

**BUTTE COUNTY AIR QUALITY  
MANAGEMENT DISTRICT,  
CALIFORNIA**

**FINANCIAL STATEMENTS  
TOGETHER WITH  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED  
JUNE 30, 2020**

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**BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT**  
**Annual Financial Report**  
**For the Year Ended June 30, 2020**

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## **INTRODUCTORY SECTION**

- **List of Officials**

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**BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT**

**List of Officials**

**For the Year Ended June 30, 2020**

**Board of Directors**

Bill Connelly	County of Butte
Debra Lucero	County of Butte
Tami Ritter	County of Butte
Steve Lambert	County of Butte
Doug Teeter	County of Butte
Angela Thompson	City of Biggs
Ann Schwab	City of Chico
Quinte Crye	City of Gridley
Chuck Reynolds	City of Oroville
Jody Jones	Town of Paradise

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## **FINANCIAL SECTION**

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

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Butte County Air Quality Management District  
Chico, California

**Report on the Financial Statements**

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

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

To the Board of Directors  
Butte County Air Quality Management District  
Chico, California

## **Opinions**

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

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

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

The introductory section has 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 it.

## **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated June 14, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.



Smith & Newell CPAs  
Yuba City, California  
June 14, 2021

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**Management's Discussion and Analysis  
(Unaudited)**

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**BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2020**

The Butte County Air Quality Management District (District) was created in 1967 by the California State Legislature through the “Mulford-Carrell Air Resources Act”, which provided local air districts with the primary responsibility for the control of non-vehicular sources of air pollution. The District’s Governing Board of Directors consists of ten members: the five members of the Butte County Board of Supervisors and five representatives appointed by each of the cities. The District is a special district, operating separate and apart from Butte County.

The District’s mission is to protect the people and environment of Butte County from the harmful effects of air pollution. The District is committed to achieving and maintaining healthful air quality throughout Butte County. This is accomplished through a comprehensive program of planning, regulation, enforcement, technical innovation, incentives to promote the reduction of air pollution, and promotion of the understanding of air quality issues.

As management of the District, we offer readers of our financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2020.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District’s basic financial statements. The District’s basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the District’s finances, in a manner similar to a private sector business.

The *statement of net position* presents information on all the District’s assets and liabilities, with the difference between the two reported as *net position*.

The *statement of activities* presents information showing how the District’s net position changed during the most recent fiscal year (FY). All changes in net position 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 the statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave). The government-wide financial statements can be found on pages 8 and 9 of this report.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund financial statements report essentially the same functions as those reported in the government-wide financial statements. However, unlike the government-wide financial statements, fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the FY.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate the comparison between the governmental fund and government-wide statements. The fund financial statements can be found on pages 10 to 13 of this report.

**BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2020**

**Notes to the Basic Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 14 to 34 of this report.

**Government-Wide Financial Analysis**

The District presents its financial statements under the reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), *Basic Financial Statements—and Management's Discussion and Analysis (MD&A)—for State and Local Governments*. A comparative analysis of government-wide data is included with the prior FY.

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceed liabilities by \$1,900,555 at the close of the most recent FY due to GASB 68 reporting requirements. The most significant portion of the District's assets is the *Cash and Investment* account in the amount of \$4,524,609. This account represents cash in the District's bank accounts, including Carl Moyer funds, other grant funds and reserves.

Another major District asset is accounts receivable with a total of \$614,645. This account represents primarily amounts due from the State but not received by June 30, 2020.

The District also reports accounts payable of \$1,055,521. With the majority representing grants that had not been expended at year-end.

The District's net position increased overall to \$1,900,555 during the current FY, compared to the prior year (\$265,800) and is explained further in the Financial Analysis of the District's Governmental Fund, which follows. This increase and the most significant variance are due to an increase of grant funding.

Comparing the original FY 19/20 budget to the final budget shows the most significant variance in *Intergovernmental (grant)* revenue and *Contributions to other Agencies (grant)* expenses. Most of these funds are pass-through grants and were approved and restricted in fund balance for FY 18/19. However, the FY 19/20 audit found that this approach creates an excess of yearly expenditures over appropriations. In the future administration will seek Board re-appropriation for all expenditures (grants, and other expenses) not expended in the same year as appropriated. See the Budgetary Comparison Schedule on page 41 for detail.

**BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2020**

**Condensed Statement of Net Position**

	2020	2019
<b>Assets:</b>		
Current assets	\$ 5,265,432	\$ 2,054,689
Non-current assets:		
Lease Deposit	4,100	4,100
Capital assets, net	16,696	20,870
Total Assets	5,286,228	2,079,659
<b>Deferred Outflows of Resources:</b>		
Deferred outflows related to pension and OPEB	420,512	363,702
<b>Liabilities:</b>		
Current liabilities	1,795,397	968,720
Non-current liabilities:		
Due within one year	58,257	38,937
Due in more than one year	1,808,390	1,608,915
Total Liabilities	3,662,044	2,616,572
<b>Deferred Outflows of Resources:</b>		
Deferred inflows related to pension and OPEB	144,141	92,589
<b>Net Position:</b>		
Investment in capital assets	16,696	20,870
Restricted	2,894,485	665,230
Unrestricted	(1,010,626)	(951,900)
Total Net Position	\$ 1,900,555	\$ (265,800)

**BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2020**

**Condensed Statement of Activities**

	2020	2019
<b>Revenues:</b>		
Program revenues:		
Licenses and permits	\$ 498,870	\$ 472,833
Fines, forfeitures and penalties	7,398	30,723
Operating grants and contributions	5,098,913	3,286,834
General revenues:		
Investment income	9,283	7,331
Miscellaneous revenue	216,000	175,856
<b>Total Revenues</b>	<b>5,830,464</b>	<b>3,973,577</b>
<b>Expenses:</b>		
Health and sanitation	3,664,109	3,800,285
Change in net position	2,166,355	173,292
Net position - beginning	(265,800)	(439,092)
Net Position - Ending	\$ 1,900,555	\$ (265,800)

**Financial Analysis of the District's Governmental Fund**

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

For the year ended June 30, 2020, the District reported an ending fund balance of \$3,470,035, an increase of \$2,384,066 compared to the \$1,085,969 fund balance from the prior year. This increase represents the amount of revenue received less expenditures. A significant portion of this is restricted for grant expenditures.

**Butte County Air Quality Management District  
Comparison**

	<b>FY 2019/20</b>	<b>FY 2018/19</b>
Total revenues	\$ 5,830,464	\$ 3,973,577
Total expenditures	3,446,398	3,785,687
Revenues less expenditures	\$ 2,384,066	\$ 187,890

Total revenue (see above) primarily consisted of State subvention, local permit fees, civil penalties, DMV Surcharges, Carl Moyer, the State Wood Smoke Reduction program, and the EPA 105 Grant. Revenue increased \$1,856,887 compared to FY 18/19 primarily due to pass-through grant funding.

**BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2020**

Total expenditures were \$3,446,398, a decrease of \$339,289 from the prior year. This expenditure decrease was primarily due to the vacancy of a position, limited training, and the timing of grant disbursements.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of the current FY, the District had net capital assets, comprised of vehicles totaling \$16,696.

***Debt Administration***

At the end of the current FY, the District had no bonded debt outstanding.

**Economic Factors and 20/21 FY's Budget**

The District is committed to pursuing grant opportunities as financial incentives to public and private entities to reduce air pollution. Approximately 51 percent of the original approved budgeted expenditures are for pass-through grants.

The following economic factors were considered in preparing the District's financial plan for FY 20/21:

- Continuing grants such as the Carl Moyer, the EPA 105 Grant and FARMER programs.
- DMV Surcharge revenue decreased by 3 percent in the prior year and that reduction was carried forward.
- Loss of permit revenue due to the Camp Fire and COVID-19.
- Filling all staff positions to address increasing State requirements.

**Emission Reduction Credits (ERCs)**

In accordance with District Rule 431-*Emission Reduction Credits and Banking*, the District maintains and controls a Community Bank of emission reduction credits available for loan at no cost to essential public services for compliance with the offset requirements specified in Rule 430-*State New Source Review (SNSR)*. While the District is not compensated for the use of these ERCs, they do have value in the open market.

In a previous fiscal audit, the District reported a potential ERC market value of \$2,700,000 for these credits. There has been insufficient recent activity to provide a new cost basis for all pollutants in the ERC register. Given that it is impossible to predict when or if the credits might be awarded, sold, or leased and at what price, management believes it would be misleading to record them in the financial statements at any value at this time.

Management, however, would like financial statement readers to be aware that the District is in possession of these credits and that they may be awarded, sold, or leased at some point in the future subject to the direction and approval of the Governing Board.

**Requests for Information**

This financial report is designed to provide a general overview of the District's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Aleah Ing, Administrative Services Officer, Butte County Air Quality Management District, 629 Entler Avenue, Suite 15, Chico, California, 95928.

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## **Basic Financial Statements**

- **Government-Wide Financial Statements**

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**BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT**  
**Statement of Net Position**  
**June 30, 2020**

	<u><b>Total Governmental Activities</b></u>
<b>ASSETS</b>	
Cash and investments	\$ 4,524,609
Receivables:	
Accounts	614,645
Intergovernmental	126,178
Lease deposit	4,100
Capital assets:	
Depreciable, net	<u>16,696</u>
<b>Total Assets</b>	<u><b>5,286,228</b></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred pension adjustments	322,896
Deferred OPEB adjustments	<u>97,616</u>
<b>Total Deferred Outflows of Resources</b>	<u><b>420,512</b></u>
<b>LIABILITIES</b>	
Accounts payable	1,055,521
Salaries and benefits payable	36,755
Unearned revenues	703,121
Long-term liabilities:	
Due within one year	29,129
Due in more than one year	29,128
Net pension liability	1,418,320
Net OPEB liability	<u>390,070</u>
<b>Total Liabilities</b>	<u><b>3,662,044</b></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred pension adjustments	144,024
Deferred OPEB adjustments	<u>117</u>
<b>Total Deferred Inflows of Resources</b>	<u><b>144,141</b></u>
<b>NET POSITION</b>	
Investment in capital assets	16,696
Restricted for:	
Health and sanitation	2,894,485
Unrestricted	<u>(1,010,626)</u>
<b>Total Net Position</b>	<u><u><b>\$ 1,900,555</b></u></u>

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

**BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT**  
**Statement of Activities**  
**For the Year Ended June 30, 2020**

<u>Functions/Programs:</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				
Health and sanitation	\$ 3,664,109	\$ 506,268	\$ 5,098,913	\$ -
<b>Total Governmental Activities</b>	<u>3,664,109</u>	<u>506,268</u>	<u>5,098,913</u>	<u>-</u>
<b>Total</b>	<u>\$ 3,664,109</u>	<u>\$ 506,268</u>	<u>\$ 5,098,913</u>	<u>\$ -</u>
<b>General revenues:</b>				
Interest and investment earnings				9,283
Miscellaneous revenues				216,000
<b>Total General Revenues</b>				<u>225,283</u>
<b>Change in Net Position</b>				2,166,355
<b>Net Position - Beginning</b>				<u>(265,800)</u>
<b>Net Position - Ending</b>				<u>\$ 1,900,555</u>

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

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## **Basic Financial Statements**

- **Fund Financial Statements**

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**BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT**  
**Balance Sheet**  
**Governmental Fund**  
**June 30, 2020**

	<b>Operating Fund</b>
<b>ASSETS</b>	
Cash and investments	\$ 4,524,609
Receivables:	
Accounts	614,645
Intergovernmental	126,178
<b>Total Assets</b>	<b>\$ 5,265,432</b>
<b>LIABILITIES</b>	
Accounts payable	\$ 1,055,521
Salaries and benefits payable	36,755
Unearned revenues	703,121
<b>Total Liabilities</b>	<b>1,795,397</b>
<b>FUND BALANCE</b>	
Restricted	2,894,485
Assigned	247,166
Unassigned	328,384
<b>Total Fund Balance</b>	<b>3,470,035</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 5,265,432</b>

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

**BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT**  
**Reconciliation of the Governmental Fund Balance Sheet to the**  
**Government-Wide Statement of Net Position - Governmental Activities**  
**June 30, 2020**

<b>Total Fund Balance - Total Governmental Fund</b>	<b>\$ 3,470,035</b>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental fund balance sheet.	16,696
Other long-term assets are not available to pay for current period expenditures and therefore, are not reported in the governmental fund.	
Lease deposit	4,100
Deferred outflows of resources related to pension and OPEB are not reported in the governmental fund.	420,512
Deferred inflows of resources related to pension and OPEB are not reported in the governmental fund.	(144,141)
Certain liabilities are not due and payable in the current period and therefore, are not reported in the governmental fund.	
Compensated absences	(58,257)
Net pension liability	(1,418,320)
Net OPEB liability	(390,070)
<b>Net Position of Governmental Activities</b>	<b><u><u>\$ 1,900,555</u></u></b>

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

**BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance**  
**Governmental Fund**  
**For the Year Ended June 30, 2020**

	<u>Operating Fund</u>
<b>REVENUES</b>	
Licenses and permits	\$ 498,870
Fines, forfeitures and penalties	7,398
Use of money and property	9,283
Intergovernmental	5,098,913
Other revenues	<u>216,000</u>
<b>Total Revenues</b>	<u>5,830,464</u>
<b>EXPENDITURES</b>	
Current health and sanitation:	
Salaries and benefits	1,260,721
Communication	12,898
Household	4,290
Insurance	9,248
Maintenance	20,406
Membership dues and subscriptions	4,820
Office	28,650
Professional services	44,717
Public awareness	5,150
Publications and legal notices	3,352
Rents and leases	54,335
Special department	2,871
Training	2,475
Travel and transportation	10,930
Fuel	1,678
Utilities	7,234
Contributions to other agencies	<u>1,972,623</u>
<b>Total Expenditures</b>	<u>3,446,398</u>
<b>Net Change in Fund Balance</b>	2,384,066
<b>Fund Balance - Beginning</b>	<u>1,085,969</u>
<b>Fund Balance - Ending</b>	<u><u>\$ 3,470,035</u></u>

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

**BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT**  
**Reconciliation of the Statement of Revenues, Expenditures and**  
**Changes in Fund Balance of the Governmental Fund to the**  
**Government-Wide Statement of Activities - Governmental Activities**  
**For the Year Ended June 30, 2020**

<b>Net Change in Fund Balance - Total Governmental Fund</b>	<b>\$ 2,384,066</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Less current year depreciation	(4,174)
Certain changes in deferred outflows and deferred inflows of resources reported in the statement of activities relate to long-term liabilities and are not reported in the governmental fund.	
Change in deferred outflows of resources related to pension	(36,324)
Change in deferred outflows of resources related to OPEB	93,134
Change in deferred inflows of resources related to pension	(51,435)
Change in deferred inflows of resources related to OPEB	(117)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental fund.	
Change in compensated absences	(19,320)
Change in net pension liability	(114,645)
Change in net OPEB liability	(84,830)
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ 2,166,355</u></b>

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

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## **Basic Financial Statements**

- **Notes to Basic Financial Statements**

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**BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2020**

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

**A. Reporting Entity**

The District is one of the 35 local air pollution control agencies established pursuant to Section 40002 of the California Health and Safety Code (HSC). The District has primary responsibility for the control of air pollution from all local sources, other than the emissions from motor vehicles, which is the responsibility of the California Air Resources Board (ARB).

The District's objective is to maintain and improve Butte County's air quality for an aesthetically pleasing and healthful environment. Program activities include administration, enforcement, engineering, ambient air quality monitoring, and planning as related to air quality. This program is mandated by State and Federal laws and grant conditions to provide an active and effective air pollution control program.

The District, which became a separate legal entity July 1, 1994, has a governing board composed of ten members. Five members are on the Butte County Board of Supervisors and five elected members are appointed by the City Councils of each of the cities incorporated within Butte County.

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

**Component Units**

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

**Joint Agencies**

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

**Related Organizations**

The County of Butte appoints five members to the Board of Directors. However, the County is not financially accountable for this organization and therefore it is not a component unit under Statement Nos. 14, 39 and 61 of the Governmental Accounting Standards Board.

**BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2020**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basis of Presentation**

**Government-Wide Financial Statements**

The statement of net position and statement of activities display information on all of the activities of the District. These statements include the financial activities of the overall District. These statements report on the governmental activities of the District, which are normally supported by licenses and permits and intergovernmental revenues. The District had no business-type activities at June 30, 2020.

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

**Fund Financial Statements**

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

The District reports the following major governmental fund:

- The Operating fund is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the District.

**C. Basis of Accounting and Measurement Focus**

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

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

**BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2020**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Non-Current Governmental Assets/Liabilities**

Non-current governmental assets and liabilities, such as capital assets and long-term liabilities, are reported in the governmental activities column in the government-wide statement of net position.

**E. Cash and Investments**

Cash consists of cash held in checking and savings accounts, the State of California Local Agency Investment Fund (LAIF), and cash on hand. State statutes authorize the District to invest its cash surplus in obligations of the U.S. Treasury agencies and instrumentalities, corporate bonds, medium term notes, bankers' acceptances, certificates of deposit, commercial paper, repurchase agreements and LAIF.

**F. Receivables**

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

**G. Inventory**

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

**H. Capital Assets**

Capital assets are defined by the District as assets with a cost of \$25,000 or more and includes all vehicles regardless of cost. Capital assets are recorded at historical cost or estimated historical cost if actual historical cost is unavailable. Contributed capital assets are recorded at their acquisition value at the date of donation.

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

<u>Depreciable Asset</u>	<u>Estimated Lives</u>
Equipment	3 to 7 years

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

**I. Unearned Revenues**

Under the accrual and modified accrual basis of accounting, revenue may be recognized only when it is earned. When assets are recognized in connection with a transaction before the earnings process is complete, those assets are offset by a corresponding liability for unearned revenues.

**BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2020**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**J. Compensated Absences**

It is the District's policy to permit employees to accumulate a limited amount of earned but unused vacation leave, which will be paid to employees upon separation from District service. An unlimited amount of sick leave may be accrued and upon retirement an employee with over 240 hours may be compensated for the portion in excess of 240 hours at one-half the normal rate of pay for that employee up to \$3,000. It is the District's policy not to pay accumulated sick leave to employees who terminate prior to retirement. In the government-wide financial statements the accrued compensated absences are recorded as an expense and related liability, with the current portion estimated based on historical trends. In the governmental fund financial statements the expenditures and liabilities related to those obligations are recognized only when they mature.

**K. Pension**

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

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

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 to June 30, 2019

**L. Other Postemployment Benefits (OPEB)**

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

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

Valuation Date	July 1, 2019 (June 30, 2019)
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 to June 30, 2019

**BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2020**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**M. Deferred Outflows/Inflows of Resources**

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

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

**N. Estimates**

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

**O. Implementation of Governmental Accounting Standards Board (GASB) Statements**

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

**Statement No. 95**, Postponement of the Effective Dates of Certain Authoritative Guidance. This Statement extends the effective dates of certain accounting and financial reporting provisions in the Statements and Implementation Guides that were first effective for reporting periods beginning after June 15, 2018. The requirements of this Statement apply to the financial statements of all state and local governments. The GASB Statements effected by this statement include Statement No. 84 - Fiduciary Activities, Statement No. 87 – Leases, Statement No. 89 - Accounting for Interest Cost Incurred before the End of a Construction Period, Statement No. 90 - Majority Equity Interests, Statement No. 91 – Conduit Debt Obligations, Statement No. 92 – Omnibus 2020, and Statement No. 93 – Replacement of Interbank Offered Rates.

**P. Future Accounting Pronouncements**

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

Statement No. 84 “Fiduciary Activities”	The requirements of this statement are effective for periods beginning after December 15, 2019. (FY 20/21)
Statement No. 87 “Leases”	The requirements of this statement are effective for periods beginning after June 15, 2021. (FY 21/22)

**BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2020**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**P. Future Accounting Pronouncements (Continued)**

Statement No. 89 “Accounting for Interest Cost Incurred Before the End of a Construction Period”	The requirements of this statement are effective for periods beginning after December 15, 2020. (FY 21/22)
Statement No. 90 “Majority Equity Interests”	The requirements of this statement are effective for periods beginning after December 15, 2019. (FY 20/21)
Statement No. 91 “Conduit Debt Obligations”	The requirements of this statement are effective for periods beginning after December 15, 2021. (FY 22/23)
Statement No. 92 “Omnibus 2020”	The requirements of this statement are effective for periods beginning after June 15, 2021. (FY 21/22)
Statement No. 93 “Replacement of Interbank Offered Rates”	The requirements of this statement are effective for periods beginning after June 15, 2021. (FY 21/22)
Statement No. 94 “Public-Private and Public-Public Partnerships and Availability Payment Arrangements”	The requirements of this statement are effective for periods beginning after June 15, 2021 (FY22/23)
Statement No. 96 “Subscription-Based Information Technology Arrangements”	The requirements of this statement are effective for periods beginning after June 15, 2022 (FY22/23)

**NOTE 2: CASH AND INVESTMENTS**

**A. Financial Statement Presentation**

As of June 30, 2020, the District’s cash and investments consisted of the following:

Cash:	
Cash on hand	\$ 200
Deposits (less outstanding checks)	<u>3,508,094</u>
Total Cash	<u>3,508,294</u>
Investments:	
Local Agency Investment Fund (LAIF)	<u>1,016,315</u>
Total Investments	<u>1,016,315</u>
Total Cash and Investments	<u>\$ 4,524,609</u>

**BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2020**

**NOTE 2: CASH AND INVESTMENTS (CONTINUED)**

**B. Cash**

At year end, the carrying amount of the District's cash deposits (including amounts in checking and savings accounts) was \$3,058,094 and the bank balance was \$3,613,571. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit. In addition, the District had cash on hand of \$200.

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

**C. Investments**

Investments are selected based on safety, liquidity, and yield. The District's investment policy is more restrictive than the California Government Code. Under the provisions of the District's investment policy and the California Government Code, the District may invest or deposit in the following:

- Banker's Acceptances
- Commercial Paper
- LAIF
- Mutual Funds
- Medium-Term Corporate Notes
- Money Market Funds
- Negotiable Certificates of Deposit
- Repurchase Agreements/Reverse Repurchase Agreements
- Securities of the Federal Government or its Agencies

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

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

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

**BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2020**

**NOTE 2: CASH AND INVESTMENTS (CONTINUED)**

**C. Investments (Continued)**

At June 30, 2020, the District had the following recurring fair value measurements:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by Fair Value Level				
None	\$ -	\$ -	\$ -	\$ -
Total Investments Measured at Fair Value	-	<u>-</u>	<u>-</u>	<u>-</u>
Investments in External Investment Pool				
LAIF	<u>1,016,315</u>			
Total Investments	<u>\$ 1,016,315</u>			

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

**Credit Risk** - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment policy sets specific parameters by type of investment to be met at the time of purchase. As of June 30, 2020 the District's investments were held in LAIF which is not recognized by a nationally recognized statistical rating organization.

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

**Concentration of Credit Risk** - Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer of securities. When investments are concentrated in one issuer, this concentration presents a heightened risk of potential loss. The District's investment policy contains limitations on the amount that can be invested in any one issuer. At June 30, 2020 all investments of the District are in LAIF which contains a diversification of investments.

**D. Investments in External Pool**

**Local Agency Investment Fund** – The District maintains an investment in the State of California Local Agency Investment Fund (LAIF), managed by the State Treasurer. This fund is not registered with the Securities and Exchange Commission as an investment company, but is required to invest according to California State Code. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State statute. At June 30, 2020, the District's investment in LAIF valued at amortized cost was \$1,016,315 and is the same as the value of the pool shares. There are no restrictions on withdrawal of funds. The total amount invested by all public agencies in LAIF on that day was \$100.9 billion. Of that amount, 96.63 percent is invested in non-derivative financial products and 3.37 percent in structured notes and asset-backed securities.

**BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2020**

**NOTE 3: CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2020, was as follows:

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2020</u>
Capital Assets, Being Depreciated:				
Equipment	\$ 97,639	\$ -	(\$ 25,448)	\$ 72,191
Total Capital Assets, Being Depreciated	<u>97,639</u>	<u>-</u>	<u>( 25,448)</u>	<u>72,191</u>
Less Accumulated Depreciation For:				
Equipment	( 76,769)	( 4,174)	25,448	( 55,495)
Total Accumulated Depreciation	<u>( 76,769)</u>	<u>( 4,174)</u>	<u>25,448</u>	<u>( 55,495)</u>
Total Capital Assets, Being Depreciated, Net	<u>\$ 20,870</u>	<u>(\$ 4,174)</u>	<u>\$ -</u>	<u>\$ 16,696</u>

**Depreciation**

Depreciation expense was charged to governmental activities as follows:

Health and Sanitation	\$ 4,174
Total Depreciation Expense	<u>\$ 4,174</u>

**NOTE 4: ACCOUNTS PAYABLE**

Accounts payable consists primary of amounts due to applicants of the Carl Moyer and FARMER Program of approximately \$1,052,900. The applications submitted by the applicants were approved by the Board on February 27, 2020.

**NOTE 5: UNEARNED REVENUES**

At June 30, 2020, components of unearned revenues were as follows:

Operating fund	
Carl Moyer AB 617	\$ 703,121
Total	<u>\$ 703,121</u>

**NOTE 6: LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2020:

<u>Type of Indebtedness</u>	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Compensated Absences	\$ 38,937	\$ 66,241	(\$ 46,921)	\$ 58,257	\$ 29,129
Total	<u>\$ 38,937</u>	<u>\$ 66,241</u>	<u>(\$ 46,921)</u>	<u>\$ 58,257</u>	<u>\$ 29,129</u>

**BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2020**

**NOTE 7: NET POSITION**

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

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

**Net Position Flow Assumption**

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

**NOTE 8: FUND BALANCE**

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2020, fund balance for the governmental fund is made up of the following:

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

**BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2020**

**NOTE 8: FUND BALANCE (CONTINUED)**

- **Unassigned fund balance** - the residual classification for the District's Operating fund that includes all amounts not contained in the other classifications.

The fund balance for the governmental fund as of June 30, 2020, was distributed as follows:

	<u>Operating</u>
<b>Restricted for:</b>	
Carl Moyer	\$ 691,409
Woodsmoke Grant	95,751
CAP	1,209,273
FARMER	893,021
Encumbrances	5,000
NRM	31
Subtotal	2,894,485
<b>Assigned for:</b>	
Reserves	247,166
Subtotal	247,166
<b>Unassigned</b>	328,384
Total	\$ 3,470,035

**Fund Balance Flow Assumption**

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

**Fund Balance Policy**

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

**NOTE 9: OTHER SIGNIFICANT COMMITMENTS INCLUDING ENCUMBRANCES**

Other significant commitments include the encumbrances outstanding for the Operating fund as shown below.

	<u>Encumbrances</u>
Operating fund:	
Burn program programming contract	\$ 5,000
Total	\$ 5,000

**BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2020**

**NOTE 10: PENSION PLAN**

**A. General Information about the Pension Plan**

**Plan Description**

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

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

**Summary of Rate Tiers and Eligible Participants**

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

**Benefits Provided**

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 ( age 52 for Miscellaneous Plan members if membership date is on or after January 1, 2013) with statutorily reduced benefits. Retirement benefits are paid monthly for life. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the plan are applied as specified by the Public Employees’ Retirement Law.

Each Rate Tier’s specific provisions and benefits in effect at June 30, 2020, are summarized as follows:

	<u>Benefit Formula</u>	<u>Retirement Age</u>	<u>Monthly Benefits as a % of Eligible Compensation</u>
Miscellaneous	2.0% @ 55	50-55	1.426% to 2.418%
Miscellaneous PEPRA	2.0% @ 62	52-62	1.000% to 2.500%

**BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2020**

**NOTE 10: PENSION PLAN (CONTINUED)**

**A. General Information about the Pension Plan (Continued)**

**Contributions**

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

	<u>Employer Contribution Rates</u>	<u>Employee Contribution Rates</u>	<u>Employer Paid Member Contribution Rates</u>
Miscellaneous	10.221%	7.000%	0.000%
Miscellaneous PEPRA	6.985%	6.250%	0.000%

For the year ended June 30, 2020, the contributions recognized as part of pension expense were as follows:

	<u>Contributions-Employer</u>	<u>Contributions-Employee (Paid by Employer)</u>
Miscellaneous	\$ 124,297	\$ -

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

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2019, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2019 and 2020 was as follows:

	<u>Proportion June 30, 2019</u>	<u>Proportion June 30, 2020</u>	<u>Change – Increase (Decrease)</u>
Miscellaneous	0.03459%	0.03542%	0.00083%

As of June 30, 2020, the District reported a net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous	\$ 1,418,320
Total Net Pension Liability	\$ 1,418,320

**BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2020**

**NOTE 10: PENSION PLAN (CONTINUED)**

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

For the year ended June 30, 2020, the District recognized pension expense of \$323,796. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to the measurement date	\$ 121,392	\$ -
Change of assumptions	67,632	( 23,975)
Differences between expected and actual experience	98,508	( 7,632)
Differences between projected and actual earnings on pension plan investments	-	( 24,797)
Difference between District contributions and proportionate share of contributions	-	( 87,620)
Adjustments due to differences in proportions	<u>35,364</u>	<u>-</u>
Total	<u>\$ 322,896</u>	<u>(\$ 144,024)</u>

\$121,392 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows:

Fiscal Year Ended <u>June 30</u>	
2021	\$ 85,571
2022	( 31,721)
2023	( 1,381)
2024	5,011
2025	-
Thereafter	<u>-</u>
Total	<u>\$ 57,480</u>

**BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2020**

**NOTE 10: PENSION PLAN (CONTINUED)**

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

**Actuarial Assumptions**

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

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Investment rate of return	7.15%
Inflation	2.50%
Projected Salary Increase	Varies by entry-age and service
Mortality Rate Table	Derived using CalPERS' membership data for all funds
Post-Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

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

**Discount Rate**

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

**Long-Term Expected Rate of Return**

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

**BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2020**

**NOTE 10: PENSION PLAN (CONTINUED)**

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

**Long-Term Expected Rate of Return (Continued)**

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

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

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1-10(a)</u>	<u>Real Return Years 11+(b)</u>
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Sensitive	0.0%	0.77%	1.18%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	<u>1.0%</u>	0.00%	-0.92%
Total	<u>100.0%</u>		

- (a) An expected inflation of 2.00% used for this period  
(b) An expected inflation of 2.92% used for this period

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

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

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Miscellaneous	\$ 2,304,616	\$ 1,418,320	\$ 680,746

**Pension Plan Fiduciary Net Position**

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

**BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2020**

**NOTE 11: OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

**A. General Information about the OPEB Plan**

**Plan Description**

The District sponsors a defined benefit OPEB plan (the Plan) that provides healthcare coverage under the California Public Employees Medical and Hospital Care Act (“PEMHCA”), commonly referred to as PERS Health. PEMHCA provides health insurance through a variety of Health Maintenance Organization (HMO) and Preferred Provider Organization (PPO) options. The Plan is a multiple-employer plan administered by the California Public Employees’ Retirement System (CalPERS).

**Benefits Provided**

Retirees who were hired before October 1, 2018 and retire with good standing from the District with at least 10 years of service (at either age 55 or 62 depending on their CalPERS pension eligibility), receive 1-year paid health premiums (medical, dental and vision). In addition, employees who have unused sick leave balances can receive (in addition to the 1 year), 1 month of premium for every 8 hours of unused sick leave, until the earlier of when the balance is exhausted or 65. As an alternative option, employees who have unused sick leave balances can receive (in addition to the 1 year), 1 month of premium for every 20 hours of unused sick leave for themselves and their spouse or domestic partner, until the earlier of when the balance is exhausted or 65. For the purpose of the valuation, it is assumed that all employees have a year’s worth of unused sick leave at retirement, and therefore receive paid health premiums for a total of 2 years. After the unused sick leave balance is exhausted (or age 65), the retiree receives the PEMHCA minimum for life. This amount is \$139 for 2020.

Retirees who were hired after October 1, 2018 are eligible to receive the PEMHCA minimum for life.

**Employees Covered by Benefit Terms**

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

Inactive plan members or beneficiaries currently receiving benefit payments	3
Active plan members	11
	14

**Contributions**

The District has assets accumulated in a trust that meets the criteria in Paragraph 4 of GASB Statement No. 75. For the fiscal years ending June 30, 2019 and 2020, the District made contributions of \$10,000, respectively, to the CERBT trust.

**B. Net OPEB Liability**

The District’s net OPEB liability of \$390,070 was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2019 (June 30, 2019). Standard actuarial update procedures were used to project/discount from valuations to measurement date.

**BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2020**

**NOTE 11: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

**B. Net OPEB Liability (Continued)**

**Actuarial Assumptions**

The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry age, level percent of pay
Salary increases	3.00%
Inflation rate	3.00%
Investment rate of return	6.25%, net of OPEB plan investment expense
Healthcare cost trend rate	6.00% for 2019 decreasing 0.10% per year to an ultimate rate of 5.00% for 2029 and later years
Discount rate	5.33%

Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.

Actuarial assumptions used in the July 1, 2019 valuation were based on a review of plan experience during the period July 1, 2017 to June 30, 2019.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. The calculated investment rate of return was set equal to the expected ten-year compound (geometric) real return plus inflation (rounded to the nearest 25 basis points, where appropriate). The table below provides the long-term expected real rates of return by asset class (based on published capital market assumptions).

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Rate of Return</u>
Global ex-U.S. Equity	40.0%	5.5%
U.S. Fixed	43.0%	1.5%
TIPS	5.0%	1.2%
Real Estate	8.0%	3.7%
Commodities	4.0%	0.6%

**Discount Rate**

GASB 75 requires a discount rate that reflects the following:

- a) The long-term expected rate of return on OPEB plan investments – to the extent that the OPEB plan’s fiduciary net position (if any) is projected to be enough to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return;
- b) A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher – to the extent that the conditions in (a) are not met.

**BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2020**

**NOTE 11: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

**B. Net OPEB Liability (Continued)**

**Discount Rate (Continued)**

To determine a resulting single (blended) rate, the amount of the plan's projected fiduciary net position (if any) and the amount of projected benefit payments is compared in each period of projected benefit payments.

**C. Changes in the Net OPEB Liability**

The table below shows the changes in the total OPEB liability, the Plan Fiduciary Net Position (i.e. Fair value of the Plan assets), and the net OPEB liability during the measurement period ending on June 30, 2019 for the District's proportionate share.

	Increases (Decreases)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) – (b)
Balance at fiscal year ended June 30, 2019	\$ 324,639	\$ 19,399	\$ 305,240
Changes for the year:			
Service cost	18,620	-	18,620
Interest	17,916	-	17,916
Net investment income	-	1,362	( 1,362)
Contributions - employer	-	23,285	( 23,285)
Difference between expected and actual	60,854	-	60,854
Changes in assumptions and other inputs	12,083	-	12,083
Benefit payments	( 23,285)	( 23,285)	-
Administrative expense	-	( 4)	4
Net changes	<u>86,188</u>	<u>1,358</u>	<u>84,830</u>
Balance at fiscal year ended June 30, 2020	<u>\$ 410,827</u>	<u>\$ 20,757</u>	<u>\$ 390,070</u>

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

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current discount rate:

	1% Decrease 4.33%	Discount Rate 5.33%	1% Increase 6.33%
Net OPEB liability	\$ 429,833	\$ 390,070	\$ 355,966

**BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2020**

**NOTE 11: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

**C. Changes in the Net OPEB Liability (Continued)**

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

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

	1% Decrease (4.00%)	Trend Rate (5.00%)	1% Increase (6.00%)
Net OPEB Liability	\$ 350,999	\$ 390,070	\$ 436,634

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$46,444. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	\$ 31,346	\$ -
Net difference between expected and actual experience	52,283	-
Changes in assumptions and other inputs	13,798	-
Net difference between projected and actual return on investments	189	117
Total	\$ 97,616	\$ 117

\$31,346 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ended June 30, 2021. Amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

Year Ended June 30		
2021		\$ 11,120
2022		11,120
2023		11,120
2024		11,056
2025		10,438
Thereafter		11,299
		\$ 66,153

**NOTE 12: RISK MANAGEMENT**

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

**BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2020**

**NOTE 12: RISK MANAGEMENT (CONTINUED)**

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

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

**NOTE 13: OTHER INFORMATION**

**A. Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time. No additional liability has been accrued at June 30, 2020, based on the requirements of GASB Code Section C50.110, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

**B. Subsequent Events**

Management has evaluated events subsequent to June 30, 2020 through June 14, 2021, the date on which the financial statements were available for issuance. Management has determined no subsequent events requiring disclosure have occurred.

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**Required Supplementary Information  
(Unaudited)**

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**BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT**  
**Required Supplementary Information**  
**District Pension Plan**  
**Schedule of Proportionate Share of the Net Pension Liability**  
**For the Year Ended June 30, 2020**  
**Last 10 Years\***

<b>Measurement Date</b>	<b>2013/2014</b>	<b>2014/2015</b>	<b>2015/2016</b>
<b>Miscellaneous</b>			
Proportion of the net pension liability	0.03590%	0.03297%	0.03384%
Proportionate share of the net pension liability	\$ 887,222	\$ 904,499	\$ 1,175,440
Covered payroll	924,409	944,106	799,894
Proportionate share of the net pension liability as a percentage of covered payroll	95.98%	95.80%	146.95%
Plan fiduciary net position as a percentage of the total pension liability	80.05%	80.56%	76.67%

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

<u>2016/2017</u>	<u>2017/2018</u>	<u>2018/2019</u>
0.03449%	0.03459%	0.03542%
\$ 1,359,556	\$ 1,303,675	\$ 1,418,320
853,055	821,458	787,343
159.37%	158.70%	180.14%
76.11%	78.53%	78.53%

**BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT**  
**Required Supplementary Information**  
**District Pension Plan**  
**Schedule of Contributions**  
**For the Year Ended June 30, 2020**  
**Last 10 Years\***

<b>Fiscal Year</b>	<u><b>2014/2015</b></u>	<u><b>2015/2016</b></u>	<u><b>2016/2017</b></u>
<b>Miscellaneous</b>			
Contractually required contribution (actuarially determined)	\$ 110,421	\$ 67,288	\$ 74,106
Contributions in relation to the actuarially determined contributions	<u>(110,421)</u>	<u>(128,428)</u>	<u>(143,025)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (61,140)</u>	<u>\$ (68,919)</u>
Covered payroll	\$ 944,106	\$ 799,894	\$ 853,055
Contributions as a percentage of covered payroll	11.70%	8.41%	8.69%

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

<u>2017/2018</u>	<u>2018/2019</u>	<u>2019/2020</u>
\$ 62,640 (140,058)	\$ 59,458 (59,931)	\$ 57,028 (121,392)
<u>\$ (77,418)</u>	<u>\$ (473)</u>	<u>\$ (64,364)</u>
\$ 821,458 7.63%	\$ 787,343 7.55%	\$ 746,422 7.64%

**BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT**  
**Required Supplementary Information**  
**District Pension Plan**  
**Notes to District Pension Plan**  
**For the Year Ended June 30, 2020**

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

**Change of Assumptions and Methods**

CalPERS has implemented a new actuarial valuation software system for the June 30, 2019, valuation. This new system has refined and improved calculation methodology. In December 2017, the CalPERS Board of Administration (the Board) adopted new mortality assumptions for plan participation in the Public Employee's Retirement Fund (PERF). The new mortality table was developed from the December 2017 experience study and includes 15 years of projected ongoing mortality improvement using 90 percent of scale MP 2016 published by the Society of Actuaries. The inflation assumption was reduced from 2.75 percent to 2.50 percent.

The assumptions for individual salary increases and overall payroll growth were reduced from 3.00 percent to 2.75 percent. These changes are being implemented in two steps commencing in the June 30, 2018, funding valuation. For financial reporting purposes, these assumption changes are fully reflected in the results for Fiscal Year 2017-18. In Fiscal Year 2014-15, the financial reporting discount rate was increased from 7.50 percent to 7.65 percent resulting from eliminating the 15 basis-point reduction for administrative expenses. The funding discount rate remained at 7.50 percent during this period, and remained adjusted for administrative expenses.

**NOTE 2: SCHEDULE OF CONTRIBUTIONS**

Methods and assumptions used to determine the contribution rates were as follows:

Valuation Date	June 30, 2017
Actuarial cost method	Individual Entry Age Normal
Amortization method	Level Percentage of Payroll and Direct Rate Smoothing
Remaining Amortization Period	Differs by employer rate plan but no more than 30 years
Asset valuation method	Fair value
Inflation	2.75%
Salary increases	Varies based on entry age and service
Investment rate of return	7.38%

**BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT**  
**Required Supplementary Information**  
**District OPEB Plan**  
**Schedule of Changes in the Net OPEB Liability and Related Ratios**  
**For the Year Ended June 30, 2020**  
**Last 10 Years\***

<b>Measurement Date</b>	<b>2016/2017</b>	<b>2017/2018</b>	<b>2018/2019</b>
<b>Total OPEB Liability</b>			
Service cost	\$ 13,352	\$ 13,753	\$ 18,620
Interest	15,779	16,696	17,916
Changes in assumptions	-	5,043	12,083
Differences between expected and actual experience	-	-	60,854
Benefit payments	(3,511)	(21,989)	(23,285)
<b>Net Change in Total OPEB Liability</b>	<b>25,620</b>	<b>13,503</b>	<b>86,188</b>
<b>Total OPEB Liability - Beginning</b>	<b>285,516</b>	<b>311,136</b>	<b>324,639</b>
<b>Total OPEB Liability - Ending (a)</b>	<b>\$ 311,136</b>	<b>\$ 324,639</b>	<b>\$ 410,827</b>
<b>Plan Fiduciary Net Position</b>			
Contributions - employer	\$ 11,811	\$ 32,561	\$ 23,285
Investment income	-	542	1,362
Trustee fees	-	(4)	-
Administrative expenses	-	(11)	(4)
Benefit payments	(3,511)	(21,989)	(23,285)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>8,300</b>	<b>11,099</b>	<b>1,358</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>-</b>	<b>8,300</b>	<b>19,399</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 8,300</b>	<b>\$ 19,399</b>	<b>\$ 20,757</b>
<b>Net OPEB Liability - Ending (a) - (b)</b>	<b>\$ 302,836</b>	<b>\$ 305,240</b>	<b>\$ 390,070</b>
Plan fiduciary net position as a percentage of the net OPEB liability	2.74%	6.36%	5.32%
Covered payroll	\$ 813,249	\$ 746,937	\$ 790,181
Net OPEB liability as a percentage of covered payroll	37.24%	40.87%	49.36%

\* The District implemented GASB 75 for the fiscal year June 30, 2018, therefore only three years are shown.

**BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT**  
**Required Supplementary Information**  
**District OPEB Plan**  
**Schedule of Contributions**  
**For the Year Ended June 30, 2020**  
**Last 10 Years\***

<b>Fiscal Year</b>	<u><b>2017/2018</b></u>	<u><b>2018/2019</b></u>	<u><b>2019/2020</b></u>
Actuarially determined contribution	\$ 27,564	\$ 29,190	\$ 37,881
Contributions in relation to the actuarially determined contribution	<u>(11,811)</u>	<u>(32,561)</u>	<u>(31,346)</u>
Contribution deficiency (excess)	<u>\$ 15,753</u>	<u>\$ (3,371)</u>	<u>\$ 6,535</u>
Covered payroll	\$ 813,249	\$ 746,937	\$ 790,181
Contributions as a percentage of covered payroll	1.94%	-0.45%	0.83%

\* The District implemented GASB 75 for the fiscal year June 30, 2018, therefore only three years are shown.

**BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT**  
**Required Supplementary Information**  
**District OPEB Plan**  
**Notes to District OPEB Plan**  
**For the Year Ended June 30, 2020**

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

Benefit payments amount includes implicit subsidy associated with benefits paid.

**NOTE 2: SCHEDULE OF CONTRIBUTIONS**

The actuarially determined contribution (ADC) developed for the District's fiscal year ending June 30, 2020 was determined and presented in the July 2019 Actuarial Valuation report.

**BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Operating Fund**  
**For the Year Ended June 30, 2020**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance With Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Licenses and permits	\$ 477,950	\$ 477,950	\$ 498,870	\$ 20,920
Fines, forfeitures and penalties	22,000	22,000	7,398	(14,602)
Use of money and property	2,000	2,000	9,283	7,283
Intergovernmental	2,614,659	5,236,304	5,098,913	(137,391)
Other revenues	250,959	776,456	216,000	(560,456)
<b>Total Revenues</b>	<b>3,367,568</b>	<b>6,514,710</b>	<b>5,830,464</b>	<b>(684,246)</b>
<b>EXPENDITURES</b>				
Current health and sanitation:				
Salaries and benefits	1,379,135	1,379,135	1,260,721	118,414
Communication	11,500	11,500	12,898	(1,398)
Household	5,800	5,800	4,290	1,510
Insurance	9,500	9,500	9,248	252
Maintenance	33,167	33,167	20,406	12,761
Membership dues and subscriptions	5,600	56,000	4,820	51,180
Office	38,000	38,000	28,650	9,350
Professional services	65,375	65,375	44,717	20,658
Public awareness	10,850	10,850	5,150	5,700
Publications and legal notices	3,000	3,000	3,352	(352)
Rents and leases	55,460	66,310	54,335	11,975
Special departmental	22,975	3,475	2,871	604
Training	5,600	5,600	2,475	3,125
Travel and transportation	30,300	11,500	10,930	570
Fuel	20,000	2,000	1,678	322
Utilities	9,500	9,500	7,234	2,266
Grants and contributions to other agencies	1,730,481	4,849,063	1,972,623	2,876,440
<b>Total Expenditures</b>	<b>3,436,243</b>	<b>6,559,775</b>	<b>3,446,398</b>	<b>3,113,377</b>
<b>Net Change in Fund Balances</b>	<b>(68,675)</b>	<b>(45,065)</b>	<b>2,384,066</b>	<b>2,429,131</b>
<b>Fund Balances - Beginning</b>	<b>1,085,969</b>	<b>1,085,969</b>	<b>1,085,969</b>	<b>-</b>
<b>Fund Balances - Ending</b>	<b>\$ 1,017,294</b>	<b>\$ 1,040,904</b>	<b>\$ 3,470,035</b>	<b>\$ 2,429,131</b>

**BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT**  
**Required Supplementary Information**  
**Notes to Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2020**

**NOTE 1: BUDGETARY BASIS OF ACCOUNTING**

Formal budgetary integration is employed as a management control device during the year. The District presents a comparison of annual budget to actual results for the Operating fund. The amounts reported on the budgetary basis are generally on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

The following procedures are performed by the District in establishing the budgetary data reflected in the financial statements:

- (1) The Air Pollution Control Officer submits to the Board of Directors a recommended budget for the fiscal year commencing the following July 1. The budget includes recommended expenditures and the means of financing them.
- (2) The Board of Directors reviews the recommended budget at regularly scheduled meetings, which are open to the public. The Board also conducts a public hearing on the recommended budget to obtain comments from interested persons.
- (3) Prior to July 1, the budget is adopted through the passage of a resolution.
- (4) From the effective date of the budget, the amounts stated therein, as recommended expenditures become appropriations to the District. The Board may amend the budget by motion during the fiscal year.

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## **OTHER REPORT AND SCHEDULE**

- **Other Report**
- **Schedule of Prior Year Findings and Recommendations**

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

To the Board of Directors  
Butte County Air Quality Management District  
Chico, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of Butte County Air Quality Management District, California (District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 14, 2021.

**Internal Control Over Financial Reporting**

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

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

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

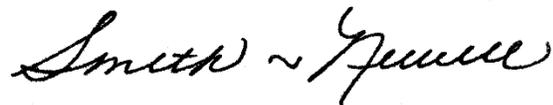
To the Board of Directors  
Butte County Air Quality Management District  
Chico, California

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

A handwritten signature in cursive script, appearing to read "Smith & Newell", written in black ink.

Smith & Newell CPAs  
Yuba City, California  
June 14, 2021

**BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT**  
**Schedule of Prior Year Findings and Recommendations**  
**For the Year Ended June 30, 2020**

<u>Audit Reference</u>	<u>Status of Prior Year Audit Recommendation</u>
<b>2019-001</b>	<p><b>Budget</b></p> <p><b>Recommendation</b></p> <p>We recommend that the District control and monitor expenditures so they do not exceed the approved budget. If budget revisions are required, we recommend that the District take appropriate action to amend the budget.</p> <p><b>Status</b></p> <p>Implemented</p>

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