net Assets. These funds represent agency funds which are custodial in nature (assets equal liabilities) and do not involve the recording of revenues and expenses or the measurement of results of operations. The reporting focus is upon net assets and changes in net assets. These funds are accounted for in the accrual basis of accounting.

C. Fund Types and Major Funds

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

AQMD reports the following major governmental funds:

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

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

- Air Quality Improvement Fund - Used to account for 40% of the revenue received by AQMD from motor vehicle registration fees under the provisions of Sections 44243 and 44244 of the California Health and Safety Code. This money is distributed on a quarterly basis to cities and counties within the South Coast Air Basin to implement programs to reduce air pollution from motor vehicles.
- Mobile Sources Air Pollution Reduction Fund - Used to account for 30% of the revenue received by AQMD from the motor vehicle registration fees under the provisions of Sections 44243 and 44244 of the California Health and Safety Code. This money is used to provide grants to fund projects for the purpose of reducing air pollution from motor vehicles within the South Coast Air Basin. Total projects to date amount to over \$330 million and over 11,000 tons of emissions reduced. This special fund was established in fiscal year 1992.
- Clean Fuels Program Fund - Established as a special revenue fund in fiscal year 2000 to account for contract activities and revenues of the Clean Fuels Program. These are activities associated with implementing Clean Fuels

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

stationary source and mobile source research, development, demonstration and deployment projects approved by the Governing Board. Since 1988, the Clean Fuels Program has provided funds for 1,097 projects totaling \$176 million.

- Carl Moyer Program Fund - Established in fiscal year 1999 to account for activities related to the administering of state funds set aside for the replacement of diesel-powered vehicles with cleaner-technology vehicles. It has funded over 8,000 vehicles and 22 infrastructure/charging stations, totaling \$298 million. It provides incentive funds for the replacement of diesel-fueled on- and off-road vehicles such as refuse haulers, heavy duty trucks, transit and school buses, construction equipment, and marine vessels.
- Carl Moyer Program AB 923 Special Revenue Fund - Established in fiscal year 2008 to provide additional funding for the Carl Moyer Program from an adjustment to the tire fee, and authorizes local air districts to increase motor vehicle registration fees by up to \$2 for programs to reduce air pollution. AB 923 has expanded the Carl Moyer incentive program to include agricultural sources of air pollution as well as cars and light-duty trucks. Its program expansion also includes hydrocarbon and particulate matter pollution reduction. About \$12.3 million in AB 923 funds were used to augment the Proposition 1B-School Bus funds to replace and retrofit school buses. In fiscal years, 2008 and 2009, \$36.84 million in AB 923 funds were spent to purchase 241 CNG buses. In addition, about \$5 million per year in AB 923 funds are used to fund projects as match requirement to the Carl Moyer Program.
- (DOE ARRA) Plug-In Hybrid Vehicles - Established in fiscal year 2010 to account for the revenue and expenditures of a project to develop a fleet of demonstration plug-in hybrid electric vehicles funded under the American Recovery and Reinvestment Act of 2009 which is coordinated through the Department of Energy.
- Prop 1B Funding - Goods Movement Fund - This fund was established in fiscal year 2008 to account for voter approved transportation bond dollars. A portion of these were allocated to CARB and passed through to AQMD to implement programs that reduce emissions from movement of freight or “goods” along California’s trade corridors. About 1,500 new diesel and LNG drayage trucks were funded at the Ports of Los Angeles and Long Beach for about \$75 million in Proposition 1B-Goods Movement Program funds and \$27 million in other funds that were only used for the LNG trucks. In addition, about 1,000 non-drayage trucks have been funded for about \$50 million in Proposition 1B-Goods Movement Program funds.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

- Prop 1B Funding – Lower Emission School Bus - Established in fiscal year 2010 to account for the cost of replacing and retrofitting all the public school buses of the districts. CARB approved the allocation of \$70.1 million to AQMD under the Prop 1B – Lower-Emission School Bus Program in fiscal year 2010. An additional \$1.1 million from CARB was later allocated to this fund, for a total of \$71.18 million in Prop 1B funds. Along with \$12.1 million in AB923 funds mentioned above, this Prop 1B fund has been used to purchase 467 Level 3 PM traps (Prop 1B funds only) and replace 465 pre 1987 school buses (Prop 1B and AB923 funds).

AQMD reports the following major proprietary fund:

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

AQMD also reports the following fiduciary fund types:

Agency Funds - Used to account for funds due to others that are not accounted for in the other funds and acts as a temporary custodian.

- Accounting Agency Fund - Used to account for unidentified payments that require additional research before final disposition.
- 457 Plan Administration Revenue Sharing Fund - Used to account for funds that, the 457 plan administrator, transfers to AQMD as part of a revenue-sharing agreement. After applicable expenses are paid, residual funds are returned to the 457 plan administrator to be distributed among participants based on an approved formula.
- Retirement Benefit Trust Fund - Used to account for funds contributed by AQMD and interest earned on its principal for the payment of medical, dental and burial costs upon retirement of AQMD employees who are members of the Los Angeles County Employees Retirement Association (LACERA). It operates as a cost-sharing multi-employer defined benefit plan. Note VIII contains more information about AQMD's retirement plans.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

D. Assets, Liabilities and Net Assets or Equity

1. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, AQMD considers cash equivalents to be highly liquid short-term investments that are readily convertible to known amounts of cash and mature within three months or less from the date they are purchased.

2. Investments

AQMD's investments are reported at fair value, except for certain short-term money market investments, which are reported at cost because they are not transferrable and have terms that are not affected by changes in market rates.

3. Capital Assets and Depreciation

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

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

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

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

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012**

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

4. Inventories

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

5. Compensated Absences

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

6. Self-Insurance

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

7. Long-term Obligations

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

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

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

8. Net Assets and Fund Balances

In the government-wide financial statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt

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

Restricted Net Assets

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

Unrestricted Net Assets

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

In the fund financial statements, fund balances are reported in classifications that comprise a hierarchy based primarily on the extent to which AQMD is bound to honor constraints on the specific purpose for which amounts in those funds can be spent. AQMD considers restricted fund balance to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which any amounts in any of the unrestricted classifications of fund balance can be used, AQMD considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts. The following classifications describe the relative

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable Fund Balance

Amounts that cannot be spent either because they are in nonspendable form or are required to be maintained intact.

Restricted Fund Balance

Amounts that are constrained to specific purposes by state or federal laws, or externally imposed conditions by grantors or creditors.

Committed Fund Balance

Amounts that can only be used for specific purposes pursuant to constraints imposed by AQMD's Governing Board, AQMD's highest level of decision-making authority, through board resolution or action. These committed amounts cannot be used for any other purpose unless the Governing Board removes or changes the specified uses through the same type of formal action taken to establish the commitment.

Assigned Fund Balance

Amounts that are constrained by AQMD's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned Fund Balance

Amounts that are either residual positive net resources of the General Fund in excess of what can properly be classified in one of the other four categories, or negative fund balances in all other funds.

AQMD's unassigned fund balance in the General Fund includes \$8,000,000 for budget stabilization which is established in the annual budget adopted by the Governing Board. The addition to and use of these funds must be approved by the Governing Board, through a board resolution or action.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012**

The following schedule shows the details of the fund balances as of June 30, 2012:

	<u>General Fund</u>	<u>Major Governmental Funds</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Fund Balance:				
Nonspendable:				
Inventory	\$ 73,043	\$ -	\$ -	\$ 73,043
Restricted	-	185,329,965	6,400,490	191,730,455
Committed	6,594,167	98,286,897	28,913,210	133,794,274
Assigned:		79,221,284	131,367,653	210,588,937
For self insurance	2,000,000	-	-	2,000,000
For litigation/enforcement	1,600,000	-	-	1,600,000
For equipment replacement	296,516	-	-	296,516
For facility refurbishment	578,289	-	-	578,289
For unemployment claims	80,000	-	-	80,000
For enhanced compliance activity	883,018	-	-	883,018
For permit streamlining	500,000	-	-	500,000
For retirement actuarial increases	6,500,434	-	-	6,500,434
For OPEB obligations	2,952,496	-	-	2,952,496
Unassigned	24,689,814		(1,970,036)	22,719,778
Total fund balances	<u>\$ 46,747,777</u>	<u>\$ 362,838,146</u>	<u>\$ 164,711,317</u>	<u>\$ 574,297,240</u>

E. Use of Estimates

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

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012**

II. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The following is a summary of the cash and cash equivalent balances for the primary government (including fiduciary funds) at June 30, 2012.

	Primary Government
Cash on hand	\$ 991,740
Cash in bank	247,350
Cash equivalents in pooled investments	<u>586,806,918</u>
Cash, cash equivalents, and investments	<u>\$ 588,046,008</u>

DEPOSITS

At June 30, 2012, the carrying amount of AQMD's bank deposits was \$247,350 and the bank balance was \$264,744. The entire amount was covered by federal depository insurance.

INVESTMENTS

At June 30, 2012 the carrying amount of AQMD's cash equivalents held in Los Angeles County's Pooled Surplus Investment Fund and State of California Local Agency Investment Fund amounting to \$586,806,918 is stated at fair value.

Changes in 1996 to the California Government Code require that a statement of investment policy be transmitted annually to the oversight committee and legislative body of a local agency for consideration at a public meeting. California Government Code Section 53607 requires that a local agency's legislative body annually renews its delegation of authority to its treasurer to invest or to reinvest funds of the local agency.

For the past 35 years, the County of Los Angeles has provided treasury management services to AQMD. These services are limited to the processing of payroll and accounts payable warrants and the investment of available cash balances. Annually, the Governing Board reviews the treasury management options available to AQMD and renews its delegation of authority to its appointed Treasurer to invest or re-invest AQMD funds.

Available cash is invested in investments legally allowable under state law. Income from such investments is allocated on the basis of average monthly cash balances to the respective funds based on the source of funds invested.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

In accordance with the State of California Government Code, AQMD adopts an investment policy annually that, among other things, authorizes types and concentrations of investments and maximum investment terms. Statutes and investment policy authorize AQMD to invest in:

- U.S. Treasuries
- Federal agencies and U.S. government sponsored enterprises
- Los Angeles County Pooled Surplus Investment Portfolio
- State of California Local Agency Investment Fund
- State of California and local agency obligations – not allowed as Special Purpose Investments.
- Shares of money market mutual funds – shall be limited to ratings of AAA by two nationally recognized statistical rating organizations (NRSRO) or managed by an investment advisor registered with the Securities Exchange Commission with not less than five years experience and with assets under management in excess of \$500 million and such investment may not represent more than 10% of the total assets in the money market fund.
- Bankers acceptances – with maximum maturities of 180 days, must be issued by national or state-chartered branch or a state licensed branch of a foreign bank. Eligible banker’s acceptance should have the highest rankings in the highest letter and number rating as provided for by the NRSRO.
- Negotiable certificates of deposit – with maximum maturities of three (3) years must be issued by state-chartered banks, a state-licensed branch of a foreign bank, savings associations and state or federal credit unions. The senior debt organizations of the issuing institution must be rated “A-1/AAA” or its equivalent by NRSRO.
- Commercial paper – Commercial paper of “prime” quality of the highest ranking or of the highest letter and number rating as provided for by a NRSRO. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph a or paragraph b; and may not represent more than 10% of the outstanding paper of the issuing corporation. Maximum maturities are 270 days.
 - a. The entity meets the following criteria:
 - i. Is organized and operating in the United States as a general corporation.
 - ii. Have total assets in excess of one billion dollars (\$1,000,000,000).
 - iii. Has debt other than commercial paper, if any, that is rated “AA” or higher, or equivalent, by a NRSRO.
 - b. The entity meets the following criteria:
 - i. Is organized within the United States as a special purpose corporation, trust, or limited liability company.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

- ii. Has program-wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond.
 - iii. Has commercial paper that is rated “A-1”, or the equivalent, by at least two NRSROs.
- Medium term maturity corporate securities – with maximum maturities of three (3) years shall be limited to a minimum debt rating of AA or better by a NRSRO.
 - Mortgage securities or asset-backed securities – with maximum maturities of five (5) years shall be rated AAA or its equivalent or better by a nationally recognized rating service and issued by an issuer having AA or better rating by NRSRO for its long-term debt.
 - Repurchase agreements – with maximum maturity of 30 days and must be collateralized by the U.S. Treasuries or Agencies with a market value of 102% for collateral marked to daily, entered into with broker-dealer which is a recognized primary dealer and evidenced by a broker-dealer master purchase agreement signed by County Treasurer and approved by AQMD.
 - Reverse purchase agreements – are not allowed except as part of investments in the County of Los Angeles Pooled Surplus Investment Portfolio and the State of California Local Agency Investment Fund
 - Variable and floating rate securities – with the maximum security of five years are instruments that have a coupon or interest rate that is adjusted periodically due to changes in a base or benchmark rate. Investments in floating rate securities must utilize commercially available U.S. denominated indices such as U.S. Treasury bills of Federal Funds. Investments in floating rate securities whose reset is calculated using more than one of the above indices are not permitted, i.e. dual index notes
- Variable and Floating Rate Securities that are priced based on a single common index are not considered derivative securities.
- Derivative securities – not allowed as Special Purpose Investments

The following table summarizes AQMD’s cash, cash equivalents and investments at June 30, 2012. The pooled investments are managed by the Los Angeles County Treasurer who reports on a monthly basis to its Board of Supervisors. Its Treasury Oversight Committee reviews and monitors its investment policy. Investments held are stated at fair value. The fair value of pooled investments is determined annually and is based on current market prices. The fair value of AQMD’s position as one of the participants is the same as the value of the pool shares.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012**

	Investment Maturities		
	<u>Fair Value</u>	<u><1 Year</u>	<u>1-2 years</u>
Cash:			
On hand	\$ 991,740	\$ -	\$ -
In bank	<u>247,350</u>	<u>-</u>	<u>-</u>
Total cash	<u>1,239,090</u>	<u>-</u>	<u>-</u>
Cash equivalents:			
Investment in Los Angeles County's Pooled Surplus Investment (PSI) Fund	547,340,451	327,419,055	219,921,396
Investment in Local Agency Investment Fund	<u>39,466,467</u>	<u>39,466,467</u>	<u>-</u>
Total cash equivalents	<u>586,806,918</u>	<u>366,885,522</u>	<u>219,921,396</u>
Total cash, cash equivalents, & investments	<u>\$ 588,046,008</u>	<u>\$ 366,885,522</u>	<u>\$ 219,921,396</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment is, the greater the sensitivity of its fair value to changes in interest rates. As a means of limiting its exposure to declines in fair value, AQMD investment policy limits its investment portfolio of Pooled Surplus Investments (PSI) with the County of Los Angeles to maturities of less than five years at time of purchase. The maximum maturity of any SPI (Special Purpose Investments) shall be five years. The weighted average maturity of the SPI separate account portfolio may not exceed three years. AQMD did not have any investment portfolio of SPI with the County of Los Angeles during the fiscal year ending June 30, 2012.

Credit Risk

Credit risk is the risk of default or the inability of an issuer of an investment to fulfill its obligation to the holder of the investment. AQMD mitigates its credit risk generally by following its three primary investment objectives, in order of safety, liquidity, and yield. AQMD's policy further restricts the investing in only permitted investments. The portfolio is diversified so that no one type of issuer or issue will have a disproportionate impact on the portfolio.

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. Custodial credit risk for investments is the risk that AQMD will not be able to recover the value of its investment securities that are in the possession of an outside party. As of June 30, 2012, none of AQMD's deposits or investments were exposed to custodial credit risk.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
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June 30, 2012**

State Treasurer’s Local Agency Investment Fund

AQMD is a voluntary participant in the California State Treasurer’s Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. At June 30, 2012, AQMD had \$39,466,467 deposited in LAIF. The amount invested is unrated as to credit quality.

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

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

III. DUE FROM OTHER GOVERNMENT AGENCIES AND ACCOUNTS RECEIVABLE

Due from other government agencies at June 30, 2012 consists of the following:

Department of Motor Vehicles AB 2766	\$14,902,128
Environmental Protection Agency	
Targeted Airshed Grant	82,635
Section 105 Base Grant	2,294,148
Section 105 PAMS Grant	864,609
Section 103 PM 2.5 Grant	113,576
Section 103 Community Scale Air Toxics Grant	55,723
Section 103 NATTS	126,047
Department of Homeland Security Special Monitoring	407,293
Department of Homeland Security Grant	443,553
Department of Energy	
PHE (Truck Demo Grant)	3,679,338
Liquified Natural Gas Truck Replacement Grant	77,202
California Energy Commission Truck Replacement Grant	<u>610</u>
Total	<u>\$22,846,862</u>

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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**III. DUE FROM OTHER GOVERNMENT AGENCIES AND ACCOUNTS
RECEIVABLE (Continued)**

Accounts Receivable consists of the following at June 30, 2012:

Air Toxics “Hot Spots”, Emission Fees, Permits, Annuals and Source Testing	\$3,419,925
Clean Fuels/Stationary Sources	313,712
Miscellaneous Receivables	<u>217,681</u>
Subtotal	3,951,318
Less: Allowance for Doubtful Accounts	<u>(1,229,455)</u>
Total	<u>\$2,721,863</u>

IV. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The Interfund Receivables and Payables for year ending June 30, 2012 are as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Clean Fuels Program Fund	DOE ARRA Plug-In Hybrid Electric Vehicles	\$ 3,000,000
Clean Fuels Program Fund	Advanced Technology, Outreach and Education Fund	2,870,422
Prop 1B Goods Movement Fund	General Fund	75,486
General Fund	Carl Moyer Fund	247,080
General Fund	Clean Fuels Program Fund	147,065
General Fund	DOE ARRA Plug In Hybrid Electric Vehicles	72,820
General Fund	Air Quality Investment Fund	20,914
General Fund	DOE ARRA LNG Corridor Expansion	4,570
General Fund	Prop 1B Goods Movement	1,727,793
General Fund	Advanced Technology, Outreach and Education Fund	79,030
Carl Moyer AB 923 Program Fund	General Fund	335,619
Carl Moyer	General Fund	39,240
General Fund	Voucher Incentive Program	11,360
General Fund	Prop 1B-Low Emission School Bus	396,083
General Fund	Carl Moyer AB 923	537,448
Air Quality Investment Fund	General Fund	30,614
Clean Fuels Program Fund	DOE PEV Infrastructure Planning Fund	<u>1,000,000</u>
Total		<u>\$ 10,595,544</u>

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

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Fund Transferred From	Fund Transferred To				Total
	General Fund	Air Quality Investment Fund	Voucher Incentive Program (VIP) Fund	Advanced Technology Goods Movement Fund	
Advanced Technology, Outreach & Education Fund	\$ 23,000	\$ -	\$ -	\$ -	\$ 23,000
Mobile Sources Air Pollution Reduction Fund	58,880	-	-	-	58,880
Air Quality Investment Fund	59,386	-	-	-	59,386
Clean Fuels Program Fund	1,279,040	-	-	400,000	1,679,040
Clean Fuels Conference Fund	15,000	-	-	-	15,000
Carl Moyer Program Fund	-	-	3,951,285	-	3,951,285
Rule 1309.1 Priority Reserve Fund	30,000	33,000	-	-	63,000
Carl Moyer Program AB 923 Fund	21,296	-	2,000,000	-	2,021,296
Emission Reduction & Outreach Fund	574,706	-	-	-	574,706
Prop 1B – Goods Movement Fund	224,514	-	-	-	224,514
Total	<u>\$ 2,285,822</u>	<u>\$ 33,000</u>	<u>\$ 5,951,285</u>	<u>\$ 400,000</u>	<u>\$ 8,670,107</u>

AQMD's Governing Board approved the following:

- Transfer of \$58,880 from the Mobile Sources Air Pollution Reduction Fund to the General Fund for the reimbursement of administrative costs.
- Transfer of \$59,386 from the Air Quality Investment Fund to the General Fund as follows: \$29,386 to carry out the 2012 Lawnmower Exchange Program and \$30,000 for short-and long-term systems development, maintenance and support services to be used to enhance the Lawnmower Exchange System.
- Transfer of \$21,296 from the Carl Moyer Program AB 923 Special Revenue Fund to the General Fund to support directly-related activities for demonstration and incentive programs.
- Transfer of \$2,000,000 from the Carl Moyer Program AB 923 Special Revenue Fund to the Voucher Incentive Program (VIP) Fund for program administration.
- Transfer of \$224,514 from the Prop 1B Goods Movement Fund to the General Fund to cover expenses for administrative, outreach, education and other directly-related activities.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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- Transfer of \$30,000 from the Rule 1309.1 Priority Reserve Fund to the General Fund to assist in implementing AQMD's "Mow Down Air Pollution 2011" Program.
- Transfer of \$33,000 from the Rule 1309.1 Priority Reserve Fund to the Air Quality Investment Fund for implementation of the 2011 Lawnmower Exchange Program.
- Transfer of \$3,951,285 from the Carl Moyer Program Fund to the Voucher Incentive Program (VIP) Fund to establish the fund for administration of the On-Road Heavy-Duty Vehicle Voucher Incentive Program and to fund truck replacement costs.
- Transfer of \$23,000 from the Advanced Technology Outreach & Education Fund to the General Fund as follows: \$3,000 to reimburse for the purchase of Super-Compliant Architectural Coatings for the City of San Bernardino Beautification Project, and \$20,000 to assist in implementing the Yard Equipment Exchange Program.
- Transfer of \$1,279,040 from the Clean Fuels Program Fund to the General Fund as follows: \$650,000 to support directly-related activities for demonstration and incentive programs, \$50,000 to fund activities that support clean vehicle outreach, \$381,040 to procure additional resources needed to complete the MATES IV Study, and \$198,000 to lease five elective vehicles and to purchase two plug-in hybrid vehicles for testing and demonstration.
- Transfer of \$400,000 from the Clean Fuels Program Fund to the Advanced Technology Goods Movement Fund to conduct the Plug-In Hybrid Truck Project.
- Transfer of \$574,706 from the Emission Reduction and Outreach Fund to the General Fund for costs associated with the Chinese-American outreach.
- Transfer of \$15,000 from the Clean Fuels Conference Fund to the General Fund to offset costs for air quality and transportation conferences.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

V. CAPITAL ASSETS

In compliance with GASB Statement No. 34 reporting, AQMD has reported all capital assets in the Government-wide Statement of Net Assets. Capital asset activities for the year ended June 30, 2012 were as follows:

	Balance July 1, 2011	Increase	Decrease	Balance June 30, 2012
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 8,829,792	\$ -	\$ -	\$ 8,829,792
Total capital assets not being depreciated	<u>8,829,792</u>	<u>-</u>	<u>-</u>	<u>8,829,792</u>
Capital Assets being depreciated:				
Buildings and improvements	74,742,003	16,693	(23,486)	74,735,210
Intangibles (software)	1,785,263	520,778	-	2,306,041
Equipment, vehicles and furniture	26,664,239	1,514,268	(2,533,278)	25,645,229
Total capital assets being depreciated	<u>103,191,505</u>	<u>2,051,739</u>	<u>(2,556,764)</u>	<u>102,686,480</u>
Governmental Activities:				
Less Accumulated Depreciation for:				
Buildings and improvements	(47,781,636)	(2,507,635)	23,486	(50,265,785)
Intangibles (software)	(93,863)	(89,821)	-	(183,684)
Equipment, vehicles and furniture	(20,998,089)	(1,775,264)	2,533,278	(20,240,075)
Total accumulated depreciation	<u>(68,873,588)</u>	<u>(4,372,720)</u>	<u>2,556,764</u>	<u>(70,689,544)</u>
Net capital assets being depreciated	34,317,917	(2,320,981)	-	31,996,936
Net capital assets, governmental activities	<u>\$ 43,147,709</u>	<u>\$ (2,320,981)</u>	<u>\$ -</u>	<u>\$ 40,826,728</u>
Business-type Activities:				
Compressed natural gas (CNG)				
Fueling station ID Nos. 3571 & 3598	\$ 610,200	\$ -	\$ -	\$ 610,200
Total capital assets being depreciated	<u>610,200</u>	<u>-</u>	<u>-</u>	<u>610,200</u>
Less accumulated depreciation	(610,200)	-	-	(610,200)
Net capital assets, business-type activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

For the year ended June 30, 2012, the depreciation expense of \$4,372,720 was charged to AQMD's functions/programs in the governmental activities as follows:

Advance clean air technology	\$ 144,168
Ensure compliance with clean air rules	1,717,390
Customer service and business assistance	296,881
Develop programs to achieve clean air	278,725
Develop rules to achieve clean air	158,427
Monitoring air quality	1,102,213
Timely review of permits	608,710
Policy support	<u>66,206</u>
Total depreciation expense	<u>\$4,372,720</u>

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012**

VI. LONG-TERM DEBT

The following is a summary of long-term obligation transactions of AQMD for the year ended June 30, 2012:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Addition</u>	<u>Reduction</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>	<u>Amounts Due</u> <u>in More Than</u> <u>One Year</u>
Governmental Activities:						
Claims payable:						
General liability	\$ 100,000	\$ 353,884	\$ 123,884	\$ 330,000	\$ 130,000	\$ 200,000
Workers' compensation	553,782	163,824	326,096	391,510	180,000	211,510
Compensated absences	13,502,558	668,457	770,250	13,400,765	892,054	12,508,711
Installment Sale Obligation:						
Building	20,370,000	-	5,240,000	15,130,000	5,515,000	9,615,000
Pension Obligation Bonds	<u>47,191,896</u>	<u>-</u>	<u>5,010,000</u>	<u>42,181,896</u>	<u>3,047,000</u>	<u>39,134,896</u>
Total	<u>\$81,718,236</u>	<u>\$1,186,165</u>	<u>\$11,470,230</u>	<u>\$71,434,171</u>	<u>\$9,764,054</u>	<u>\$61,670,117</u>

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

1995 Pension Obligation Bonds

On December 1, 1995, AQMD, jointly with the County of San Bernardino, issued bonds to retire the Unfunded Actuarial Accrued Liability (UAAL) due to San Bernardino County Employees' Retirement Association (SBCERA). AQMD issued a \$34,261,896 aggregate principal amount to refund its portion of the obligation to SBCERA. The interest rates range from 5.68% to 7.70% with maturity date of August 1, 2021. The purpose of this refunding was to lower the cost to AQMD through the issuance of bonds at rates that are lower than those assessed by SBCERA and to restructure its debt service from an ascending to a level-debt-service schedule. At the time of refunding these changes were expected to result in estimated total gross debt service savings of \$20,151,420 through June 30, 2022. During the fiscal year ended June 30, 2012, \$2,960,000 in principal and \$104,932 in interest were paid on the bonds. The principal balance outstanding at June 30, 2012 amounted to \$6,401,896.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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The annual payment requirements under the 1995 pension bond obligation are as follows:

Year Ending		Principal		Interest		Total
June 30						
2013	\$	892,007	\$	2,172,993	\$	3,065,000
2014		824,025		2,240,975		3,065,000
2015		759,384		2,305,616		3,065,000
2016		700,598		2,364,402		3,065,000
2017		646,010		2,418,990		3,065,000
2018-2022		<u>2,579,872</u>		<u>12,745,128</u>		<u>15,325,000</u>
Total	\$	<u>6,401,896</u>	\$	<u>24,248,104</u>	\$	<u>30,650,000</u>

Series 2004 Pension Obligation Bonds

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

The Series 2004 Pension Obligation Bonds are payable on a parity with the 1995 Pension Obligation Bonds. AQMD may, from time to time, enter into supplemental indentures without the consent of the Bond Owners of the 1995 Bonds or Series 2004 Bonds for the purpose of providing for the issuance of additional series of Pension Obligation Bonds or to refund any other evidences of indebtedness of AQMD arising pursuant to the Retirement Law. The interest rates range from 5.27% to 5.93% with maturity date of August 1, 2023. During the fiscal year ended June 30, 2012, \$2,050,000 in principal and \$2,077,364 in interest were paid on the bonds. The principal balance outstanding at June 30, 2012 amounted to \$35,780,000.

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

Year Ending		Principal		Interest		Total
June 30						
2013	\$	2,155,000	\$	1,971,893	\$	4,126,893
2014		2,275,000		1,853,683		4,128,683
2015		2,400,000		1,726,378		4,126,378
2016		2,535,000		1,590,152		4,125,152
2017		2,685,000		1,444,492		4,129,492
2018-2022		15,940,000		4,692,328		20,632,328
2023-2024		<u>7,790,000</u>		<u>467,633</u>		<u>8,257,633</u>
Total	\$	<u>35,780,000</u>	\$	<u>13,746,559</u>	\$	<u>49,526,559</u>

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012**

Installment Sale Revenue Bonds

On September 1, 1989, the Corporation issued Installment Sale Revenue Bonds, 1989 Series B in the amount of \$60,000,000. The bonds are secured by a pledge of the semiannual payments to be made by AQMD pursuant to an Installment Purchase Agreement between the Corporation and AQMD, whereby AQMD is required to make debt service payments on the Corporation's bonds. The principal portion of these payments was used for the purchase of furnishings and equipment for AQMD in conjunction with the construction of its new headquarters. Title to such assets transferred to AQMD simultaneously with the Corporation's purchase. As of June 30, 2009, the 1989 Series B bonds were fully paid.

The Series 1992 Installment Sale Revenue Bonds, original issuance amount of \$69,745,000 were issued on December 1, 1992, to refund portions of the 1988 Series A and 1989 Series B bonds. The remaining balance in the amount of \$3,240,000 was paid on August 1, 2011. Interest is payable on each February 1st and August 1st and is computed based upon a 6% interest rate.

On June 1, 2002, the Corporation issued \$26,820,000 in Installment Sale Revenue Bonds with interest rates ranging from 2.75% to 4.25% to refund \$25,460,000 of the Series 1992 bonds with interest rates ranging from 4.00% to 6.00%. Principal payments on the Series 2002 bonds are due in installments ending August 1, 2014. Interest is payable on each February 1 and August 1. As of June 30, 2012 the remaining principal balance on the Series 2002 bonds is \$15,130,000.

The annual payment requirements under the installment purchase agreement are as follows:

Year Ending			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 5,515,000	\$ 513,085	\$ 6,028,085
2014	5,740,000	282,358	6,022,358
2015	<u>3,875,000</u>	<u>82,340</u>	<u>3,957,340</u>
Total	<u>\$15,130,000</u>	<u>\$877,783</u>	<u>\$16,007,783</u>

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012

Allocation of Interest Expenses

Total interest expenses on long-term debt for the year ended June 30, 2012 amounted to \$4,691,658. These interest expenses on long-term debt are not meaningfully associated with individual functional activities. Hence, this is considered an indirect expense and should be reported in the Statement of Activities as a separate line.

VII. RISK MANAGEMENT

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

AQMD carries \$150 million of All Risk property insurance including business income, boiler and machinery (with \$25 million of earthquake and flood coverage), \$10 million for Public Officials and Errors and Omissions liability (including employment practices liability) with the following self insured retentions: \$50,000 for errors and omissions, \$100,000 for employment liability and \$250,000 for bodily injury, property/personal or combination thereof, \$1 million for employee dishonesty and theft, \$10 million for excess general and \$1 million employer's liability losses in excess of self-insured/retained amount of \$250,000 and \$25 million excess workers' compensation for losses over \$750,000. In addition, AQMD maintains \$1 million automobile liability/physical damage coverage for hybrid and alternate fuel vehicles under its possession.

As of June 30, 2012, \$330,000 and \$391,510, respectively, had been accrued for general liability claims and workers' compensation.

An appropriate amount has been recorded in the General Fund's financial statements to the extent that AQMD anticipates that these amounts will be paid from current resources. While the ultimate amount of losses incurred through June 30, 2012 is dependent on future development based upon information from the independent claims' administrator and others involved with the administration of the programs, AQMD management believes that the aggregate accrual is adequate to cover such losses.

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

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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The following represents changes in the aggregate liabilities for claims of AQMD's general liability and workers' compensation for the years ended June 30, 2011 and 2012:

	<u>General Liability</u>	<u>Workers' Compensation</u>	<u>Totals</u>
Claims payable, July 1, 2010	\$ 84,000	\$ 763,153	\$ 847,153
Current year claims and changes in estimates	329,350	34,068	363,418
Claims payments	(313,350)	(243,439)	(556,789)
Claims payable, June 30, 2011	<u>\$ 100,000</u>	<u>\$ 553,782</u>	<u>\$ 653,782</u>
Claims payable, July 1, 2011	\$ 100,000	\$ 553,782	\$ 653,782
Current year claims and changes in estimates	353,884	163,824	517,708
Claims payments	(123,884)	(326,096)	(449,980)
Claims payable, June 30, 2012	<u>\$ 330,000</u>	<u>\$ 391,510</u>	<u>\$ 721,510</u>

VIII. RETIREMENT PLANS

Substantially all of AQMD's employees are members of either the Los Angeles County Employees' Retirement Association (LACERA) or the San Bernardino County Employees' Retirement Association (SBCERA). Benefits are funded by AQMD and employee contributions. AQMD's contributions for the fiscal year ended June 30, 2012 amounted to \$17,807,412 (\$11,768 to LACERA and \$17,795,644 to SBCERA).

In 1977, AQMD employees who were members of the LACERA system were given the option to transfer to the SBCERA system. Some employees decided to stay with LACERA. Most have already left employment and during fiscal year 2012 there was only one active LACERA member.

Los Angeles County Employees' Retirement Association

AQMD contributes to the LACERA, a cost-sharing multi-employer defined benefit plan established under the Los Angeles County Employees' Retirement Law of 1937. This public employee retirement system acts as a common investment and administrative agent for the County of Los Angeles and other participating agencies including AQMD. AQMD's payroll for the one employee covered by LACERA for the fiscal year ended June 30, 2012 was \$57,924. AQMD's contribution for the same period was \$11,768. Copies of LACERA's annual financial report may be obtained from their executive office: 300 N. Lake Avenue, Pasadena, CA 91101.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012**

Three-Year Trend Information for the Plan

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of APC</u> <u>Contributed</u>
2012	\$ 11,768	100%
2011	23,218	100%
2010	23,199	100%

San Bernardino County Employees' Retirement Association

Plan Description

AQMD contributes to the SBCERA, a cost-sharing multiple-employer defined benefit pension plan operating under the California County Employees Retirement Act of 1937. SBCERA is controlled by its own board, the Board of Retirement. It acts as a fiduciary agent for the accounting and control of employer and employee contributions, and investment income for San Bernardino County and other participating members including AQMD. SBCERA issues a separate comprehensive annual financial report. Copies of SBCERA's annual financial report may be obtained from their executive office: 348 W. Hospitality Lane – 3rd Floor, San Bernardino, CA 92415.

All full-time employees become eligible to participate in SBCERA and related benefits, on their first day of regular employment and become fully vested after five years of service. General members are eligible for retirement benefits upon completion of ten years of service and attaining age 50, or 30 years of service regardless of age. Retirement benefits are calculated at 2% of final compensation for each completed year of service based on a normal retirement age of 55 for general members. The plan also provides disability benefits to members and death benefits to beneficiaries of members.

Funding Policy

Participants are required to contribute a percentage of their annual compensation to the plan based on the participant's age at entry into the plan. AQMD (a participating member) contributes an amount based on actuarial assumptions that, together with employee contributions, is intended to provide sufficient reserves for payment of all prospective benefits to members. AQMD is required to contribute at an actuarially-determined rate. The required employer contribution rates for the fiscal year ended June 30, 2012 were 28.18% for management, confidential and any employee who started before July 1, 1979 and 25.18% for non-Management and non-Confidential employees who started on or after July 1, 1979. Effective January 2, 2006, AQMD employees with the exception of the Office Clerical and Maintenance unit, contribute an additional 3.25% toward retirement. AQMD Governing Board adopted this new provision for Management and Confidential

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employees and the remaining represented employee bargaining units. The additional 3.25% employee contribution reduces the employer's pick-up by 3.25%. This additional 3.25% employee pick-up is over and above whatever the employee contribution was prior to this change. During fiscal year ended June 30, 2012, the AQMD Governing Board adopted a new provision requiring new employees hired after June 30, 2012 to pay their full actuarially determined employee contribution, with the exception of the Professional Employee Association bargaining unit.

The contribution requirements of the Plan members are established by State statute and may be amended by SBCERA Board of Retirement.

Annual Pension Cost

For the fiscal year ended June 30, 2012, AQMD's annual pension cost and actual contributions for its 735 employees who are SBCERA members were \$17,795,644 compared with \$15,437,821 the previous year. AQMD employee contributions to the plan amounted to \$3,912,793. The required contributions for the fiscal year ended June 30, 2012 were determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay.

The actuarial value of the Plan's assets was determined using techniques that smooth the effect of short-term volatility in the market value of investments over a five year period (smoothed market value). Components of SBCERA's unfunded actuarial accrued liability (UAAL) prior to June 30, 2002 are amortized as a level percentage of payrolls over a twenty-year period. Any new UAAL after June 30, 2002 will be amortized over a twenty-year period effective with that valuation.

Three-Year Trend Information for the Plan

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of APC</u> <u>Contributed</u>
2012	\$ 17,795,644	100%
2011	15,437,821	100%
2010	14,670,552	100%

IX. OTHER POST EMPLOYMENT BENEFITS (OPEB)

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

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012**

Angeles County and its participating agencies. AQMD is one of the participating agencies.

Starting July 2007, AQMD has reimbursed LACERA for the employer portion of health care costs provided to AQMD retirees who retired from LACERA. The cost of the LACERA OPEBs is recognized in the Retirement Trust Fund when AQMD makes its monthly payment to LACERA based on subsidy allocation as calculated by LACERA. For fiscal year ended June 30, 2012, total payments amounted to \$201,902.

At June 30, 2012, AQMD's Retirement Benefit Trust Fund has a balance of \$904,642 to cover the OPEB costs of 68 AQMD retirees who retired from LACERA. As of June 30, 2012, there is only one active member.

The OPEB Actuarial Valuation Report in effect as of July 1, 2010 covering the retiree medical, dental/vision and life insurance benefits was issued in conjunction with LACERA actuarial valuation to establish AQMD's actuarial liability. The actuarial assumptions used in OPEB actuarial valuations are intended to estimate the future experience of the eligible members for benefit payments and the projected benefit flow and anticipated investment earnings.

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

Projected Unit Credit Cost	
Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Projected Payroll
Remaining Period	30 years
Actuarial Assumptions	
Investment Rate of Return	5%
Projected Salary Increases	4%
Records and Data	Medical, Dental, and Vision Premiums, Financial Information, and the Age, Service and Income Records for Active and Inactive Members and their Survivors
Growth in Membership	No growth in the Active Membership of LACERA

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AQMD's annual OPEB cost and the percentage of annual OPEB cost contributed to the plan for fiscal years 2012, 2011 and 2010 were as follows:

<u>Fiscal Year Ended June 30</u>	<u>Annual OPEB Cost Required Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>
2012	\$ 201,902	100%
2011	216,069	100%
2010	244,269	100%

The Schedule of Funding Progress below shows the information from the Actuarial Valuation Report as of July 1, 2010. AQMD has its Actuarial Valuation through LACERA every two years.

Actuarial Valuation Date	Accrued Liabilities (a)	Value of Assets (b)	Unfunded Liabilities (UL) (a-b)	Funded Ratio (b/a)	Annual Covered Payroll (c)	UL As a % of Payroll ([a-b]/c)
July 1, 2010	\$4,454,524	\$904,642	\$3,549,882	20.30%	\$57,924	6128%

X. DEFERRED COMPENSATION PLAN

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

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

Effective January 1, 1999, federal legislation requires the Section 457 plan assets to be placed in trust for the exclusive use of the plan participants and their beneficiaries. AQMD's deferred compensation administrator Hartford Life Insurance Co. qualifies as the plan trustee to meet the federal requirements. In accordance with GASB Statement No. 32, AQMD no longer reports the plan assets and liabilities in its financial statements. As of June 30, 2012, investments with a fair value of \$99,638,171 are held in trust.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
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XI. HEALTH REIMBURSEMENT ARRANGEMENT PLAN

On December 4, 2009, AQMD's Governing Board approved the establishment of a Health Reimbursement Arrangement (HRA) plan for AQMD employees. This allows active employees to save on a tax-free basis for their future post-retirement health care costs. The Hartford serves as AQMD's HRA service provider. Currently, both AQMD and the SBCERA do not offer health reimbursement program nor post-retirement health care to help the employees afford health care in retirement.

Initially, the program was be made available to non-represented employees with the understanding that it could be expanded to cover represented employees, based on their approval. In compliance with the rules establishing the HRA, each defined group covered by the plan is required to establish its own criteria on what earnings would be contributed. As of June 30, 2012, Executive Officer, General Counsel and Designated Deputies were the eligible employee classifications that were set up and approved by AQMD. Contributions are 100% vacation and sick leave payouts at termination and/or compensation payout at termination per existing leave payment policy. Eligibility shall commence upon termination of employment on account of retirement (whether through disability or service).

XII. COMMITMENTS

Guaranteed Loans

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

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

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
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In October 2007, the Governing Board authorized the transfer of \$1 million to the Dry Cleaners Financial Incentives Grant Program to supplement the existing incentive grant programs. This incentive program assists dry cleaners in making early transitions from perchloroethylene (perc) to alternative cleaning technologies. AQAF's fund balance amounted to \$1,544,240 at fiscal year ended June 30, 2012.

Operating Leases

Rental expense for non-cancelable operating leases was \$117,798 for the year ended June 30, 2012. Future minimum lease payments under non-cancelable operating leases of AQMD total as follows:

Year Ending	
<u>June 30</u>	<u>Amount</u>
2013	\$ 183,648
2014	186,103
2015	188,559
2016	168,876
2017	<u>60,801</u>
Total	\$ <u>787,987</u>

The lease for the office equipment expires in December 2016 while the lease of the South Bay satellite office expires in September 2016.

XIII. PENDING LITIGATION

A number of other lawsuits and claims are pending against AQMD for alleged damages to persons and property and for other alleged liabilities arising out of its normal operations. AQMD's management believes that any liability that may arise from the ultimate resolution of such legal actions will not have a material adverse impact on the financial position as of June 30, 2012.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
GENERAL FUND - BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS) SCHEDULE
For the Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance
	Original	Final		
Revenues:				
Emission fees	\$ 19,233,721	\$ 19,233,721	\$ 19,714,882	\$ 481,161
Annual renewal fees	43,198,777	43,198,777	42,189,557	(1,009,220)
Area Sources	2,149,373	2,149,373	2,808,927	659,554
Permit processing fees	16,105,832	16,105,832	15,658,916	(446,916)
Mobile sources / clean fuels	22,261,451	22,261,451	20,300,981	(1,960,470)
Air toxics "Hot Spots"	1,880,289	1,880,289	1,270,714	(609,575)
Transportation programs	882,180	882,180	848,829	(33,351)
State subvention	3,900,000	3,900,000	3,949,672	49,672
Federal grant	6,920,353	8,718,804	7,427,008	(1,291,796)
State grant	-	-	2,235,084	2,235,084
Interest revenue	784,003	784,003	529,027	(254,976)
Lease revenue	225,642	225,642	281,284	55,642
Source test/analysis fees	600,000	600,000	759,784	159,784
Hearing Board fees	309,777	309,777	221,709	(88,068)
Penalties/settlements	4,900,000	4,900,000	4,906,391	6,391
Subscriptions	9,822	9,822	6,095	(3,727)
Other revenues	933,239	933,239	1,071,129	137,890
Total revenues	<u>\$ 124,294,459</u>	<u>\$ 126,092,910</u>	<u>\$ 124,179,989</u>	<u>\$ (1,912,921)</u>
Expenditures:				
Current:				
Salaries and employee benefits	103,938,975	104,424,913	\$ 101,364,885	3,060,028
Insurance	1,147,400	1,083,308	884,180	199,128
Rent	552,135	699,966	533,804	166,162
Supplies	2,495,430	3,104,432	2,409,129	695,303
Contract and special services	6,640,773	10,009,543	8,078,137	1,931,406
Maintenance	1,414,074	1,511,820	1,366,814	145,006
Travel and auto	691,249	847,119	791,042	56,077
Utilities	1,718,490	1,561,360	1,342,945	218,415
Communications	628,436	662,316	587,930	74,386
Uncollectible accounts	-	-	952,792	(952,792)
Other expenditures	1,126,479	1,199,389	852,943	346,446
Capital outlays	1,217,100	3,779,908	3,261,876	518,032
Debt service:				
Principal	8,045,000	8,045,000	8,045,000	-
Interest	2,150,638	2,150,638	2,150,639	-
Total expenditures	<u>\$ 131,766,179</u>	<u>\$ 139,079,712</u>	<u>\$ 132,622,114</u>	<u>\$ 6,457,599</u>
Deficiency of revenues under expenditures	<u>\$ (7,471,720)</u>	<u>\$ (12,986,802)</u>	<u>\$ (8,442,124)</u>	<u>\$ 4,544,678</u>
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ 2,417,280	\$ 2,285,822	\$ (131,458)
Transfers out	-	-	-	-
Total other financing sources	<u>\$ -</u>	<u>\$ 2,417,280</u>	<u>\$ 2,285,822</u>	<u>\$ (131,458)</u>
Net change in budgetary fund balances	<u>\$ (7,471,720)</u>	<u>\$ (10,569,522)</u>	<u>\$ (6,156,302)</u>	<u>\$ 4,413,220</u>

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

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2012**

NOTE 1 – BUDGETS AND BUDGETARY ACCOUNTING

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

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

Following input from the public, Budget Advisory Committee, and Governing Board, the draft budget for fiscal year 2011-12 was prepared and subsequently adopted at the May 2011 meeting of the Governing Board. The fiscal year 2011-12 Adopted Budget and the final fee schedules became effective on July 1, 2011.

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

AQMD presents a comparison of annual budget to actual results for the General Fund. The budgeted expenditure amounts represent the adopted budget adjusted for Governing Board approved supplemental appropriations. The budgeted revenue amounts represent the adopted budget modified for Governing Board approved adjustments which were based upon new or additional revenue sources. Supplemental expenditure appropriations of \$7,313,533 and revenue adjustments of \$1,798,451 were approved by the Governing Board in fiscal year 2011-12.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
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NOTE 2 – GENERAL FUND BUDGETARY BASIS RECONCILIATION

The General Fund Budgetary Basis under Required Supplementary Information presents comparisons of the legally adopted budget with actual data on a budgetary basis. Accounting principles applied for purposes of developing expenditures data on a budgetary basis differ from those used to present financial statements in conformity with Generally Accepted Accounting Principles (GAAP). The basis of budgeting that differs from GAAP is modified accrual basis plus encumbrances. The following is a reconciliation of differences for the fiscal year ended June 30, 2012:

Expenditures and encumbrances (budgetary basis), June 30, 2012	\$132,622,114
Add: payments on encumbrances open at July 1, 2011	3,700,052
Less: encumbrances open at June 30, 2012	<u>(4,003,759)</u>
Expenditures (GAAP basis), June 30, 2012	<u>\$132,318,407</u>

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

NOTE 3 – USE OF FUND BALANCE TO BALANCE BUDGET

When the fiscal year 2011-12 budget was adopted the Governing Board approved the use of \$7,471,720 from prior-year revenue from Unassigned Fund Balance along with prior year revenue that was designated for Enhanced Compliance, Equipment Replacement and Retirement Actuarial Increases to balance the budget. Mid-year adjustments appropriated an additional \$7,313,533 from Unassigned Fund Balance and prior year revenue designated for Facilities Refurbishing, and Litigation and Enforcement.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
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The following schedule details the use of fund balance.

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>
Net change in budgetary fund balances	<u>\$ (7,471,720)</u>	<u>\$ (10,569,522)</u>	<u>\$ (6,156,302)</u>
Other financing uses:			
Assigned for retirement actuarial increases	\$ (2,208,566)	\$ (2,208,566)	\$ (2,208,566)
Assigned for enhanced compliance	(1,005,900)	(1,005,900)	(1,005,900)
Assigned for litigation and enforcement	-	(400,000)	(400,000)
Assigned for equipment replacement	(140,600)	(140,600)	(140,600)
Assigned for facility refurbishments	-	(600,000)	(315,950)
Unassigned fund balance	<u>(4,116,654)</u>	<u>(6,214,456)</u>	<u>(2,085,286)</u>
Total financing uses	<u>\$ (7,471,720)</u>	<u>\$ (10,569,522)</u>	<u>\$ (6,156,302)</u>

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
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Non-major Governmental Funds

Special Revenue Funds:

- Air Quality Studies Fund - Used to account for contributions made by outside organizations to fund various air quality studies. An independent Planning Review Panel recommends the types of studies to be undertaken and the Executive Officer approves all studies prior to funding. The purpose of the studies is to quantify the cost effectiveness of air pollution control measures.
- Air Toxics Fund - Used to account for fees received from industrial toxic air emitters. These funds are spent on planning and performing health risk evaluations for the purpose of developing a toxic emissions inventory for the South Coast Air Basin.
- Advanced Technology, Outreach and Education Fund - Used to account for monies contributed by companies in lieu of paying fines for violating AQMD rules. Contributed amounts must be used to pay costs associated with AQMD-sponsored research and development in cleaner burning fuels and other advanced technologies and public outreach and education related to advanced technology and air pollution and its impacts.
- Air Quality Assistance Fund - Used to account for funds set aside for the purpose of underwriting, guaranteeing, or otherwise participating in the provision of financial assistance to small businesses as required by Section 40448.7 of the California Health and Safety Code. (This legislation was repealed by its own terms January 1, 1999). In June 2000, the Governing Board authorized staff to revise the program to increase participation of small businesses. Certain revisions, including participation in the California Capital Access Program (CalCAP) to assist small businesses, were implemented in June 2001.
- Clean Fuels Conference Fund - Used to account for monies received to fund all Clean Fuels related conferences. These conferences are held to facilitate the development of hydrogen-powered technologies, including motor vehicles, refueling infrastructure, and stationary applications.
- Air Quality Investment Fund - Is one of the compliance options available to employers with 250 or more employees at a worksite who are subject to Rule 2202. This revenue is used to purchase emissions reductions credits to meet the required target. To date, \$47.0 million in projects have been awarded to purchase over 31,547 tons of emission reductions. During fiscal year 2012, four contracts were awarded in the amount of \$77,000.

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- RECLAIM AQIP - Established in fiscal year 2001 to separately account for the generation of NO_x (Oxides of Nitrogen) credits at stationary and mobile sources for use by certain small or new RECLAIM (Regional Clean Air Incentives Market) participants. AQIP stands for Air Quality Investment Program.
- RECLAIM and Executive Order Mitigation - Established in fiscal year 2001 to account for mitigation fee payments made by power generators in lieu of emission offsets. Proceeds are used to generate RECLAIM Trading Credits (RTCs) to offset excess emissions.
- Rule 1121 Mitigation Fee Program - Established in fiscal year 2004 to issue program announcements for projects under the Rule 1121 Mitigation Fee Program. Under Rule 1121 - Control of Nitrogen Oxides (NO_x) from Residential Type, Natural Gas Fired Water Heaters, emission mitigation fees are collected from water heater manufacturers to fund stationary and mobile source emission reduction projects targeted at offsetting NO_x emission.
- Lower Emission School Bus Fund – Established in fiscal year 2001 to administer state funds set aside in the South Coast Air Basin for the replacement and retrofit of high-emitting diesel-fueled school buses. As of June 30, 2012, AQMD has awarded about \$210 million to (a) replace over 1,000 old polluting school buses with brand new much cleaner CNG buses, and (b) retrofit over 3,000 school buses with PM traps. Between fiscal years 2000 through 2008, \$68 million of Lower Emissions School Bus funds were spent on replacement of school buses. The rest of the funds have been provided by other special revenue funds. In addition, Lower Emissions School Bus Program provided funds to help school districts to install retrofit trap devices on 11 stationary back-up generators on or near school property. On June 30, 2008, CARB allocated \$898,000 to AQMD under EPA’s American Recovery and Reinvestment Act (ARRA) and Diesel Emission Reduction Act (DERA) programs to install 43 PM traps and purchase trap cleaners. In January 2012, the AQMD Board has approved \$600,000 in total funds, to help school districts in Los Angeles Basin that have an emergency to replace their CNG tanks.
- Zero Emission Vehicle Incentive Program - Established in fiscal year 2001 to administer the State funds set aside for the implementation of the Zero Emission Vehicle (ZEV) Incentive Program.
- AES Settlement Projects Fund - Established in fiscal year 2001 for the purpose of accounting for the one-time penalty settlement with AES Corporation for air pollution violations.

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

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- Rule 1173 Mitigation Fee Fund - Established in fiscal year 2004 to account for Rule 1173 mitigation fee payments to be used in funding air quality projects which directly benefit the community surrounding the facility. Amendments in December 2002 to Rule 1173 for Refineries and Chemical Plants established a mitigation fee payment provision relating to the release of Volatile Organic Compound (VOC) from an atmospheric Pressure Relief Device (PRD).
- Communities for Better Environment (CBE)/Our Children's Earth (OCE) Settlement Agreement Fund - Established in FY 2004 as part of the settlement agreement to fund PM₁₀ (Particulate Matter ≤ 10 microns) and/or NO_x (Oxides of Nitrogen) reduction projects in disproportionately impacted areas.
- BP ARCO Settlement Projects Fund - Established in fiscal year 2005 to account for the \$25 million civil penalties received in 2005 as part of the settlement with BP ARCO for air pollution violations.
- Health Effects Research Fund - The Health Effects Research Fund was established in fiscal year 2008 to receive 20% of all penalty/settlement monies in excess of \$4 million recognized annually in AQMD's General Fund beginning in fiscal year 2009, subject to annual Board approval.
- CEQA Green House Gas Mitigation Fund - This fund was established in fiscal year 2009 under Rule 2702 for Green House Gas (GHG) emission reductions. It received \$1.5 million from Chevron Products Company to offset Green House Gas emission as part of its Product Reliability and Optimization (PRO+) Project Mitigation Monitoring Plan.
- (DOE ARRA) LNG Corridor Expansion Fund - Established in fiscal year 2010 to account for the revenue and expenditure of a project funded under the American Recovery and Reinvestment Act of 2009 and coordinated through the Department of Energy to provide additional LNG refueling capacity for heavy-duty truck fleets operating along the Ontario-Las Vegas corridor and to support the deployment of additional LNG heavy-duty vehicles along the corridor.
- TraPac School Air Filtration Fund - This fund was established in fiscal year 2011 and received \$6,000,000 from City of Los Angeles towards installation and maintenance of air filtration systems for schools in the Wilmington area that were impacted by the expansion of the TraPac Container Terminal Project.
- Emission Reduction and Outreach Fund - This fund was established in fiscal year 2010 due to a \$1,000,000 Supplemental Environmental Project Settlement. These funds are used to enhance compliance of emission reduction policies by providing source education and consumer education.

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- Rule 1118 Mitigation Fund - Established in fiscal year 2010 to account for mitigation fees from petroleum refineries that exceed sulfur dioxide emission thresholds from flares and future Rule 1118 mitigation fees and to track the projects funded through these fees.
- Hydrogen Fueling Station Special Revenue Fund - Established in fiscal year 2011 to recognize co-funding from the Department of Energy-National Renewable Energy Laboratory, CARB and CEC, for the maintenance and operation of the City of Burbank hydrogen fueling station and for maintenance and data management services for the hydrogen fueling station at AQMD headquarters.
- HEROS II Special Revenue Fund - Established in fiscal year 2011, this fund will be used to track funds received and expenditures for the High Emitters Repair or Scrap (HEROS) II Program. This program addresses implementation of voluntary programs to reduce emissions from high-emitting light- and medium-duty vehicles in the South Coast Air Basin. Gross-polluting vehicles make up about 10 percent of the South Coast Air Basin's passenger vehicle fleet, and yet they are responsible for more than 50 percent of the air pollution from that fleet. AQMD has a long history implementing programs to reduce mobile source related emissions, including programs that encourage the use of low-emission vehicles for purposes of achieving state and federal ambient air quality standards.
- EL Monte Park Project Settlement Fund - Established in fiscal year 2011 for the purpose of accounting for the monies received from Gregg Industries bankruptcy estate as part of a settlement agreement to finance the construction of park improvements in the City of El Monte.
- AB 1318 Mitigation Fees Fund - Created in fiscal year 2011 to account for revenue of \$53.3 million from a mitigation fee payment for the transfer of emission credits under AB 1318.
- Voucher Incentive Program Fund (VIP) - Established in fiscal year 2012 due to transfer of funds from the Carl Moyer Multidistrict funds originally recorded in Carl Moyer Program Fund, to separately administer the On-Road Heavy-Duty Vehicle Voucher Incentive Program.
- DOE PEV Infrastructure Planning Special Revenue Fund - Established in fiscal year 2012 to account for U.S. Department of Energy (DOE) grant for Plug-In Electric Vehicle (PEV) Infrastructure planning under the DOE Clean Cities Program and for development and dissemination of a PEV readiness toolkit.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
OTHER SUPPLEMENTARY INFORMATION
June 30, 2012**

- Advanced Technology Goods Movement Fund - Established in fiscal year 2012 to administer funds received through an agreement with Port of Los Angeles and Port of Long Beach to fund projects consistent with the development and demonstration of zero emissions goods movement technologies, including the demonstration of Linear Synchronous Motor (LSM) technology to move cargo containers and the development of two discrete hybrid electric drive systems for heavy-duty vehicles.
- Debt Service Fund - Established in 2009 to replace the terminated Guaranteed Investment Contract with the Municipal Bond Insurance Association (MBIA, Inc.) due to changes in financial markets. This is used for the defeasance of a portion of AQMD's debt service on Pension Obligation Bonds.
- Component Unit - SCAQMD Building Corporation – was established in fiscal year 1978 for the acquisition and improvement of AQMD headquarters. The SCAQMD Building Corporation is a legally separate entity, but for financial statement purposes, it is shown as a blended component unit in the governmental funds.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2012**

<u>Assets</u>	Special Revenue			
	Air Quality Studies Fund	Air Toxics Fund	Adv. Tech. Outreach & Education Fund	Air Quality Assistance Fund
Cash and cash equivalents	\$ 65,350	\$ 3,234,230	\$ 3,082,548	\$ 1,542,861
Interest receivable	60	3,365	2,855	1,379
Due from other governmental agencies	-	-	82,635	-
Due from other funds	-	-	-	-
Accounts receivable, net	-	277,025	-	-
Other assets	-	-	-	-
Total assets	\$ 65,410	\$ 3,514,620	\$ 3,168,038	\$ 1,544,240
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable and accrued liabilities	\$ -	\$ 370,534	\$ 145,934	\$ -
Due to other funds	-	-	2,949,452	-
Unearned revenue	-	-	-	-
Total liabilities	-	370,534	3,095,386	-
Fund Balances:				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	830,785	-
Assigned	65,410	3,144,086	-	1,544,240
Unassigned	-	-	(758,133)	-
Total fund balances	65,410	3,144,086	72,652	1,544,240
Total liabilities and fund balances	\$ 65,410	\$ 3,514,620	\$ 3,168,038	\$ 1,544,240

Continued

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2012**

<u>Assets</u>	Special Revenue			
	Clean Fuels Conference Fund	Air Quality Investment Fund	Lower-Emission School Bus Fund	Zero Emission Vehicle Incentive Fund
Cash and cash equivalents	\$ 256,187	\$ 27,037,223	\$ 9,160,927	\$ 644,486
Interest receivable	-	24,624	8,337	586
Due from other governmental agencies	-	-	-	-
Due from other funds	-	30,614	-	-
Accounts receivable, net	-	18	-	-
Other assets	-	-	-	-
Total assets	\$ 256,187	\$ 27,092,479	\$ 9,169,264	\$ 645,072
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable and accrued liabilities	\$ -	\$ 230,777	\$ -	\$ -
Due to other funds	-	20,914	-	-
Unearned revenue	-	-	-	-
Total liabilities	-	251,691	-	-
Fund Balances:				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	8,600	5,019,144	3,612,714	60,000
Assigned	247,587	21,821,644	5,556,550	585,072
Unassigned	-	-	-	-
Total fund balances	256,187	26,840,788	9,169,264	645,072
Total liabilities and fund balances	\$ 256,187	\$ 27,092,479	\$ 9,169,264	\$ 645,072

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See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2012**

<u>Assets</u>	Special Revenue				
	AES Settlement Projects Fund	Rule 1309.1 Priority Reserve Fund	CARB ERC Bank Fund	LADWP Settlement Fund	State-Emissions Mitigation Fund
Cash and cash equivalents	\$ 3,263,450	\$ 15,276,252	\$ 574,137	\$ 382,602	\$ 4,300,677
Interest receivable	3,043	14,041	522	348	3,914
Due from other governmental agencies	-	-	-	-	-
Due from other funds	-	-	-	-	-
Accounts receivable, net	-	-	-	-	-
Other assets	-	-	-	-	-
Total assets	\$ 3,266,493	\$ 15,290,293	\$ 574,659	\$ 382,950	\$ 4,304,591
 <u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ 91,081	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	-	91,081	-	-	-
 Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	789,503	8,002,803	27,696	-	1,356,887
Assigned	2,476,990	7,196,408	546,963	382,950	2,947,704
Unassigned	-	-	-	-	-
Total fund balances	3,266,493	15,199,212	574,659	382,950	4,304,591
Total liabilities and fund balances	\$ 3,266,493	\$ 15,290,293	\$ 574,659	\$ 382,950	\$ 4,304,591

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See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2012**

<u>Assets</u>	Special Revenue				
	Natural Gas Vehicle Partner Fund	State BUG Program Fund	Asthma & Brain Cancer Research Fund	Dry Cleaners Financial Incentives Grant Program Fd	Rule 1173 Mitigation Fee Fund
Cash and cash equivalents	\$ 383,420	\$ 341,502	\$ 96,755	\$ 663,979	\$ 2,306,071
Interest receivable	384	311	89	604	2,098
Due from other governmental agencies	-	-	-	-	-
Due from other funds	-	-	-	-	-
Accounts receivable, net	10,000	-	-	-	-
Other assets	-	-	-	-	-
Total assets	\$ 393,804	\$ 341,813	\$ 96,844	\$ 664,583	\$ 2,308,169
<u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	-
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	-	-	-	-	-
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	100,440	-	3,162	-	367,025
Assigned	293,364	341,813	93,682	664,583	1,941,144
Unassigned	-	-	-	-	-
Total fund balances	393,804	341,813	96,844	664,583	2,308,169
Total liabilities and fund balances	\$ 393,804	\$ 341,813	\$ 96,844	\$ 664,583	\$ 2,308,169

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See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2012**

<u>Assets</u>	Special Revenue			
	CBE / OCE Settlement Agreement Fund	BP ARCO Settlement Projects Fund	Health Effects Research Fund	CEQA Green House Gas Mitigation Fund
Cash and cash equivalents	\$ 373,416	\$ 18,440,344	\$ 1,409,851	\$ 1,131,482
Interest receivable	-	16,781	1,282	1,030
Due from other governmental agencies	-	-	-	-
Due from other funds	-	-	-	-
Accounts receivable, net	-	-	-	-
Other assets	-	-	-	-
Total assets	\$ 373,416	\$ 18,457,125	\$ 1,411,133	\$ 1,132,512
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 50,032	\$ -	\$ -	\$ 79,070
Due to other funds	-	-	-	-
Unearned revenue	-	-	-	-
Total liabilities	50,032	-	-	79,070
Fund Balances:				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	100,064	800	150,000	983,092
Assigned	223,320	18,456,325	1,261,133	70,350
Unassigned	-	-	-	-
Total fund balances	323,384	18,457,125	1,411,133	1,053,442
Total liabilities and fund balances	\$ 373,416	\$ 18,457,125	\$ 1,411,133	\$ 1,132,512

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See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2012**

<u>Assets</u>	Special Revenue				
	LNG Corridor Expansion Fund	TraPac School Air Filtration Fund	Emission Reduction and Outreach Fund	Rule 1118 Mitigation Fund	Hydrogen Fueling Station Fund
Cash and cash equivalents	\$ 5,388	\$ 6,075,265	\$ 82,974	\$ 2,702,058	\$ 176,294
Interest receivable	6	5,528	76	2,460	185
Due from other governmental agencies	-	-	-	-	-
Due from other funds	-	-	-	-	-
Accounts receivable, net	-	-	-	-	-
Other assets	-	-	-	-	-
Total assets	\$ 5,394	\$ 6,080,793	\$ 83,050	\$ 2,704,518	\$ 176,479
 <u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ 16,223
Due to other funds	4,570	-	-	-	-
Unearned revenue	-	-	-	-	-
Total liabilities	4,570	-	-	-	16,223
 Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	5,400,000	11	-	158,784
Assigned	824	680,793	83,039	2,704,518	1,472
Unassigned	-	-	-	-	-
Total fund balances	824	6,080,793	83,050	2,704,518	160,256
Total liabilities and fund balances	\$ 5,394	\$ 6,080,793	\$ 83,050	\$ 2,704,518	\$ 176,479

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See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2012**

<u>Assets</u>	Special Revenue			
	<u>HEROS II Fund</u>	<u>El Monte Park Project Settlement Fund</u>	<u>AB 1318 Mitigation Fees Fund</u>	<u>Voucher Incentive Program Fund</u>
Cash and cash equivalents	\$ 3,587,815	\$ 1,105,266	\$ 53,784,750	\$ 1,057,037
Interest receivable	3,267	1,006	48,943	1,377
Due from other governmental agencies	-	-	-	-
Due from other funds	-	-	-	-
Accounts receivable, net	-	-	-	-
Other assets	-	-	-	-
Total assets	\$ 3,591,082	\$ 1,106,272	\$ 53,833,693	\$ 1,058,414
 <u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 11,685	\$ -	\$ -	\$ 1,293,582
Due to other funds	-	-	-	11,360
Unearned revenue	-	-	-	-
Total liabilities	11,685	-	-	1,304,942
 Fund Balances:				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	1,114,325	-	-	68,785
Assigned	2,465,072	1,106,272	53,833,693	-
Unassigned	-	-	-	(315,313)
Total fund balances	3,579,397	1,106,272	53,833,693	(246,528)
Total liabilities and fund balances	\$ 3,591,082	\$ 1,106,272	\$ 53,833,693	\$ 1,058,414

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See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2012**

<u>Assets</u>	<u>Special Revenue</u>			Component Unit	<u>Total</u>
	DOE PEV Infrastructure Fund	Advanced Technology Goods Movement Fund	Debt Service Fund	SCAQMD Building Corporation	
Cash and cash equivalents	\$ 948,163	\$ 401,186	\$ 6,394,670	\$ 218,984	\$ 170,507,598
Interest receivable	911	365	5,820	266,277	421,877
Due from other governmental agencies	-	-	-	-	82,635
Due from other funds	-	-	-	-	30,614
Accounts receivable, net	-	-	-	-	287,043
Other assets	-	-	-	9,527	9,527
Total assets	\$ 949,074	\$ 401,551	\$ 6,400,490	\$ 494,788	\$ 171,339,294
 <u>Liabilities and Fund Balances</u>					
Liabilities:					
Accounts payable and accrued liabilities	\$ 87,075	\$ -	\$ -	\$ 265,686	\$ 2,641,681
Due to other funds	1,000,000	-	-	-	3,986,296
Unearned revenue	-	-	-	-	-
Total liabilities	1,087,075	-	-	265,686	6,627,977
 Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	-	-	6,400,490	-	6,400,490
Committed	758,589	-	-	-	28,913,210
Assigned	-	401,551	-	229,102	131,367,653
Unassigned	(896,590)	-	-	-	(1,970,036)
Total fund balances	(138,001)	401,551	6,400,490	229,102	164,711,317
Total liabilities and fund balances	\$ 949,074	\$ 401,551	\$ 6,400,490	\$ 494,788	\$ 171,339,294

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012**

	Special Revenue			
	Air Quality Studies Fund	Air Toxics Fund	Adv. Tech. Outreach & Education Fund	Air Quality Assistance Fund
Revenues:				
Emission fees	\$ -	\$ -	\$ -	\$ -
Mobile sources/clean fuels	-	-	-	-
Air Toxics "Hot Spots"	-	562,774	-	-
Federal grant	-	-	425,512	-
State grant	-	-	-	-
Interest revenue	604	27,895	31,912	10,038
Penalties and settlements	-	-	-	-
Other revenues	-	68,025	-	4
Total revenues	<u>604</u>	<u>658,694</u>	<u>457,424</u>	<u>10,042</u>
Expenditures:				
Salaries and employee benefits	-	-	-	-
Insurance	-	-	-	-
Rent	-	-	-	-
Supplies	-	-	-	-
Contract and special services	-	9,110	582,423	-
Maintenance	-	-	-	-
Travel and auto	-	-	-	-
Utilities	-	-	-	-
Communications	-	-	-	-
Uncollectible accounts	-	-	-	-
Other expenditures	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>-</u>	<u>9,110</u>	<u>582,423</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures before transfers	<u>604</u>	<u>649,584</u>	<u>(124,999)</u>	<u>10,042</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	(23,000)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(23,000)</u>	<u>-</u>
Net change in fund balances	<u>604</u>	<u>649,584</u>	<u>(147,999)</u>	<u>10,042</u>
Fund balances, July 1, 2011	64,806	\$ 2,494,502	\$ 220,651	\$ 1,534,198
Fund balances, June 30, 2012	<u>\$ 65,410</u>	<u>\$ 3,144,086</u>	<u>\$ 72,652</u>	<u>\$ 1,544,240</u>

Continued

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012**

	Special Revenue			
	Clean Fuels Conference Fund	Air Quality Investment Fund	Lower-Emission School Bus Fund	Zero Emission Vehicle Incentive Fund
Revenues:				
Emission fees	\$ -	\$ -	\$ -	\$ -
Mobile sources/clean fuels	-	-	-	-
Air Toxics "Hot Spots"	-	-	-	-
Federal grant	-	-	1,065,465	-
State grant	-	6,820	-	-
Interest revenue	-	252,564	83,842	5,955
Penalties and settlements	-	-	-	-
Other revenues	21,060	397,960	-	-
Total revenues	<u>21,060</u>	<u>657,344</u>	<u>1,149,307</u>	<u>5,955</u>
Expenditures:				
Salaries and employee benefits	-	-	-	-
Insurance	-	-	-	-
Rent	-	-	-	-
Supplies	-	-	-	-
Contract and special services	68,651	859,460	129,646	-
Maintenance	-	-	-	-
Travel and auto	-	-	-	-
Utilities	-	-	-	-
Communications	-	-	-	-
Uncollectible accounts	-	-	-	-
Other expenditures	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>68,651</u>	<u>859,460</u>	<u>129,646</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures before transfers	<u>(47,591)</u>	<u>(202,116)</u>	<u>1,019,661</u>	<u>5,955</u>
Other financing sources (uses)				
Transfers in	-	33,000	-	-
Transfers out	(15,000)	(59,386)	-	-
Total other financing sources (uses)	<u>(15,000)</u>	<u>(26,386)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(62,591)</u>	<u>(228,502)</u>	<u>1,019,661</u>	<u>5,955</u>
Fund balances, July 1, 2011	\$ 318,778	\$ 27,069,290	\$ 8,149,603	\$ 639,117
Fund balances, June 30, 2012	<u>\$ 256,187</u>	<u>\$ 26,840,788</u>	<u>\$ 9,169,264</u>	<u>\$ 645,072</u>

Continued

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 NON-MAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2012**

	Special Revenue				
	AES Settlement Projects Fund	Rule 1309.1 Priority Reserve Fund	CARB ERC Bank Fund	LADWP Settlement Fund	State-Emissions Mitigation Fund
Revenues:					
Emission fees	\$ -	\$ -	\$ -	\$ -	\$ -
Mobile sources/clean fuels	-	-	-	-	-
Air Toxics "Hot Spots"	-	-	-	-	-
Federal grant	-	-	-	-	-
State grant	-	-	-	-	-
Interest revenue	30,901	149,990	5,305	3,559	40,343
Penalties and settlements	-	-	-	-	-
Other revenues	-	-	-	-	-
Total revenues	30,901	149,990	5,305	3,559	40,343
Expenditures:					
Salaries and employee benefits	-	-	-	-	-
Insurance	-	-	-	-	-
Rent	-	-	-	-	-
Supplies	-	-	-	-	-
Contract and special services	80,708	1,562,437	-	4,512	93,053
Maintenance	-	-	-	-	-
Travel and auto	-	-	-	-	-
Utilities	-	-	-	-	-
Communications	-	-	-	-	-
Uncollectible accounts	-	-	-	-	-
Other expenditures	-	-	-	-	-
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	80,708	1,562,437	-	4,512	93,053
Excess (deficiency) of revenues over (under) expenditures before transfers	(49,807)	(1,412,447)	5,305	(953)	(52,710)
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	-	(63,000)	-	-	-
Total other financing sources (uses)	-	(63,000)	-	-	-
Net change in fund balances	(49,807)	(1,475,447)	5,305	(953)	(52,710)
Fund balances, July 1, 2011	\$ 3,316,300	\$ 16,674,658	\$ 569,354	\$ 383,903	\$ 4,357,301
Fund balances, June 30, 2012	\$ 3,266,493	\$ 15,199,211	\$ 574,659	\$ 382,950	\$ 4,304,591

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See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012**

	Special Revenue				
	Natural Gas Vehicle Partner Fund	State BUG Program Fund	Asthma & Brain Cancer Research Fund	Dry Cleaners Financial Incentives Grant Program Fd	Rule 1173 Mitigation Fee Fund
Revenues:					
Emission fees	\$ -	\$ -	\$ -	\$ -	\$ -
Mobile sources/clean fuels	-	-	-	-	-
Air Toxics "Hot Spots"	-	-	-	-	-
Federal grant	-	-	-	-	-
State grant	-	-	-	-	-
Interest revenue	3,637	3,156	1,066	6,122	20,459
Penalties and settlements	-	-	-	-	-
Other revenues	77,100	-	-	-	350,000
Total revenues	80,737	3,156	1,066	6,122	370,459
Expenditures:					
Salaries and employee benefits	-	-	-	-	-
Insurance	-	-	-	-	-
Rent	-	-	-	-	-
Supplies	-	-	-	-	-
Contract and special services	85,193	-	25,676	-	-
Maintenance	-	-	-	-	-
Travel and auto	-	-	-	-	-
Utilities	-	-	-	-	-
Communications	-	-	-	-	-
Uncollectible accounts	-	-	-	-	-
Other expenditures	176	-	-	-	-
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	85,369	-	25,676	-	-
Excess (deficiency) of revenues over (under) expenditures before transfers	(4,632)	3,156	(24,610)	6,122	370,459
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balances	(4,632)	3,156	(24,610)	6,122	370,459
Fund balances, July 1, 2011	\$ 398,436	\$ 338,657	\$ 121,454	\$ 658,461	\$ 1,937,710
Fund balances, June 30, 2012	\$ 393,804	\$ 341,813	\$ 96,844	\$ 664,583	\$ 2,308,169

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See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012**

	Special Revenue			
	CBE/OCE Settlement Agreement Fund	BP ARCO Settlement Projects Fund	Health Effects Research Fund	CEQA Green House Gas Mitigation Fund
Revenues:				
Emission fees	\$ -	\$ -	\$ -	\$ -
Mobile sources/clean fuels	-	-	-	-
Air Toxics "Hot Spots"	-	-	-	-
Federal grant	-	-	-	-
State grant	-	-	-	-
Interest revenue	-	170,450	13,027	10,710
Penalties and settlements	-	-	-	-
Other revenues	-	-	-	-
Total revenues	-	170,450	13,027	10,710
Expenditures:				
Salaries and employee benefits	-	-	-	-
Insurance	-	-	-	-
Rent	-	-	-	-
Supplies	-	-	-	-
Contract and special services	183,451	21,185	-	79,070
Maintenance	-	-	-	-
Travel and auto	-	-	-	-
Utilities	-	-	-	-
Communications	-	-	-	-
Uncollectible accounts	-	-	-	-
Other expenditures	-	-	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	183,451	21,185	-	79,070
Excess (deficiency) of revenues over (under) expenditures before transfers	(183,451)	149,265	13,027	(68,360)
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(183,451)	149,265	13,027	(68,360)
Fund balances, July 1, 2011	\$ 506,835	\$ 18,307,860	\$ 1,398,106	\$ 1,121,802
Fund balances, June 30, 2012	\$ 323,384	\$ 18,457,125	\$ 1,411,133	\$ 1,053,442

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See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012**

	Special Revenue				
	LNG Corridor Expansion Fund	TraPac School Air Filtration Fund	Emission Reduction and Outreach Fund	Rule 1118 Mitigation Fund	Hydrogen Fueling Station Fund
Revenues:					
Emission fees	\$ -	\$ -	\$ -	\$ -	\$ -
Mobile sources/clean fuels	-	-	-	-	-
Air Toxics "Hot Spots"	-	-	-	-	-
Federal grant	4,334,644	-	-	-	-
State grant	-	-	-	-	300,000
Interest revenue	594	56,137	3,964	14,702	995
Penalties and settlements	-	-	-	-	-
Other revenues	-	-	-	1,336,450	-
Total revenues	4,335,238	56,137	3,964	1,351,152	300,995
Expenditures:					
Salaries and employee benefits	-	-	-	-	-
Insurance	-	-	-	-	-
Rent	-	-	-	-	-
Supplies	-	-	-	-	-
Contract and special services	4,334,644	-	241,940	-	215,554
Maintenance	-	-	-	-	-
Travel and auto	-	-	-	-	-
Utilities	-	-	-	-	-
Communications	-	-	-	-	-
Uncollectible accounts	-	-	-	1,000	-
Other expenditures	-	-	-	-	-
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	4,334,644	-	241,940	1,000	215,554
Excess (deficiency) of revenues over (under) expenditures before transfers	594	56,137	(237,976)	1,350,152	85,441
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers out	-	-	(574,706)	-	-
Total other financing sources (uses)	-	-	(574,706)	-	-
Net change in fund balances	594	56,137	(812,682)	1,350,152	85,441
Fund balances, July 1, 2011	\$ 230	\$ 6,024,656	\$ 895,732	\$ 1,354,366	\$ 74,815
Fund balances, June 30, 2012	\$ 824	\$ 6,080,793	\$ 83,050	\$ 2,704,518	\$ 160,256

Continued

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 NON-MAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2012**

	Special Revenue				
	HEROS II Fund	El Monte Park Project Settlement Fund	AB 1318 Mitigation Fees Fund	Voucher Incentive Program Fund	DOE PEV Infrastructure Fund
Revenues:					
Emission fees	\$ -	\$ -	\$ -	\$ -	\$ -
Mobile sources/clean fuels	-	-	-	-	-
Air Toxics "Hot Spots"	-	-	-	-	-
Federal grant	-	-	-	-	-
State grant	500,000	-	-	2,733,464	-
Interest revenue	29,599	6,272	496,991	13,870	2,479
Penalties and settlements	-	1,100,000	-	-	-
Other revenues	-	-	-	-	-
Total revenues	<u>529,599</u>	<u>1,106,272</u>	<u>496,991</u>	<u>2,747,334</u>	<u>2,479</u>
Expenditures:					
Salaries and employee benefits	-	-	-	-	-
Insurance	-	-	-	-	-
Rent	-	-	-	-	-
Supplies	-	-	-	-	-
Contract and special services	70,395	-	-	8,945,147	140,480
Maintenance	-	-	-	-	-
Travel and auto	-	-	-	-	-
Utilities	-	-	-	-	-
Communications	-	-	-	-	-
Uncollectible accounts	-	-	-	-	-
Other expenditures	-	-	-	-	-
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	<u>70,395</u>	<u>-</u>	<u>-</u>	<u>8,945,147</u>	<u>140,480</u>
Excess (deficiency) of revenues over (under) expenditures before transfers	<u>459,204</u>	<u>1,106,272</u>	<u>496,991</u>	<u>(6,197,813)</u>	<u>(138,001)</u>
Other financing sources (uses)					
Transfers in	-	-	-	5,951,285	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,951,285</u>	<u>-</u>
Net change in fund balances	<u>459,204</u>	<u>1,106,272</u>	<u>496,991</u>	<u>(246,528)</u>	<u>(138,001)</u>
Fund balances, July 1, 2011	\$ 3,120,193	\$ -	\$ 53,336,702	\$ -	\$ -
Fund balances, June 30, 2012	<u>\$ 3,579,397</u>	<u>\$ 1,106,272</u>	<u>\$ 53,833,693</u>	<u>\$ (246,528)</u>	<u>\$ (138,001)</u>

Continued

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012**

	<u>Special Revenue</u>		Component Unit SCAQMD Building Corporation	<u>Total</u>
	Advanced Technology Goods Movement Fund	Debt Service Fund		
Revenues:				
Emission fees	\$ -	\$ -	\$ -	\$ -
Mobile sources/clean fuels	-	-	-	-
Air Toxics "Hot Spots"	-	-	-	562,774
Federal grant	-	-	-	5,825,621
State grant	-	-	-	3,540,284
Interest revenue	1,551	60,403	730	1,559,822
Penalties and settlements	-	-	-	1,100,000
Other revenues	-	-	647,278	2,897,876
	<u>1,551</u>	<u>60,403</u>	<u>648,008</u>	<u>15,486,377</u>
Total revenues				
Expenditures:				
Salaries and employee benefits	-	-	-	-
Insurance	-	-	-	-
Rent	-	-	-	-
Supplies	-	-	-	-
Contract and special services	-	-	-	17,732,734
Maintenance	-	-	-	-
Travel and auto	-	-	-	-
Utilities	-	-	-	-
Communications	-	-	-	-
Uncollectible accounts	-	-	-	1,000
Other expenditures	-	-	698,374	698,550
Debt Service				
Principal	-	2,205,000	-	2,205,000
Interest	-	795,000	-	795,000
Total expenditures	<u>-</u>	<u>3,000,000</u>	<u>698,374</u>	<u>21,432,284</u>
Excess (deficiency) of revenues over (under) expenditures before transfers	<u>1,551</u>	<u>(2,939,597)</u>	<u>(50,366)</u>	<u>(5,945,907)</u>
Other financing sources (uses)				
Transfers in	400,000	-	-	6,384,285
Transfers out	-	-	-	(735,092)
	<u>400,000</u>	<u>-</u>	<u>-</u>	<u>5,649,193</u>
Total other financing sources (uses)				
Net change in fund balances	<u>401,551</u>	<u>(2,939,597)</u>	<u>(50,366)</u>	<u>(296,714)</u>
Fund balances, July 1, 2011	\$ -	\$ 9,340,087	\$ 279,468	\$ 165,008,031
Fund balances, June 30, 2012	<u>\$ 401,551</u>	<u>\$ 6,400,490</u>	<u>\$ 229,102</u>	<u>\$ 164,711,317</u>

See independent auditor's report.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
For the Year Ended June 30, 2012**

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>
<u>Accounting Agency Fund</u>				
<u>Assets</u>				
Cash and cash equivalents	\$ 125,532	\$ 324,916	\$ 315,650	\$ 134,798
Total assets	<u>\$ 125,532</u>	<u>\$ 324,916</u>	<u>\$ 315,650</u>	<u>\$ 134,798</u>
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 125,532	\$ 1,224,340	\$ 1,215,074	\$ 134,798
Total liabilities	<u>\$ 125,532</u>	<u>\$ 1,224,340</u>	<u>\$ 1,215,074</u>	<u>\$ 134,798</u>
 <u>457 Plan Admin Revenue Sharing Fund</u>				
<u>Assets</u>				
Cash and cash equivalents	\$ 26,988	\$ 40,386	\$ 52,340	\$ 15,034
Interest receivable	111	14	111	14
Total assets	<u>\$ 27,099</u>	<u>\$ 40,400</u>	<u>\$ 52,451</u>	<u>\$ 15,048</u>
<u>Liabilities</u>				
Due to others	27,099	\$ 52,340	\$ 64,391	\$ 15,048
Total liabilities	<u>\$ 27,099</u>	<u>\$ 52,340</u>	<u>\$ 64,391</u>	<u>\$ 15,048</u>
 <u>Total all agency funds</u>				
<u>Assets</u>				
Cash and cash equivalents	\$ 152,520	\$ 365,302	\$ 367,990	\$ 149,832
Interest receivable	111	14	111	14
Total assets	<u>\$ 152,631</u>	<u>\$ 365,316</u>	<u>\$ 368,101</u>	<u>\$ 149,846</u>
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 125,532	\$ 1,224,340	\$ 1,215,074	\$ 134,798
Due to others	\$ 27,099	\$ 52,340	\$ 64,391	\$ 15,048
Total liabilities	<u>\$ 152,631</u>	<u>\$ 1,276,680</u>	<u>\$ 1,279,465</u>	<u>\$ 149,846</u>

See independent auditor's report.

STATISTICAL SECTION

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

Contents

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities										
Investment in capital assets, net of related debt	\$ 4,007,380	\$ 5,234,119	\$ 6,048,899	\$ 7,712,415	\$ 10,938,387	\$ 12,744,539	\$ 16,757,042	\$ 19,695,092	\$ 22,777,709	\$ 25,696,728
Restricted for pension assets	-	-	-	736,200	1,926,145	3,089,145	(10,334,764)	-	-	1,361,315
Restricted for debt service	-	-	-	-	19,541,377	17,381,723	-	-	-	-
Restricted for specific projects/programs	197,959,973	195,731,559	223,952,969	253,867,453	280,754,862	291,676,023	334,362,120	411,358,339	465,789,699	527,549,463
Unrestricted	5,322,562	2,696,301	11,135,334	24,019,696	8,392,205	20,042,724	47,061,292	50,318,195	34,536,706	29,529,812
Total governmental activities net assets	<u>\$ 207,289,915</u>	<u>\$ 203,661,979</u>	<u>\$ 241,137,202</u>	<u>\$ 286,335,764</u>	<u>\$ 321,552,976</u>	<u>\$ 344,934,154</u>	<u>\$ 387,845,690</u>	<u>\$ 481,371,626</u>	<u>\$ 523,104,114</u>	<u>\$ 584,137,318</u>
Business-type Activities										
Investment in capital assets, net of related debt	565,013	487,546	400,375	313,177	226,006	138,835	51,664	4,052	-	-
Unrestricted	47,319	62,362	81,160	72,947	77,947	144,388	191,356	242,921	370,087	525,078
Total business-type activities net assets	<u>\$ 612,332</u>	<u>\$ 549,908</u>	<u>\$ 481,535</u>	<u>\$ 386,124</u>	<u>\$ 303,953</u>	<u>\$ 283,223</u>	<u>\$ 243,020</u>	<u>\$ 246,973</u>	<u>\$ 370,087</u>	<u>\$ 525,078</u>
Primary Government										
Investment in capital assets, net of related debt	4,572,393	5,721,665	6,449,274	8,025,592	11,164,393	12,883,374	16,808,706	19,699,144	22,777,709	25,696,728
Restricted for pension asset	-	-	-	736,200	1,926,145	3,089,145	(10,334,764)	-	-	1,361,315
Restricted for debt service	-	-	-	-	19,541,377	17,381,723	-	-	-	-
Restricted for grants and other special uses	197,959,973	195,731,559	223,952,969	253,867,453	280,754,862	291,676,023	334,362,120	411,358,339	465,789,699	527,549,463
Unrestricted	5,369,881	2,758,663	11,216,494	24,092,643	8,470,152	20,187,112	47,252,648	50,561,116	34,906,793	30,054,890
Total primary government net assets	<u>\$ 207,902,247</u>	<u>\$ 204,211,887</u>	<u>\$ 241,618,737</u>	<u>\$ 286,721,888</u>	<u>\$ 321,856,929</u>	<u>\$ 345,217,377</u>	<u>\$ 388,088,710</u>	<u>\$ 481,618,599</u>	<u>\$ 523,474,201</u>	<u>\$ 584,662,396</u>

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Expenses										
Governmental Activities										
Advance clean air technology	\$ 5,933,504	\$ 7,255,854	\$ 5,011,874	\$ 5,808,530	\$ 7,067,528	\$ 7,113,642	\$ 7,111,931	\$ 6,512,144	\$ 6,398,859	\$ 6,672,977
Ensure compliance with clean air rules	33,440,503	38,536,722	37,666,189	36,727,226	42,699,519	39,463,040	43,823,112	46,154,574	46,877,017	47,026,449
Customer service	10,035,584	10,965,904	10,532,066	11,592,984	8,687,842	6,696,664	7,441,806	7,682,897	7,578,813	7,729,015
Develop programs to achieve clean air	6,213,755	7,910,778	7,106,133	7,811,791	8,721,816	7,969,413	10,216,378	10,861,040	11,780,948	12,130,832
Develop rules to achieve clean air	6,563,362	7,915,483	8,130,305	8,046,177	7,350,795	8,390,762	8,433,410	8,436,415	8,826,846	7,286,149
Monitoring air quality	10,032,083	11,883,527	11,591,430	11,794,227	12,229,451	12,866,270	14,067,041	14,239,509	15,093,093	15,930,225
Timely review of permits	18,937,964	21,408,261	21,403,924	23,191,423	24,508,757	24,580,945	26,205,282	28,530,507	28,045,891	27,241,449
Policy support	2,559,042	2,523,809	2,954,538	2,948,274	3,442,207	3,630,367	4,782,531	1,760,038	1,792,208	1,483,613
Interest on long-term debt	-	-	-	-	-	4,614,842	4,325,460	3,871,465	3,277,933	4,691,658
Long-term emission reduction projects	94,144,240	62,422,513	59,525,817	64,308,902	62,831,313	93,109,973	104,277,915	150,362,508	161,904,680	137,800,260
Total government'l activities expenses	<u>187,860,037</u>	<u>170,822,851</u>	<u>163,922,276</u>	<u>172,229,535</u>	<u>177,539,228</u>	<u>208,435,918</u>	<u>230,684,866</u>	<u>278,411,097</u>	<u>291,576,288</u>	<u>267,992,627</u>
Business-type Activities:										
Clean Air Store	908	936	662	3,653	-	-	-	-	-	-
CNG fueling station	81,005	152,547	165,135	198,788	225,604	218,048	210,120	165,557	150,418	135,805
Total business-type activities expenses	<u>81,913</u>	<u>153,483</u>	<u>165,797</u>	<u>202,441</u>	<u>225,604</u>	<u>218,048</u>	<u>210,120</u>	<u>165,557</u>	<u>150,418</u>	<u>135,805</u>
Total primary government expenses	\$ <u>187,941,950</u>	\$ <u>170,976,334</u>	\$ <u>164,088,073</u>	\$ <u>172,431,976</u>	\$ <u>177,764,832</u>	\$ <u>208,653,966</u>	\$ <u>230,894,986</u>	\$ <u>278,576,654</u>	\$ <u>291,726,706</u>	\$ <u>268,128,432</u>
Program Revenues										
Governmental Activities:										
Fees and Charges										
Stationary sources	\$ 62,835,710	\$ 61,932,425	\$ 64,925,373	\$ 68,792,294	\$ 75,200,254	\$ 82,825,774	\$ 92,703,725	\$ 81,097,647	\$ 81,291,028	\$ 82,624,489
Mobile sources	10,245,290	10,787,342	14,716,865	20,991,833	23,966,240	22,170,323	24,128,436	23,728,238	22,512,790	23,384,894
Operating grants and subventions	7,434,924	9,679,283	8,100,573	8,035,387	8,946,832	8,858,458	8,782,322	8,379,757	8,867,069	8,486,563
Long-term project grants	81,194,075	60,731,099	87,747,227	94,223,386	92,925,386	105,383,068	133,185,494	243,802,246	207,555,510	204,845,838
Total governmental activities prog. revenues	<u>161,709,999</u>	<u>143,130,149</u>	<u>175,490,038</u>	<u>192,042,900</u>	<u>201,038,712</u>	<u>219,237,623</u>	<u>258,799,977</u>	<u>357,007,888</u>	<u>320,226,397</u>	<u>319,341,784</u>

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

Schedule 2

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Business-type Activities:										
Clean Air Store/CNG fueling station	45,055	89,947	97,424	123,625	143,433	197,318	169,917	169,510	273,531	290,796
Total business-type activities prog. revenues	<u>45,055</u>	<u>89,947</u>	<u>97,424</u>	<u>123,625</u>	<u>143,433</u>	<u>197,318</u>	<u>169,917</u>	<u>169,510</u>	<u>273,531</u>	<u>290,796</u>
Total primary government prog. revenues	<u>\$ 161,755,054</u>	<u>\$ 143,220,096</u>	<u>\$ 175,587,462</u>	<u>\$ 192,166,525</u>	<u>\$ 201,182,145</u>	<u>\$ 219,434,941</u>	<u>\$ 258,969,894</u>	<u>\$ 357,177,398</u>	<u>\$ 320,499,928</u>	<u>\$ 319,632,580</u>
Net (Expense) Revenue										
Governmental activities	\$ (26,150,038)	\$ (27,692,702)	\$ 11,567,762	\$ 19,813,365	\$ 23,499,484	\$ 10,801,705	\$ 28,115,112	\$ 78,596,791	\$ 28,650,109	51,349,157
Business-type activities	<u>(36,858)</u>	<u>(63,536)</u>	<u>(68,373)</u>	<u>(78,816)</u>	<u>(82,171)</u>	<u>(20,730)</u>	<u>(40,203)</u>	3,953	123,113	154,991
Total primary govnt net (expenses) revenue	<u>\$ (26,186,896)</u>	<u>\$ (27,756,238)</u>	<u>\$ 11,499,389</u>	<u>\$ 19,734,549</u>	<u>\$ 23,417,313</u>	<u>\$ 10,780,975</u>	<u>\$ 28,074,909</u>	<u>\$ 78,600,744</u>	<u>\$ 28,773,222</u>	<u>\$ 51,504,148</u>
General Revenues and Other Changes in Net Assets										
Governmental Activities:										
Grants and subventions - restricted to non-spec. stationary source prog.	\$ 2,965,584	\$ 2,962,415	\$ 2,964,713	\$ 2,962,539	\$ 2,962,418	\$ 2,943,638	\$ 2,934,513	\$ 2,926,440	\$ 2,918,779	\$ 2,890,117
Mobile sources - restricted to non-spec. mobile source prog.	5,621,411	6,229,842	6,282,933	-	-	-	-	-	-	-
Interest	1,547,626	845,849	1,273,901	2,887,395	4,012,295	3,950,198	1,962,431	976,434	832,444	529,031
Lease revenue	348,743	372,707	338,961	364,326	365,559	366,924	379,440	371,104	-	-
Penalties/settlement	5,795,147	12,232,181	11,295,895	16,074,370	13,211,151	5,190,492	9,469,694	10,346,122	7,348,657	4,906,391
Subscriptions	46,565	36,301	29,512	19,214	22,315	11,378	15,519	10,363	7,760	6,095
Other	407,016	799,732	2,992,685	545,430	847,899	116,842	34,828	298,683	1,631,518	1,352,418
Transfers	<u>(608,476)</u>	<u>-</u>	<u>-</u>	<u>16,595</u>	<u>(9,703,906)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>16,123,616</u>	<u>23,479,027</u>	<u>25,178,600</u>	<u>22,869,869</u>	<u>11,717,731</u>	<u>12,579,472</u>	<u>14,796,424</u>	<u>14,929,145</u>	<u>12,739,158</u>	<u>9,684,052</u>
Business-type Activities										
Interest	-	1,112	-	-	-	-	-	-	-	-
Transfers	<u>608,476</u>	<u>-</u>	<u>-</u>	<u>(16,595)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>608,476</u>	<u>1,112</u>	<u>-</u>	<u>(16,595)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government revenue	<u>\$ 16,732,092</u>	<u>\$ 23,480,139</u>	<u>\$ 25,178,600</u>	<u>\$ 22,853,274</u>	<u>\$ (7,823,649)</u>	<u>\$ 12,579,472</u>	<u>\$ 14,796,424</u>	<u>\$ 14,929,145</u>	<u>\$ 12,739,158</u>	<u>\$ 9,684,052</u>
Change in Net Assets										
Governmental activities	\$ (10,026,422)	\$ (4,213,675)	\$ 36,746,362	\$ 42,683,233	\$ 35,217,215	\$ 23,381,177	\$ 42,911,536	\$ 93,525,936	\$ 41,389,267	\$ 61,033,209
Business-type activities	<u>571,618</u>	<u>(62,424)</u>	<u>(68,373)</u>	<u>(95,411)</u>	<u>(82,171)</u>	<u>(20,730)</u>	<u>(40,203)</u>	3,953	123,113	154,991
Total primary government	<u>\$ (9,454,804)</u>	<u>\$ (4,276,099)</u>	<u>\$ 36,677,989</u>	<u>\$ 42,587,822</u>	<u>\$ 35,135,044</u>	<u>\$ 23,360,447</u>	<u>\$ 42,871,333</u>	<u>\$ 93,529,889</u>	<u>\$ 41,512,380</u>	<u>\$ 61,188,200</u>

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

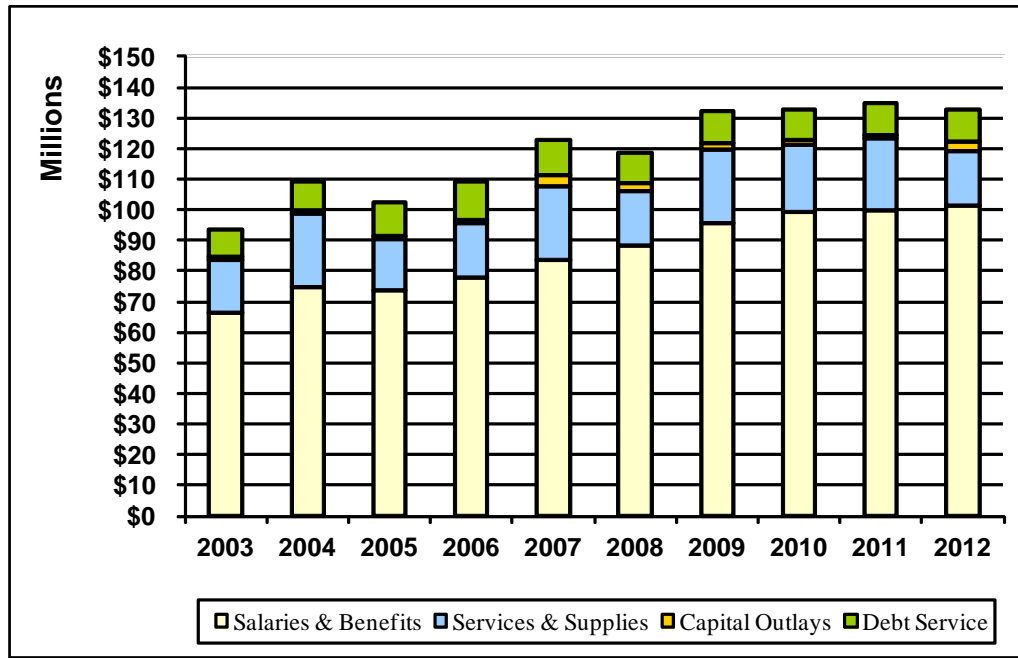
	2003	2004	2005	2006	2007	2008	2009	2010	2011*	2012
General Fund										
Reserved	\$ 7,616,882	\$ 7,732,923	\$ 4,778,503	\$ 4,841,814	\$ 6,892,073	\$ 7,369,361	\$ 7,318,433	\$ 7,575,462	\$ -	\$ -
Unreserved	37,177,128	33,709,091	45,023,178	56,475,321	37,287,900	46,073,449	56,309,536	52,814,783	-	-
Nonspendable	-	-	-	-	-	-	-	-	50,315	73,043
Committed	-	-	-	-	-	-	-	-	8,928,629	6,594,167
Assigned	-	-	-	-	-	-	-	-	17,763,384	15,390,753
Unassigned	-	-	-	-	-	-	-	-	25,858,045	24,689,814
Total general fund	\$ 44,794,010	\$ 41,442,014	\$ 49,801,681	\$ 61,317,135	\$ 44,179,973	\$ 53,442,810	\$ 63,627,969	\$ 60,390,245	\$ 52,600,373	\$ 46,747,777
All Other Governmental Funds										
Reserved for encumbrances	\$ 75,231,282	\$ 70,495,534	\$ 78,570,628	\$ 91,723,747	\$ 129,812,105	\$ 131,473,169	\$ 130,688,267	\$ 186,009,142	\$ -	\$ -
Reserved for debt service	-	-	-	-	19,541,377	17,381,723	-	-	-	-
Unreserved, reported in:										
Special revenue funds	122,728,691	125,236,025	145,382,341	162,143,706	150,942,757	160,202,854	203,673,852	237,563,798	-	-
Restricted	-	-	-	-	-	-	-	-	26,138,656	191,730,455
Committed	-	-	-	-	-	-	-	-	174,297,108	127,200,107
Assigned	-	-	-	-	-	-	-	-	272,132,633	210,588,937
Unassigned	-	-	-	-	-	-	-	-	(6,778,697)	(1,970,036)
Total all other governmental fund:	\$ 197,959,973	\$ 195,731,559	\$ 223,952,969	\$ 253,867,453	\$ 300,296,239	\$ 309,057,746	\$ 334,362,119	\$ 423,572,940	\$ 465,789,700	\$ 527,549,463

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

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

<u>Revenues:</u>	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Emission fees	\$ 20,118,430	\$ 19,497,850	\$ 19,434,549	\$ 33,582,422	\$ 21,771,497	\$ 23,100,073	\$ 24,826,356	\$ 19,663,671	\$ 21,371,061	\$ 19,714,882
Annual renewal fees	27,422,331	28,487,923	28,876,817	30,991,226	34,610,682	38,970,949	43,285,892	41,191,933	41,342,340	42,189,557
Area Sources	-	-	-	-	-	-	1,226,651	1,445,715	2,503,791	2,808,927
Permit processing fees	13,111,610	11,202,036	14,114,680	14,765,144	16,120,262	18,105,901	20,396,188	16,316,076	16,007,058	15,658,916
Mobile sources / Clean fuels	56,942,057	58,177,471	65,197,128	82,389,525	67,582,066	69,028,689	66,087,019	65,843,960	63,704,363	69,689,913
Emission reduction fees	13,054,700	375,000	-	-	-	-	-	-	-	-
Air Toxics "Hot Spots"	1,575,096	1,429,658	1,614,851	1,186,492	1,897,395	1,981,259	2,026,249	1,977,074	1,824,327	1,833,488
Transportation program	688,278	748,006	869,554	895,194	1,145,806	914,870	894,440	836,557	885,263	848,829
State subvention	4,394,639	4,021,970	4,024,268	4,022,094	4,021,970	4,003,263	3,994,067	3,986,029	3,978,200	3,949,672
Federal grant	6,005,869	8,443,715	6,988,187	5,876,040	8,067,682	7,828,903	12,544,767	13,620,752	15,543,549	27,508,859
State grant	6,666,447	10,425,742	11,253,989	6,514,346	25,340,534	39,677,362	74,017,124	165,001,635	87,403,616	128,099,308
Interest revenue	6,384,743	3,678,244	5,444,958	12,087,846	17,485,429	16,899,125	10,448,326	6,224,115	6,556,895	4,962,021
Lease revenue	348,743	372,707	338,961	364,326	365,559	366,924	379,440	371,104	380,431	281,284
Source test/analysis fees	382,502	342,909	321,526	401,487	528,653	491,080	579,607	486,075	636,822	759,784
Hearing Board fees	276,677	373,924	251,212	655,553	469,041	411,537	436,385	327,344	201,864	221,709
Penalties and settlements	5,795,147	12,232,181	36,295,895	16,074,370	13,281,151	5,190,492	9,469,694	11,346,122	7,348,657	6,006,391
Subscriptions	46,565	36,301	29,512	19,214	22,315	11,378	15,519	10,363	7,760	6,095
RECLAIM & executive order mitigation	626,187	601,086	772,526	842,214	4,919,852	-	-	-	-	-
Other revenues	14,602,070	6,162,453	6,945,716	4,228,680	4,830,452	4,835,290	2,968,677	23,288,416	63,269,554	4,486,199
Total revenues	178,442,091	166,609,176	202,774,329	214,896,173	222,460,346	231,817,095	273,596,401	371,936,941	332,965,551	329,025,834
<u>Expenditures:</u>										
Salaries and employee benefits	66,242,716	74,539,634	73,791,627	77,858,212	83,488,915	88,320,801	95,793,414	99,192,010	99,773,382	101,364,885
Insurance	1,031,651	1,110,014	1,044,518	1,193,345	1,265,932	1,255,842	1,228,273	1,024,939	1,039,020	882,871
Rent	725,320	709,158	783,674	776,438	472,023	486,487	524,712	535,733	589,248	532,089
Supplies	3,093,574	2,045,772	2,235,088	2,274,844	2,890,495	3,365,065	3,035,346	2,997,815	2,600,630	2,371,991
Contract and special services	99,410,200	74,643,873	73,961,781	72,936,559	75,431,666	99,753,587	114,897,344	160,153,501	171,344,881	145,316,505
Maintenance	942,576	1,011,913	995,624	1,120,620	1,101,589	1,814,293	1,423,541	1,152,411	1,273,060	1,183,238
Travel and auto	452,749	445,745	433,606	478,091	606,658	622,446	746,705	694,696	707,050	791,042
Utilities	1,663,243	1,463,778	1,414,156	1,680,754	1,685,742	1,599,055	1,713,817	1,483,855	1,495,435	1,342,945
Communications	524,011	553,238	491,337	463,665	489,779	493,285	560,274	598,674	598,958	587,930
Uncollectible accounts	121,849	374,712	210,871	(38,037)	4,788	649,425	683,945	753,072	891,794	953,792
Other expenditures	4,289,650	4,201,304	(815,944)	933,008	1,441,100	1,063,386	691,833	1,303,225	2,767,725	2,544,090
Capital outlay	1,393,713	2,135,572	1,010,373	1,130,264	2,749,059	1,388,559	3,670,377	2,835,795	2,170,102	2,051,740
Debt service:										
Principal	6,025,000	6,040,000	6,350,000	7,510,000	7,870,000	8,270,000	8,695,000	9,165,000	10,090,000	10,250,000
Interest	2,802,384	2,914,873	4,286,541	5,165,067	3,967,067	4,710,521	4,442,290	4,073,116	3,540,602	2,945,639
Total expenditures	188,718,636	172,189,586	166,193,252	173,482,830	183,464,813	213,792,752	238,106,871	285,963,843	298,881,886	273,118,666
Excess (deficiency) of revenues over (under) expenditures	(10,276,545)	(5,580,410)	36,581,077	41,413,343	38,995,533	18,024,343	35,489,530	85,973,097	34,083,665	55,907,168
<u>Other financing sources (uses):</u>										
Transfer in	7,398,853	14,700,000	291,950	105,095	4,387,758	23,973,905	25,907,899	4,362,357	17,056,936	8,670,107
Transfer out	(7,398,853)	(14,700,000)	(291,950)	(88,500)	(4,091,664)	(23,973,905)	(25,907,899)	(4,362,357)	(17,056,936)	(8,670,107)
Special and extraordinary	-	-	-	-	(10,000,000)	-	-	-	-	-
Total other financing sources (uses)	-	-	-	16,595	(9,703,906)	-	-	-	-	-
Net change in fund balances	\$ (10,276,545)	\$ (5,580,410)	\$ 36,581,077	\$ 41,429,938	\$ 29,291,627	\$ 18,024,343	\$ 35,489,530	\$ 85,973,097	\$ 34,083,665	\$ 55,907,168
Debt service as a percentage of noncapital expenditures	4.7%	5.3%	6.4%	7.4%	6.6%	6.1%	5.6%	4.7%	4.6%	4.9%

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



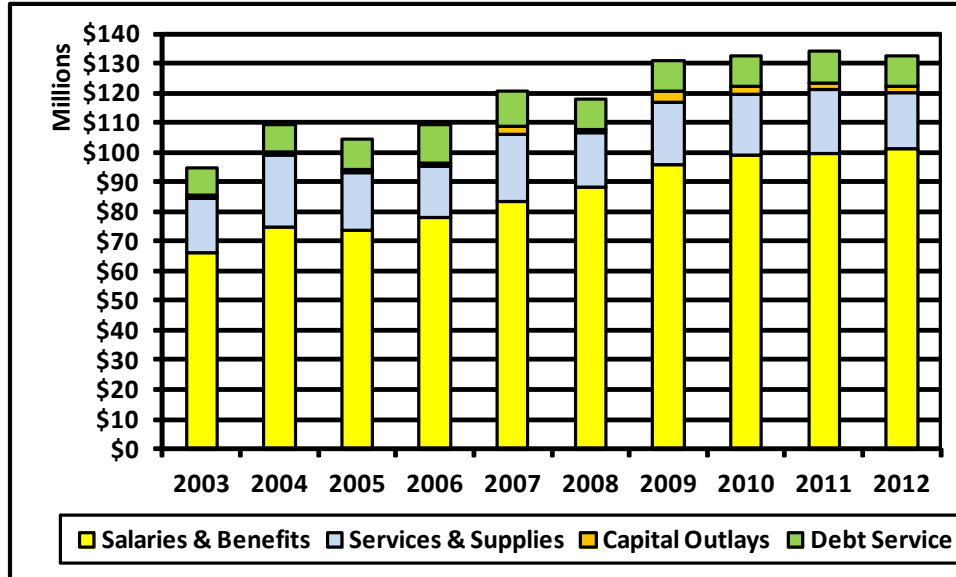
Year	Salaries & Benefits	Services & Supplies	Capital Outlays	Debt Service	Total Expenditures
2003	66,242,716	17,275,182	1,155,130	8,827,384	93,500,412
2004	74,539,634	24,273,579	1,266,240	8,954,873	109,034,326
2005	73,791,627	16,803,682	949,713	10,636,541	102,181,563
2006	77,858,212	17,719,906	1,100,222	12,675,067	109,353,407
2007	83,488,915	24,400,215	3,273,369	11,837,067	122,999,566
2008	88,320,801	17,937,120	2,579,407	9,980,521	118,817,849
2009	95,793,414	23,732,428	2,409,605	10,137,290	132,072,737
2010	99,192,009	21,806,505	1,592,415	10,238,116	132,829,044
2011	99,773,382	23,397,710	1,198,178	10,630,602	134,999,872
2012	101,364,885	17,799,716	3,261,876	10,195,639	132,622,116

See Notes Associated with Financial Charts page 106.

Source:

South Coast Air Quality Management District Audited Financial Statements

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



Year	Salaries & Benefits	Services & Supplies	Capital Outlays	Debt Service	Total Expenditures
2003	66,242,716	18,352,510	1,151,786	8,827,384	94,574,396
2004	74,539,634	24,245,021	1,490,545	8,954,873	109,230,073
2005	73,791,627	19,191,298	942,278	10,636,541	104,561,744
2006	77,858,212	17,564,242	1,076,407	12,675,067	109,173,928
2007	83,488,915	22,558,459	2,749,059	11,837,067	120,633,500
2008	88,320,801	17,992,898	1,388,559	9,980,521	117,682,779
2009	95,793,414	21,227,874	3,670,377	10,137,290	130,828,955
2010	99,192,009	20,335,515	2,835,795	10,238,116	132,601,435
2011	99,773,382	21,403,118	2,170,102	10,630,602	133,977,204
2012	101,364,885	18,706,143	2,051,740	10,195,639	132,318,407

See Notes Associated with Financial Charts page 106.

Source:
 South Coast Air Quality Management District Audited Financial Statements

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

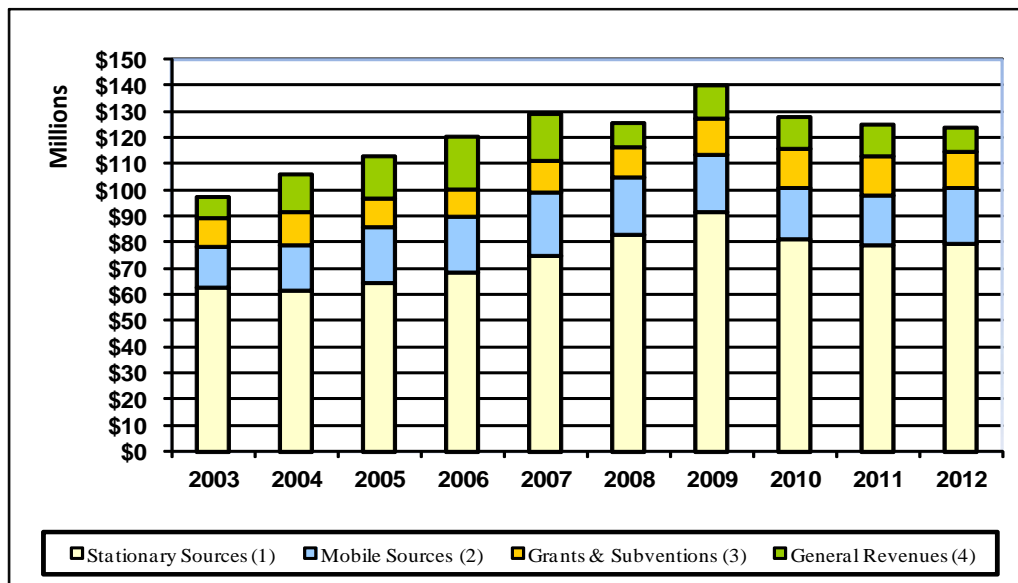
Fiscal Year	Governmental Activities		Total Primary Government	Percentage of Total Revenues (a)	Per Capita (b)
	Installment Sale Revenue Bonds	Pension Obligation Bonds			
2003	\$ 70,610	\$ 58,243	\$ 128,853	132.50%	8
2004	64,720	133,778	198,498	187.48%	12
2005	58,661	129,201	187,862	166.37%	11
2006	52,601	122,585	175,186	145.17%	10
2007	46,542	115,825	162,367	125.77%	9
2008	40,483	108,903	149,386	118.94%	9
2009	34,429	101,819	136,248	97.04%	8
2010	28,448	94,563	123,011	96.00%	7
2011	22,011	87,369	109,380	87.22%	6
2012	16,008	80,177	96,185	77.46%	6

The South Coast Air Quality Management District is a regional government and is not authorized to issue long-term debt (General Obligation Bonds). The Installment Sale Revenue Bonds were issued by the South Coast Air Quality Management District Building Corporation (a component unit), secured by annual lease payments from the South Coast Air Quality Management District. The Pension Obligation Bonds are refunding bonds of outstanding debt owed the San Bernardino County Employees' Retirement Association. The South Coast Air Quality Management District has no long-term debt limits.

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

(b) See Schedule 13 for population data.

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



Year	Stationary Sources (1)	Mobile Sources (2)	Grants & Subventions (3)	General Revenues (4)	Total Revenues
2003	62,835,710	15,866,701	10,400,508	8,145,097	97,248,016
2004	61,461,482	17,488,127	12,641,698	14,286,770	105,878,077
2005	64,613,635	21,311,536	11,065,286	15,930,954	112,921,411
2006	68,483,189	21,256,610	10,680,461	20,252,527	120,672,787
2007	75,200,253	23,966,240	11,909,248	18,017,839	129,093,580
2008	82,800,004	22,170,322	11,802,166	8,821,192	125,593,684
2009	91,472,243	22,166,119	13,679,151	13,093,394	140,410,907
2010	81,097,647	19,994,596	15,039,879	12,002,573	128,134,695
2011	78,787,371	19,109,043	15,189,462	12,324,164	125,410,040
2012	79,815,562	21,149,810	13,611,764	9,602,853	124,179,989

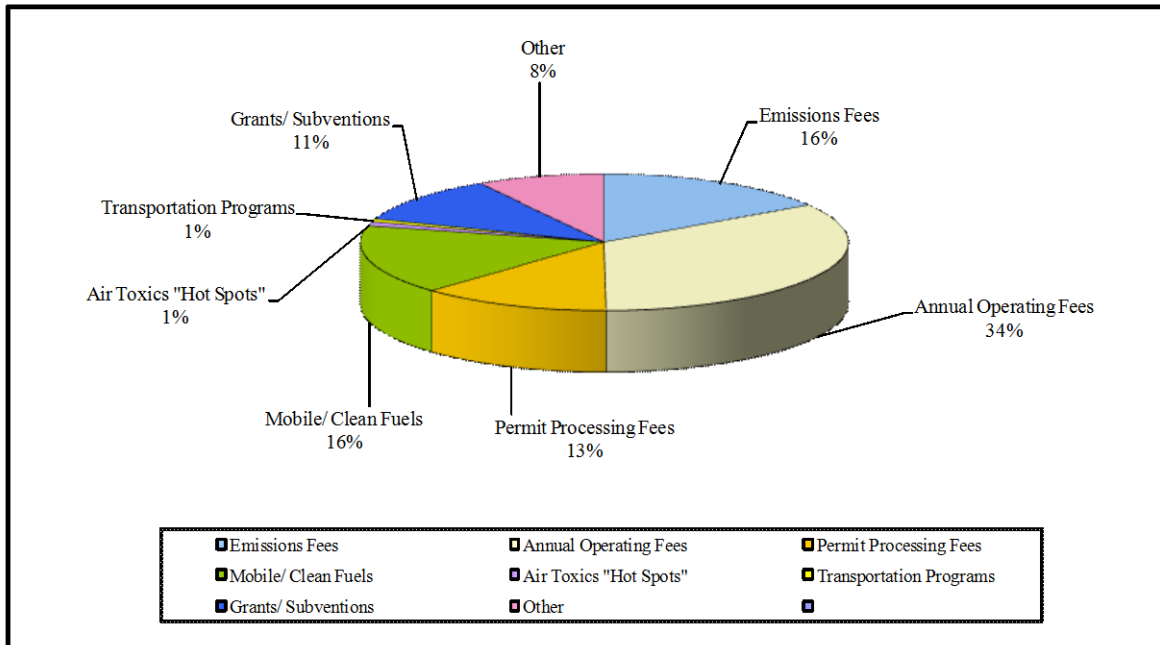
- (1) Includes Emissions, Annual Operating, Permit, Air Toxics "Hot Spots," Source Test/Analysis, and Hearing Board fees
- (2) Includes AB2766 Mobile Source, Clean Fuels, and Transportation Programs revenues
- (3) Includes State Subventions, State Grants and Federal Grants
- (4) Includes Area Sources, Penalties & Settlements, Interest, Lease Revenue, Other Revenue and Subscriptions

See Notes Associated with Financial Charts page 107.

Source:

South Coast Air Quality Management District Audited Financial Statements

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



Fee Source Revenue									
Year	Emissions Fees	Annual Operating Fees	Permit Processing Fees	Mobile/ Clean Fuels	Air Toxics "Hot Spots"	Transportation Programs	Grants/ Subventions	Other	Total
2003	20,118,430	27,422,331	13,111,610	15,178,423	1,524,160	688,278	10,400,508	8,804,276	97,248,016
2004	19,497,850	28,487,923	11,202,036	16,740,121	1,556,840	748,006	12,641,698	15,003,603	105,878,077
2005	19,434,549	28,876,817	14,114,680	20,441,982	1,614,851	869,554	11,065,286	16,503,692	112,921,411
2006	20,229,322	30,991,226	14,765,144	20,361,416	1,440,457	895,194	10,680,461	21,309,567	120,672,787
2007	21,771,497	34,610,682	16,120,262	22,820,434	1,700,118	1,145,806	11,909,248	19,015,533	129,093,580
2008	23,100,073	38,970,949	18,105,901	21,255,452	1,720,464	914,870	11,802,166	9,723,809	125,593,684
2009	24,826,356	43,285,892	20,396,188	21,271,679	1,947,813	894,440	13,679,151	14,109,387	140,410,906
2010	19,663,671	41,191,933	16,316,076	19,158,039	1,666,699	836,557	15,039,879	14,261,841	128,134,695
2011	19,246,061	41,342,340	16,007,058	18,223,780	1,353,226	885,263	15,189,462	13,162,850	125,410,040
2012	19,714,882	42,189,557	15,658,916	20,300,981	1,270,714	848,829	13,611,764	10,584,346	124,179,989

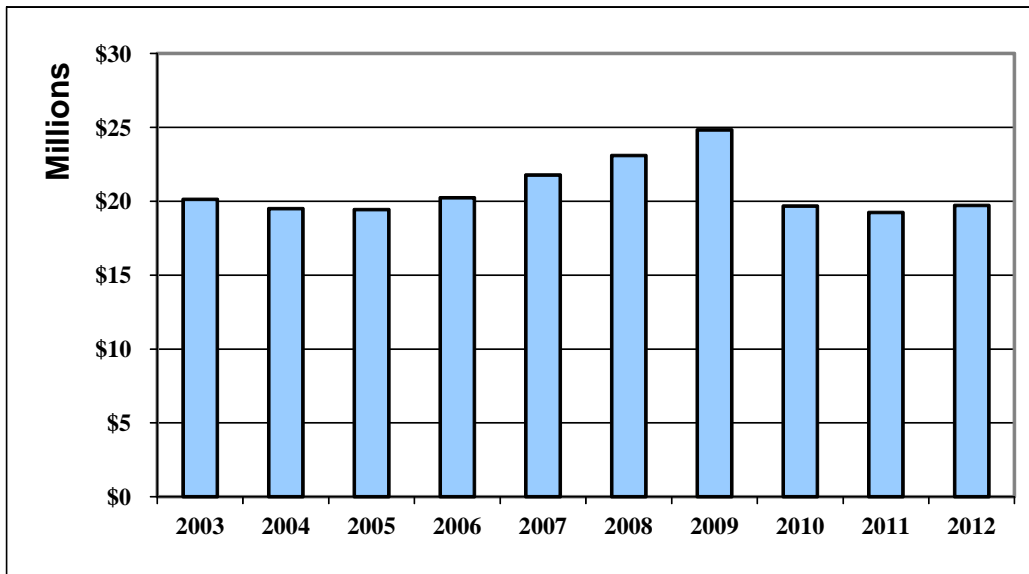
* Other includes Area Sources, Penalties and Settlements, Interest, Source Test/Analysis Fees, Lease Revenue, Hearing Board, Other Revenue and Subscriptions.

See Notes Associated with Financial Charts page 107.

Source:

South Coast Air Quality Management District Audited Financial Statements

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



Year	Emission Fees
2003	20,118,430
2004	19,497,850
2005	19,434,549
2006	20,229,322
2007	21,771,497
2008	23,100,073
2009	24,826,356
2010	19,663,671
2011	19,246,061
2012	19,714,882

See Notes Associated with Financial Charts page 108.

Source: South Coast Air Quality Management District Audited Financial Statements

Notes Associated with Financial Charts

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

- The decrease in 2012 expenditures is due to a significant reduction in Services and Supplies.
- The increase in 2011 expenditures from 2010 is mainly due to the increase in expenditures for Contract and Special Services.
- The increase in 2010 Salaries & Benefits expenditures from 2009 is mainly due to the hiring of vacant FTEs and rising retirement costs.
- The increase in 2009 expenditures from 2008 is mainly due to the hiring of vacant FTEs and rising retirement costs.
- The decrease in 2008 expenditures from the 2007 level is primarily due to a significant reduction in litigation costs.
- In 2007 the increase in Contract and Special Services of approximately \$5M is primarily due to expenditures related to railroad litigation.
- In 2007 the increase in Capitals Outlay of approximately \$2M is due mainly due to large purchases of air monitoring equipment.
- 2006 was the first year that both principal and interest expenditures were paid for 2004 Pension Obligation Bonds (POBs) issued late in FY 2003-04. (No principal was due for 2004 POBs in 2005).
- The increase in Salaries and Employee Benefits expenditures from 2005 to 2006 relates to labor contract adjustments implemented in 2006.
- Pension Obligation Bonds issued late in FY 2003-04 increased debt service expenditures in 2005.
- The increase in Services and Supplies between 2003 and 2004 relates to \$3M in litigation expense for enforcement and \$2M in one-time Federal pass-through funds for the Green Airport Initiative.
- The increase in Salaries and Benefits between 2003 and 2004 is due to rising retirement rates.

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

- The decrease in 2012 expenditures is due to a significant reduction in Services and Supplies.
- The increase in 2011 expenditures from 2010 is mainly due to the increase in Contract and Special Services.
- The increase in 2010 expenditures from 2009 is mainly due to the hiring of vacant FTEs and rising retirement costs. In addition, Capital Outlays expenditures decreased due to asset retirements.
- The increase in 2009 expenditures from 2008 is mainly due to the hiring of vacant FTEs and rising retirement costs. In addition, Capital Outlays expenditures increased due to payments on prior year encumbrances.
- The decrease in 2008 expenditures from the 2007 level is primarily due to a significant reduction in litigation costs.
- In 2007 the increase in Contract and Special Services of approximately \$4.5M is primarily due to expenditures related to railroad litigation.
- In 2007 the increase in Capital Outlay of approximately \$1.7M is due mainly due to large purchases of air monitoring equipment.
- 2006 was the first year that both principal and interest expenditures were paid for 2004 Pension Obligation Bonds (POBs) issued late in FY 2003-04. (No principal was due for 2004 POBs in 2005).
- The increase in Salaries and Employee Benefits expenditures from 2005 to 2006 relates to labor contract adjustments implemented in 2006.
- Pension Obligation Bonds issued late in FY 2003-04 increased debt service expenditures in 2005.
- The increase in Services and Supplies between 2003 and 2004 relates to \$3M in litigation expense for enforcement and \$2M in one-time Federal pass-through funds for the Green Airport Initiative.

- The increase in Salaries and Benefits between 2003 and 2004 is due to rising retirement rates.
- In 2012, there was significant decrease in Services & Supplies.

Schedule 8 - Revenues by Major Source (General Fund)

- The decrease in 2012 revenue is due to the decrease in Penalties & Settlements in General Revenues, and the reduction in Grants & Subventions.
- In 2011 the decrease in the Stationary Sources and Mobile Sources revenues are mainly due to the decrease in all the fee source revenues.
- The decrease in 2010 revenue is attributable to the economic downturn and declining emissions; however, the overall decline is mitigated by several large, unanticipated one time penalties/settlements.
- The increase in 2009 General Revenue reflects the fact that the number and magnitude of penalties and settlements can vary from year to year.
- The decrease in 2008 revenue from 2007 is mainly due to declining Penalties and Settlements revenues offset by a 10% increase in Emissions Fees, Annual Operating Fees, and Permit Processing Fees.
- The increase in the Stationary Sources type revenue is primarily due to a 10% increase in annual operating permit renewal fee in 2007. In addition, RECLAIM device-based annual renewal fees were billed in 2007 for the first time.
- Although AQMD collected approximately \$13 million in Penalties and Settlements in 2007 this was less compared to approximately \$16 million collected in 2006 hence the decrease in General Revenue in 2007.
- The increase in Stationary Sources Revenue in 2006 relates to the fee increase for Annual Operating Fees that took effect on July 1, 2005.
- General revenues increased in 2006 because the South Coast AQMD received several one-time large penalties/settlements from facilities that were found to be not in compliance with SCAQMD rules and regulations.
- Mobile Sources revenue increased in 2005 due to reimbursements for Clean Fuels projects and an increase in the number of registered vehicles.
- The increase in Stationary Source revenue in 2005 relates to a permit processing fee increase, additional expedited permit processing fees, and an increase in permit processing fee adjustments over the prior year.
- The increase in General Revenues in 2004 relates to a substantial penalty settlement.
- The increase in 2001 and 2002 Grants and Subventions revenue relates to supplemental compliance grants and the increase in 2004 is associated with one-time Federal pass-through funds for the Green Airport Initiative.
- The decrease in General Revenues in 2012 is due to the significant decrease in Penalties and settlements.

Schedule 9 - Revenues by Fee Source (General Fund)

- The decrease in 2012 revenue is due to the decrease in Penalties & Settlements in General Revenues, and the reduction in Grants & Subventions.
- The decrease in 2011 revenue from 2010 is mainly due to the decreases in Mobile Source revenue and Penalties and Settlements revenue.
- In 2010, all fee source revenues declined. The increase in Grants/Subventions revenue is attributable to a full year of administrative cost reimbursement for Prop 1B.
- In 2009, Annual Operating Fees and Permit Fees increased by 10% in 2009.
- The decrease in 2008 revenue from 2007 is mainly due to declining Penalties and Settlements revenues offset by a 10% increase in Emissions Fees, Annual Operating Fees, and Permit Processing Fees.
- The increase in Annual Operating Fees is primarily due to a 10% increase in the annual operating permit renewal fee in 2007. In addition, RECLAIM device-based annual renewal fees were billed in 2007 for the first time.

- Other revenues increased in 2006 because the South Coast AQMD received several one-time large penalties/settlements from facilities that were found to be not in compliance with SCAQMD rules and regulations.
- Annual Operating Fees increased in 2006 due to the fee increase that took effect on July 1, 2005.
- Mobile Sources revenue increased in 2005 due to reimbursements for Clean Fuels projects and an increase in the number of registered vehicles.
- The increase in Stationary Source revenue in 2005 relates to a permit processing fee increase, additional expedited permit processing fees, and an increase in permit processing fee adjustments over the prior year.
- The increase in Other Revenues in 2004 relates to a substantial penalty settlement.
- Other Revenues decreases significantly due to the decrease in penalty settlement.

Schedule 10 – Emission Fee Revenues

- In 2010, Emission Fees decreased as a result of reduced emissions at major refineries and large facilities.
- The 2009 Emission Fees increased due to a 10% fee increase; offset by continued declining emissions.
- There was an increase in Emission Fees revenue in 2008 related to a 10% fee increase. However, the impact on the revenue is lower than the 10% due to a general decline in emissions.
- The trend shows a continued reduction in emission fee revenues due to lower emissions as a result of additional emission controls placed on the Basin's emitters.
- There was an increase in Emission Fees in 2007 due to a 10% increase in rate. However, the impact on the revenue is less due to a general decrease in emissions.
- The small increase in 2006 is due to a fee increase that was effective July 1, 2005.
- The increase in emission fee revenues in fiscal years 2000-2002 relates to additional emission fee payments associated with the generation of increased emissions during the California energy crisis.

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

Payer	FY 2011-2012			FY 2001-2002		
	Payment	Rank	% of Total Emission Fee	Payment	Rank	% of Total Emission Fee
Exxon Mobil Corporation (Formerly Mobil Oil Corporation)	\$2,110,875	1	10.7%	\$1,053,788	5	4.5%
BP West Coast Products (Formerly ARCO Products)*	1,853,358	2	9.4%	1,955,795	2	8.3%
Chevron Products	1,625,567	3	8.2%	2,199,372	1	9.3%
Tesoro Refining and Marketing (Formerly Equilon)	1,121,673	4	5.7%	1,501,756	3	6.4%
Conoco Phillips Company/Colton Terminal (Formerly Tosco Refining Co)*	860,680	5	4.4%	945,188	6	4.0%
Ultramar Incorporated	587,544	6	3.0%	850,019	7	3.6%
Conoco Phillips Company (Formerly Tosco Refining Co)*	567,876	7	2.9%	697,074	9	3.0%
BP West Coast Products (Formerly ARCO CQC Kiln)*	334,135	8	1.7%	339,072	15	1.4%
Rhodia Incorporated	247,770	9	1.3%			
City of Long Beach, SERRF Project	234,059	10	1.2%			
LA County Sanitation District	206,516	11	1.0%			
Anheuser-Busch Incorporated	197,163	12	1.0%			
Dart Container Corp of California	158,355	13	0.8%			
Mountainview Generating Station	155,326	14	0.8%			
Desert View Power (formerly Colmac Energy)	150,690	15	0.8%			
Equilon Enterprises, LLC, Shell Oil Products US	116,161	16	0.6%			
LA City, DWP Hayes Generating Station	105,093	17	0.5%	374,442	13	1.6%
Inland Empire Energy Center, LLC	95,822	18	0.5%			
MillerCoors LLC	95,567	19	0.5%			
LA City, DWP Scattergood Generating	87,901	20	0.4%			
AES Alamos LLC				1,113,904	4	4.7%
Reliant Energy Etiwanda, LLC				728,507	8	3.1%
California Portland Cement Company				492,539	11	2.1%
El Segundo Power, LLC				470,851	12	2.0%
AES Redondo Beach, LLC				528,436	10	2.2%
AES Huntington Beach, LLC				353,837	14	1.5%
Long Beach Generation, LLC				295,767	16	1.3%
Southern California Edison Company				261,602	17	1.1%
TABC, Inc.				247,418	18	1.1%
Grayson Power Plant				236,788	19	1.0%
Tomkins Industries - Lasco Products Group				222,319	20	1.0%
Total Paid by Largest Payers at a Single Location	<u>\$ 10,912,131</u>		55.3%	<u>\$ 14,868,474</u>		63.2%
Total Emissions Based Fees Paid by All Emitters	<u>\$ 19,714,883</u>			<u>\$ 23,542,903</u>		

*Located at separate sites.

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

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

Measuring 4,084 square miles, *Los Angeles County* is one of the nation's largest counties. It is the most populated county in the state of California and contains the most populated city in the state, the City of Los Angeles. Before World War II, Los Angeles County was one of the nation's foremost agricultural producers. As agricultural production declined, the economy has evolved into diverse areas that include trade, transportation, and utilities, government, educational and health services, professional and business services, and manufacturing. Tourism and entertainment as well as international trade also play a vital role in the county's economy. The county is home to the twin seaports of Los Angeles and Long Beach, together the nation's largest, as well as the single largest fixed source of air pollution in the region. The two ports are responsible for more smog-forming nitrogen oxide emissions than 6 million cars.

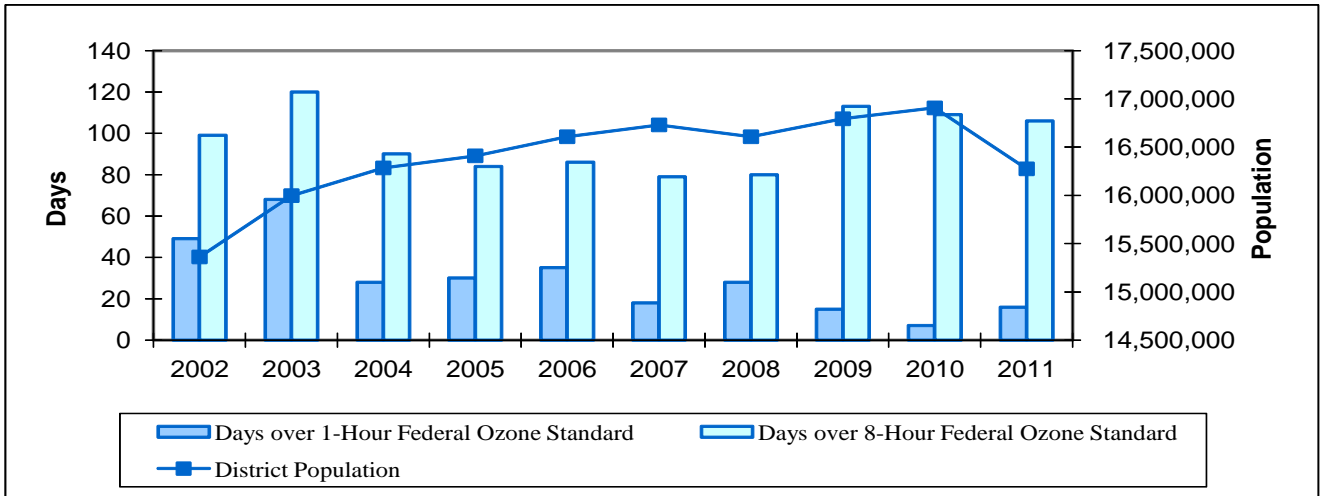
Orange County is the second most populated county in the state and lies south of Los Angeles County. When created in 1889, Orange County was named for its abundance of orange groves and thriving agricultural industry. Today, the largest industry employers are trade, transportation, and utilities, professional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

The varied topography of *Riverside County* is characterized by fertile river valleys to rolling plains and foothills to deserts below sea level and mountain peaks above 10,000 feet. Recent years have brought dramatic population growth to Riverside County. The population of Riverside County did not see a significant increase in population from fiscal year 2011 to fiscal year 2012. The county's early years were linked to the agriculture industry, but commerce, construction, manufacturing, transportation, and tourism have contributed to the county's substantial growth. The County is also a major distribution center for Southern California and the Pacific Rim.

Roughly 90 percent of *San Bernardino County* is desert and the remaining portion consists of the San Bernardino Valley and San Bernardino Mountains. San Bernardino County and Riverside County are collectively known as the Inland Empire. San Bernardino ranks as the fourth-highest populated county in California and is projected to be home to more than 2.5 million residents by 2020, an increase of 18% over current figures. The economy is led by services, government, retail trade, and manufacturing industries. Additionally, the county consistently ranks in the top fifteen agricultural-producing counties in the state.

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

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



Year	Days over 1-Hour Federal Ozone Standard	Days over 8-Hour Federal Ozone Standard	District Population
2002	49	99	15,362,284
2003	68	120	15,997,078
2004	28	90	16,284,400
2005	30	84	16,409,969
2006	35	86	16,607,472
2007	18	79	16,730,092
2008	28	80	16,607,472
2009	15	113	16,793,784
2010	7	109	16,906,456
2011	16	106	16,274,797

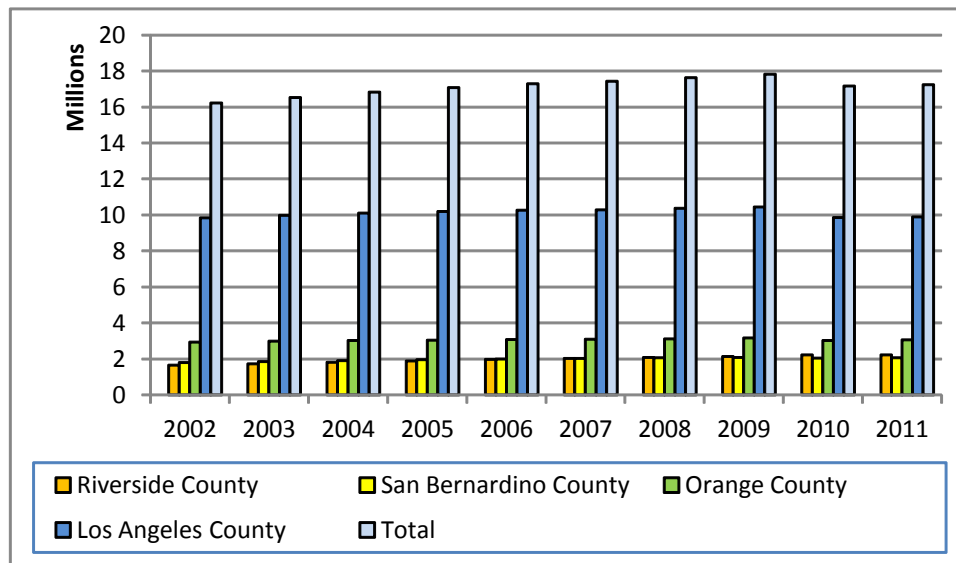
Notes:

- The average number of days in the Basin exceeding the federal standard over the three-year period of 1999-01 decreased by 80% for ozone and by 97% for carbon monoxide from the 1976-78 period.
- The average number of days in the Basin exceeding the federal PM10 standard decreased by 86% between the 1985-87 and 1999-01 periods.
- Favorable weather conditions and continued implementation of the air pollution control strategy contributed to the significant decrease in Days over the 1-Hour Ozone Standard in 2004 and 2005.
- In 2005, the federal government implemented the 8-hour ozone National Ambient Air Quality Standard.

Source:

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

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

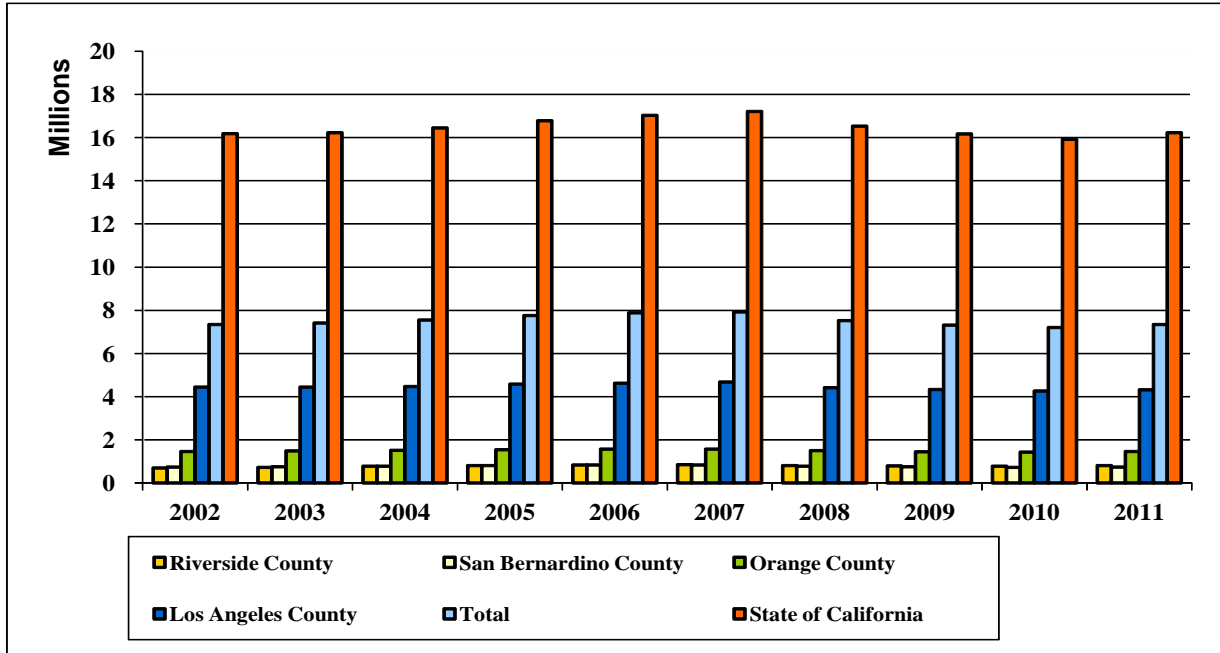


Year	Riverside County	San Bernardino County	Orange County	Los Angeles County	Total	% Increase
2002	1,653,500	1,793,300	2,941,100	9,829,700	16,217,600	2.05%
2003	1,725,900	1,842,300	2,984,300	9,980,200	16,532,700	1.94%
2004	1,805,500	1,896,200	3,021,600	10,101,500	16,824,800	1.77%
2005	1,885,600	1,948,500	3,050,400	10,191,100	17,075,600	1.49%
2006	1,966,600	1,994,000	3,071,900	10,258,000	17,290,500	1.26%
2007	2,034,840	2,026,325	3,089,707	10,275,914	17,426,786	0.79%
2008	2,088,322	2,055,766	3,121,251	10,363,850	17,629,189	1.16%
2009	2,139,535	2,073,149	3,166,461	10,441,080	17,820,225	1.08%
2010	2,217,778	2,052,397	3,029,859	9,858,989	17,159,023	-3.71%
2011	2,227,577	2,063,919	3,055,792	9,884,632	17,231,920	0.42%

AQMD encompasses all of Orange County and parts of the Los Angeles, Riverside, and San Bernardino Counties, representing over 17.2 million residents.

Source:
 California Department of Finance - Demographic Research Unit

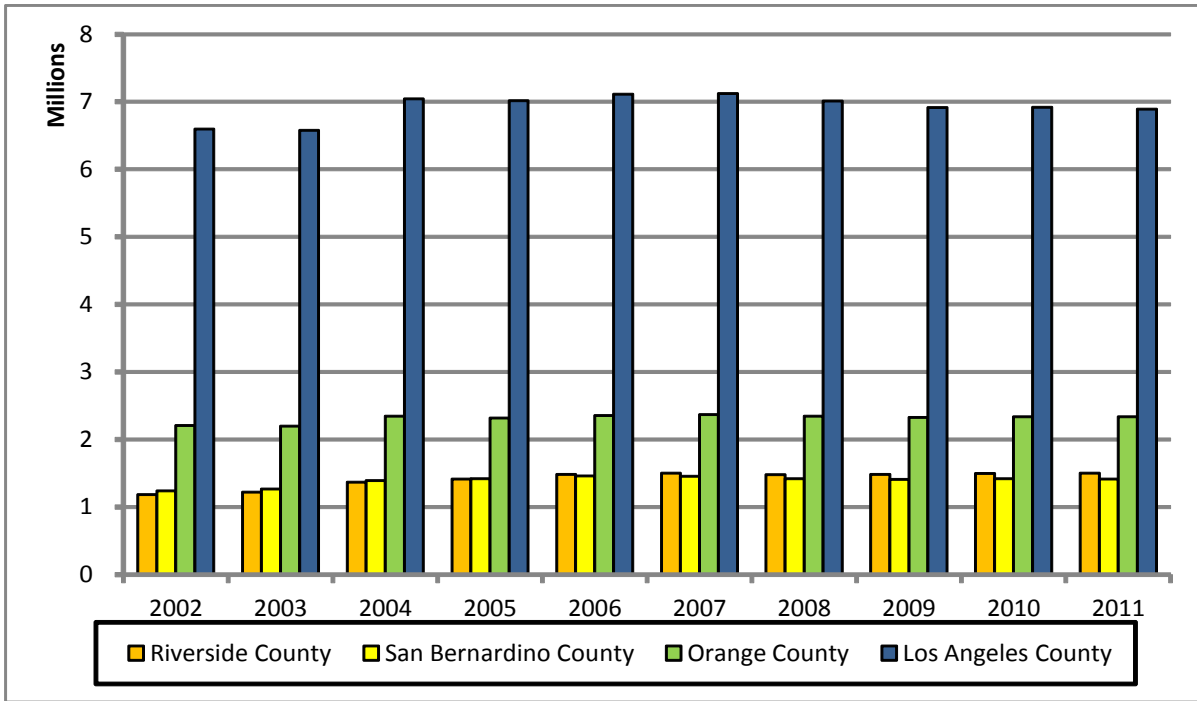
SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
 Schedule 14
 Los Angeles, Orange, Riverside, San Bernardino
 Counties, and State of California Civilian Employment
 Last Ten Calendar Years



Year	San				Total	State of California
	Riverside County	Bernardino County	Orange County	Los Angeles County		
2002	701,800	743,200	1,456,500	4,447,100	7,348,600	16,180,800
2003	731,500	758,300	1,484,200	4,440,800	7,414,800	16,227,000
2004	775,900	788,700	1,516,400	4,477,900	7,558,900	16,444,500
2005	816,500	816,800	1,544,800	4,581,100	7,759,200	16,782,300
2006	842,000	842,300	1,568,300	4,631,600	7,884,200	17,029,300
2007	853,800	835,100	1,568,800	4,675,300	7,933,000	17,208,900
2008	813,800	781,400	1,507,300	4,422,900	7,525,400	16,531,700
2009	790,000	751,600	1,451,000	4,328,600	7,321,200	16,163,900
2010	779,500	733,800	1,429,700	4,262,300	7,205,300	15,916,300
2011	810,600	747,100	1,464,400	4,318,900	7,341,000	16,226,600

Source:
 State of California: Employment Development Department

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



Year	Riverside County	San Bernardino County	Orange County	Los Angeles County	Total District
2002	1,182,492	1,238,451	2,207,172	6,595,178	11,223,293
2003	1,221,720	1,266,233	2,196,060	6,578,648	11,262,661
2004	1,365,087	1,391,982	2,346,741	7,044,975	12,148,785
2005	1,411,893	1,417,323	2,317,229	7,014,718	12,161,163
2006	1,482,716	1,458,344	2,352,832	7,111,211	12,405,103
2007	1,498,957	1,453,252	2,367,673	7,121,385	12,441,267
2008	1,476,725	1,418,934	2,345,325	7,012,263	12,253,247
2009	1,480,616	1,410,411	2,327,428	6,913,586	12,132,041
2010	1,497,595	1,417,354	2,337,837	6,920,671	12,173,457
2011	1,502,571	1,412,652	2,336,315	6,892,687	12,144,225

* AQMD encompasses all of Orange County, and parts of Los Angeles, Riverside, and San Bernardino Counties.

Source:

California Department of Motor Vehicles - Estimated Fee Paid Vehicle Registrations by County

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
FUNCTION:										
Executive Office	8	11	11	11	10	10	9	10	10	10
Clerk of the Boards	5	6	6	6	6	6	5	6	6	6
District Counsel	11	10	10	10	10	11	13	13	12	11
District Prosecutor	23	23	22	21	20	19	19	19	20	21
Finance	46	44	45	43	43	44	44	45	43	42
Administrative & Human Resources	37	34	34	34	35	36	37	36	34	32
Information Management	48	47	45	45	48	50	49	48	49	48
Planning, Rule Development & Area Sources	116	116	110	108	109	102	108	105	103	96
Legislative and Public Affairs	42	36	34	36	35	37	42	42	40	39
Science & Technology	141	136	132	136	145	151	160	156	146	143
Engineering & Compliance	295	289	284	293	289	304	310	299	300	286
Total	<u>772</u>	<u>752</u>	<u>733</u>	<u>743</u>	<u>750</u>	<u>770</u>	<u>796</u>	<u>779</u>	<u>763</u>	<u>734</u>

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

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

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Program Category									
Advance Clean Air Technology									
Contracts awarded	211	263	180	304	295	292	530	526	556
Total Funding awarded	\$ 36,644,126	\$ 54,723,323	\$ 79,893,504	\$ 133,603,750	\$ 91,309,725	\$ 89,421,125	\$ 180,669,515	\$ 131,399,287	\$ 82,536,619
Ensure Compliance with Clean Air Rules									
Inspections	48,898	45,702	35,161	35,039	33,742	40,558	33,735	33,560	34,191
Notices of Violations	2,408	2,412	1,759	1,407	1,321	1,908	1,530	1,254	1,211
Hearing Board Orders for Abatement	58	81	61	49	30	36	35	47	93
Hearing Board Appeals	18	23	12	12	22	19	20	2	7
Customer Service									
Public Information Requests	5,555	5,477	4,956	4,651	3,528	4,962	3,821	3,410	3,543
Community/Public Meetings attended	53	92	118	182	145	198	202	190	274
Small Business Assistance Contacts	3,979	3,641	1,812	2,289	2,680	2,662	2,578	2,497	2,574
Develop Programs to Achieve Clean Air									
Transportation Plans processed	1,316	1,402	1,426	1,502	1,534	1,412	1,372	1,385	1,392
Emission Inventory Updates	126	359	229	284	439	586	703	521	530
Develop Rules to Achieve Clean Air									
Rules Developed	38	59	35	24	29	32	15	40	8
Monitoring Air Quality									
Samples Analyzed by the Laboratory	26,618	34,174	37,889	14,683	31,530	25,400	29,685	28,915	29,520
Source Testing Analyses/Evaluations/Reviews	752	706	598	830	794	718	740	1,030	952
Timely Review of Permits									
Applications Processed	10,406	11,459	9,747	9,481	9,599	11,564	9,627	13,044	12,225
Applications Received-Small Business	-	-	-	-	-	627	694	798	732
Applications Received-All Others	10,431	10,996	9,222	8,261	9,297	10,954	10,941	10,769	11,682
Policy Support									
News releases	41	34	48	44	51	76	69	64	57
Media Calls	1,300	1,400	n/a	643	684	334	313	252	520
Media Inquiries Completed	n/a	n/a	268	604	684	334	313	252	520

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>Function/Program</u>					
Ensure Compliance with Clean Air Rules					
Number of vehicles assigned to field inspection	120	135	125	127	121
Monitoring Air Quality					
Number of air monitoring stations	35	37	43	43	42
Number of air monitoring instruments installed in the air monitoring stations to measure air quality	259	267	283	283	249

South Coast Air Quality Management District

Demographic and Miscellaneous Statistics

<u>Established:</u>	February 1, 1977
<u>Area Covered:</u>	10,743 Square Miles
<u>Counties Included in District:</u>	All of Orange County and parts of Los Angeles, Riverside, and San Bernardino Counties
<u>Population:</u>	16,274,797 (In 2011)
<u>Average Unemployment Rate:</u>	Los Angeles County (12.3%), Orange (8.7%), Riverside (13.6%), and San Bernardino (13.2%) counties (In 2011)
<u>Transportation:</u>	Two transcontinental railroads – Burlington Northern Santa Fe and the Union Pacific Six Commercial Airports – Los Angeles International, Burbank, Long Beach, Ontario International, Orange County, and Palm Springs Freeways – Three major interstate freeways including four bypass routes, U.S. 101, and nine State freeway routes Two major adjoining ports – Port of Long Beach and Port of Los Angeles
<u>Visitor Destinations:</u>	Disneyland, Knott’s Berry Farm, Magic Mountain, motion picture and television studios and the Rose Bowl
<u>Number of Registered Vehicles Within AQMD Jurisdiction:</u>	12,144,225 (In 2011)
<u>Average Daily Miles Traveled Per Vehicle:</u>	31 (CY 2011 data)
<u>Examples of Stationary Sources of Air Pollution Regulated:</u>	Oil Refineries, power plants, paint spray booths, incinerators, manufacturing facilities, dry cleaners, and service stations.
<u>Number of Sources:</u>	27,506 operating locations with 75,403 permits.
<u>Number of Air Monitoring Stations:</u>	42
<u>Full-time Authorized Positions:</u>	798
<u>Adopted FY 2012-13 Budget:</u>	\$133,446,200
<u>Key Federal, State, and Local Air Agencies:</u>	EPA Region IX (Environmental Protection Agency), CARB (California Air Resources Board), CAPCOA (California Air Pollution Control Officer’s Association), NACAA (National Association of Clean Air Agencies), ALAPCO (Association of Local Air Pollution Control Officials). There are 35 local air pollution control districts in California.

Key Historical Dates in Southland Smog Control

- **1945** City of Los Angeles establishes Bureau of Smoke Control.
- **1947** Governor Earl Warren signs AB 1, allowing county air pollution control districts (APCD). L.A. County establishes APCD requiring permits for all major industries.
- **1950** Orange County APCD established.
- **1955** Highest ozone level ever recorded in Southland - .68 parts per million.
- **1955** Los Angeles APCD launches Smog Emergency Warning System.
- **1956** Los Angeles establishes first air quality monitoring network of 15 stations.
- **1957** San Bernardino and Riverside County APCDs formed.
- **1963** First Federal Clean Air Act enacted.
- **1967** California Air Resources Board (CARB) created. Federal Air Quality Act allows California to set and enforce more stringent auto standards than the rest of the nation.
- **1969** First state ambient air quality standards enacted.
- **1970** U.S. Environmental Protection Agency created. In 1970 the Federal Clean Air Act becomes a cornerstone of modern air pollution control.
- **1977 South Coast Air Quality Management District formed through merger of Los Angeles, Orange, Riverside, and San Bernardino APCDs.**
- **1984** California's Smog Check program takes effect.
- **1987** AQMD establishes ridesharing requirements for region's employers.
- **1988** California Clean Air Act adopted. Last Stage 2 episode recorded.
- **1989** AQMD adopts first Air Quality Management Plan (AQMP) to show attainment of clean air standards.
- **1990** Federal Clean Air Act Amendments require new programs for smog, toxics and protection of the Earth's ozone layer.
- **1993** RECLAIM (REgional CLean Air Incentives Market) emissions trading program adopted.
- **1997** AQMD adopts Environmental Justice Initiatives.
- **2000** AQMD adopts Air Toxics Control Plan and first series of Clean Fleet Rules.
- **2001** AQMD implements the State's Lower Emission School Bus Program.
- **2002** AQMD adopts phase-out of toxic chemical at dry cleaners.
- **2005** The Southland achieves federal carbon monoxide standards.
- **2006** AQMD approves \$36M to clean up port pollution.
- **2007** The Southland experiences one of the cleanest smog seasons on record.
- **2008** AQMD website added an interactive map, providing advisories as well as current air quality data and forecasts, widely accessed by schools, media, cities, businesses and individuals.
- **2009** Release of the nation's first fully featured Smartphone application for a wide range of air quality information. Real-time communications technology allows AQMD to keep its constituents updated with the latest air quality information and access to a variety of tools.
- **2011** AQMD Premiered its first signature documentary film "The Right to Breathe," filled with compelling stories from individuals affected by air pollution. The film is being widely distributed throughout Southern California and is airing weekly for one year on KLSC-TV.



SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

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