

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

**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
JUNE 30, 2024**

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FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Annual Financial Report
For the Year Ended June 30, 2024

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INTRODUCTORY SECTION

- **List of Officials**

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FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT

List of Officials

For the Year Ended June 30, 2024

Board of Directors

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

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FINANCIAL SECTION

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

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INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Feather River Air Quality Management District, California (District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of June 30, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

Required Supplementary Information

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

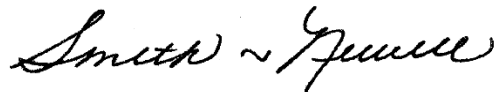
Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 1, 2025, 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
April 1, 2025

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

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Serving Sutter and Yuba Counties

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Christopher D. Brown, AICP
Air Pollution Control Officer

Management's Discussion and Analysis

(Unaudited)

This section of the Feather River Air Quality Management District's (the "District") annual financial report presents management's discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2024. Readers are encouraged to consider the information presented here in conjunction with the District's financial statements.

Financial Highlights

- The District's total net position as of June 30, 2024, was \$6,730,993. This represents a decrease of \$54,016 from the prior year, primarily due to timing differences in grant activity and capital asset depreciation.
- Governmental fund balances totaled \$7,586,411 at fiscal year-end, a decrease of \$387,255 compared to the prior year, largely reflecting increased grant program expenditures during the period.
- The District maintained strong liquidity, with \$11,640,306 in cash and investments as of June 30, 2024.
- Capital assets, net of depreciation, totaled \$465,653. This includes land, vehicles, and equipment necessary for the District's air quality monitoring and operations.
- Long-term liabilities decreased to \$256,276, primarily due to scheduled principal repayments on building financing and reduced OPEB obligations from prior-year pre-funding contributions.

Overview of the Financial Statements

This financial report is structured to provide readers with an overview of the District's finances, following the reporting requirements of the Governmental Accounting Standards Board (GASB). It consists of three primary components:

1. **Government-wide financial statements** – These provide a broad, long-term view of the District's finances using the accrual basis of accounting.
2. **Fund financial statements** – These focus on the District's governmental funds and provide a shorter-term view of operations and financial position.
3. **Notes to the financial statements** – These offer additional detail and context for the information in the financial statements.

Government-Wide Financial Analysis

As of June 30, 2024:

- The District reported assets and deferred outflows of \$13,283,058 and liabilities and deferred inflows of \$6,552,065.
- Unrestricted net position was \$3,815,442, and restricted net position for grant-funded projects was \$2,643,357.

- Net investment in capital assets totaled \$272,194, reflecting the depreciated value of District-owned assets.

Fund Financial Statement Highlights

- The General Fund ended the year with a fund balance of \$5,622,417, an increase of \$190,513.
- The Special Revenue Fund (grant activities) ended the year with a fund balance of \$1,963,994, a decrease of \$577,768.
- Major program expenditures included implementation of Carl Moyer, FARMER, and CAP programs, with combined special grant outlays totaling \$3,530,000.

Capital Assets and Debt Administration

- The District added \$47,150 in capital assets during the year, including equipment upgrades.
- Total depreciation for the year was \$60,633.
- Outstanding financed purchase obligations decreased to \$193,459, with no new debt issued during the year.

Economic Factors and Next Year's Budget

The District remains fiscally stable with adequate reserves to meet operational needs and strategic investments in air quality improvements. The FY 2024–25 budget continues to support emission reduction incentive programs and aligns with state funding priorities under AB 923, AB 617, and the FARMER program. The District has taken proactive steps to address long-term liabilities, including OPEB funding and pension contributions.

Request for Information

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

Feather River Air Quality Management District
541 Washington Avenue
Yuba City, CA 95991
Phone: (530) 634-7659

Basic Financial Statements

- **Government-Wide Financial Statements**

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FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Statement of Net Position
June 30, 2024

	Total Governmental Activities
ASSETS	
Cash and investments	\$ 11,640,306
Receivables:	
Accounts	14,233
Interest	79,353
Intergovernmental	162,009
Prepaid costs	23,079
Capital assets:	
Non-depreciable	85,000
Depreciable, net	380,653
Total capital assets	<u>465,653</u>
Total Assets	<u>12,384,633</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pension adjustments	827,546
Deferred OPEB adjustments	70,879
Total Deferred Outflows of Resources	<u>898,425</u>
LIABILITIES	
Accounts payable	26,924
Salaries and benefits payable	28,745
Unearned revenue	4,276,900
Accrued interest payable	4,648
Long-term liabilities:	
Due within one year	256,276
Due in more than one year	
Net pension liability	1,394,613
Net OPEB liability	201,569
Total Liabilities	<u>6,189,675</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred pension adjustments	45,442
Deferred OPEB adjustments	316,948
Total Deferred Inflows of Resources	<u>362,390</u>
NET POSITION	
Net investment in capital assets	272,194
Restricted for:	
Grants and projects	2,643,357
Unrestricted	3,815,442
Total Net Position	<u><u>\$ 6,730,993</u></u>

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

FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Statement of Activities
For the Year Ended June 30, 2024

<u>Functions/Programs:</u>	Expenses	Program Revenues		Capital	Net (Expense) Revenue and Changes in Net Position
	Charges for Services	Operating Grants and Contributions	Grants and Contributions	Grants and Contributions	Total Governmental Activities
Governmental activities:					
Public protection	\$ 5,669,173	\$ 1,616,158	\$ 3,712,629	\$ -	\$ (340,386)
Interest on long-term debt	10,402	-	-	-	(10,402)
Total Governmental Activities	5,679,575	1,616,158	3,712,629	-	(350,788)
Total	\$ 5,679,575	\$ 1,616,158	\$ 3,712,629	\$ -	(350,788)
General revenues:					
Interest and investment earnings					296,658
Miscellaneous revenues					114
					296,772
					(54,016)
					6,785,009
					\$ 6,730,993

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

Basic Financial Statements

- **Fund Financial Statements**

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FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Balance Sheet
Governmental Funds
June 30, 2024

	General Fund	Special Grants	Totals
ASSETS			
Cash and investments	\$ 5,441,798	\$ 6,198,508	\$ 11,640,306
Receivables:			
Accounts	14,233	-	14,233
Interest	36,967	42,386	79,353
Intergovernmental	162,009	-	162,009
Prepaid costs	23,079	-	23,079
	\$ 5,678,086	\$ 6,240,894	\$ 11,918,980
LIABILITIES			
Accounts payable	\$ 26,924	\$ -	\$ 26,924
Salaries and benefits payable	28,745	-	28,745
Unearned revenue	-	4,276,900	4,276,900
	55,669	4,276,900	4,332,569
FUND BALANCES			
Nonspendable	23,079	-	23,079
Restricted	679,363	1,963,994	2,643,357
Assigned	476,505	-	476,505
Committed	48,884	-	48,884
Unassigned	4,394,586	-	4,394,586
	5,622,417	1,963,994	7,586,411
Total Fund Balances	\$ 5,622,417	\$ 1,963,994	\$ 7,586,411
Total Liabilities and Fund Balances	\$ 5,678,086	\$ 6,240,894	\$ 11,918,980

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

FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to the
Government-Wide Statement of Net Position - Governmental Activities
June 30, 2024

Total Fund Balances - Total Governmental Funds	\$ 7,586,411
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds Balance Sheet.	465,653
Interest payable on long-term debt does not require the use of current financial resources and therefore is not accrued as a liability in the governmental funds Balance Sheet.	(4,648)
Deferred outflows of resources related to pension and OPEB are not reported in the governmental funds.	898,425
Deferred inflows of resources related to pension and OPEB are not reported in the governmental funds.	(362,390)
Certain liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	
Compensated absences	(62,817)
Financed purchase	(193,459)
Net pension liability	(1,394,613)
Net OPEB liability	(201,569)
Net Position of Governmental Activities	<u><u>\$ 6,730,993</u></u>

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

FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2024

	General Fund	Special Grants	Totals
REVENUES			
Licenses and permits	\$ 1,560,975	\$ -	\$ 1,560,975
Fines, forfeitures and penalties	55,183	-	55,183
Use of money and property	137,918	158,740	296,658
Intergovernmental	888,164	2,824,465	3,712,629
Other revenues	114	-	114
Total Revenues	2,642,354	2,983,205	5,625,559
EXPENDITURES			
Current public protection:			
Salaries and benefits	1,952,823	-	1,952,823
Communication	19,334	-	19,334
Insurance	30,305	-	30,305
Maintenance	16,020	-	16,020
Membership dues and subscriptions	4,301	-	4,301
Office	48,293	-	48,293
Professional services	191,293	-	191,293
Publications and legal notices	4,251	-	4,251
Travel and transportation	10,550	-	10,550
Rent	1,318	-	1,318
Utilities	17,611	-	17,611
Program activities	96,872	-	96,872
Special grant program activities	-	3,534,804	3,534,804
Debt service:			
Principal	27,487	-	27,487
Interest and other charges	10,402	-	10,402
Capital outlay	47,150	-	47,150
Total Expenditures	2,478,010	3,534,804	6,012,814
Excess of Revenues Over (Under) Expenditures	164,344	(551,599)	(387,255)
OTHER FINANCING SOURCES (USES)			
Transfers in	26,169	-	26,169
Transfers out	-	(26,169)	(26,169)
Total Other Financing Sources (Uses)	26,169	(26,169)	-
Net Change in Fund Balances	190,513	(577,768)	(387,255)
Fund Balances - Beginning	5,431,904	2,541,762	7,973,666
Fund Balances - Ending	\$ 5,622,417	\$ 1,963,994	\$ 7,586,411

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

FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of the Governmental Funds to the
Government-Wide Statement of Activities - Governmental Activities
For the Year Ended June 30, 2024

Net Change in Fund Balances - Total Governmental Funds	\$ (387,255)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Expenditures for capital outlay	47,150
Less current year depreciation	(60,633)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	
Principal retirements	27,487
Certain changes in deferred outflows and deferred inflows of resources reported in the Statement of Activities relate to long-term liabilities and are not reported in the governmental funds.	
Change in deferred outflows of resources related to pension	184,544
Change in deferred outflows of resources related to OPEB	(6,047)
Change in deferred inflows of resources related to pension	19,956
Change in deferred inflows of resources related to OPEB	5,196
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	
Change in compensated absences	(16,509)
Change in net pension liability	(129,888)
Change in net OPEB liability	261,339
Change in accrued interest on long-term debt	644
Change in Net Position of Governmental Activities	\$ (54,016)

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

Basic Financial Statements

- **Notes to Basic Financial Statements**

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FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

Component Units

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

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

Joint Agencies

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

Related Organizations

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

B. Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information on all of the activities of the District. These statements include the financial activities of the overall District. These statements report on the governmental activities of the District, which are normally supported by licenses and permits and intergovernmental revenues. The District had no business-type activities at June 30, 2024.

FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

Government-Wide Financial Statements (Continued)

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

Fund Financial Statements

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

The District reports the following major governmental funds:

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

C. Basis of Accounting and Measurement Focus

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

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

FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Non-Current Governmental Assets/Liabilities

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

E. Investments

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

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

F. Receivables

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

G. Inventory

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

H. Capital Assets

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

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

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

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

FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Compensated Absences

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

J. Pension

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

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

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

K. Other Postemployment Benefits (OPEB)

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

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

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Measurement Period	July 1, 2023 to June 30, 2024

L. Deferred Outflows/Inflows of Resources

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

FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Deferred Outflows/Inflows of Resources (Continued)

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

M. Estimates

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

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

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

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

Statement No. 100, Accounting Changes and Error Corrections. The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections.

O. Future Accounting Pronouncements

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

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

Statement No. 102 “Certain Risk Disclosures” The requirements of this statement are effective for fiscal years beginning after June 15, 2024. (FY 24/25)

Statement No. 103 “Financial Reporting Model Improvements” The requirements of this statement are effective for fiscal years beginning after June 15, 2025. (FY 25/26)

FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Future Accounting Pronouncements (Continued)

Statement No. 104 “Disclosure of Certain Capital Assets” The requirements of this statement are effective for fiscal years beginning after June 15, 2025. (FY 25/26)

NOTE 2: CASH AND INVESTMENTS

A. Financial Statement Presentation

As of June 30, 2024, the District’s cash and investments consisted of the following:

Cash:	
Cash on hand	\$ 400
Deposits (less outstanding checks)	<u>230,707</u>
Total Cash	<u>231,107</u>
Investments:	
Yuba County’s Treasurer’s Pool	<u>11,409,199</u>
Total Investments	<u>11,409,199</u>
Total Cash and Investments	<u>\$ 11,640,306</u>

B. Cash

At year-end, the carrying amount of the District’s cash deposits (including the amount in a checking account) was \$230,707 and the bank balance was \$230,707.

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

FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

C. Investments

The District does not have a formal investment policy. At June 30, 2024, all investments of the District were in the County of Yuba investment pool. Under the provisions of the County’s investment policy and the California Government Code, the District may invest or deposit in the following:

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

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.

At June 30, 2024, 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				
Yuba County Treasurer’s Pool	<u>11,409,199</u>			
Total Investments	<u>\$ 11,409,199</u>			

FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

C. Investments (Continued)

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

Credit Risk - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County's investment policy sets specific parameters by type of investment to be met at the time of purchase. As of June 30, 2024, the District's investments were all held with the County of Yuba investment pool which is not rated by a nationally recognized statistical rating organization.

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

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

D. Investments in External Pool

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

FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 3: CAPITAL ASSETS

	<u>Balance</u> <u>July 1, 2023</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2024</u>
Capital Assets, Not Being Depreciated:				
Land	\$ 85,000	\$ -	\$ -	\$ 85,000
Total Capital Assets, Not Being Depreciated	<u>85,000</u>	<u>-</u>	<u>-</u>	<u>85,000</u>
Capital Assets, Being Depreciated:				
Buildings and improvements	575,000	-	-	575,000
Equipment	170,436	47,150	-	217,586
Vehicles	192,832	-	-	192,832
Total Capital Assets, Being Depreciated	<u>938,268</u>	<u>47,150</u>	<u>-</u>	<u>985,418</u>
Less Accumulated Depreciation For:				
Buildings and improvements	(344,998)	(38,333)	-	(383,331)
Equipment	(54,419)	(12,915)	-	(67,334)
Vehicles	(144,715)	(9,385)	-	(154,100)
Total Accumulated Depreciation	<u>(544,132)</u>	<u>(60,633)</u>	<u>-</u>	<u>(604,765)</u>
Total Capital Assets, Being Depreciated, Net	<u>394,136</u>	<u>(13,483)</u>	<u>-</u>	<u>380,653</u>
Total Capital Assets, Net	<u>\$ 479,136</u>	<u>(\$ 13,483)</u>	<u>\$ -</u>	<u>\$ 465,653</u>

Depreciation

Depreciation expense was charged to governmental activities as follows:

Public Protection	<u>\$ 60,633</u>
Total Depreciation Expense	<u>\$ 60,633</u>

NOTE 4: INTERFUND TRANSACTIONS

Transfers

Transfers are indicative of funding for capital projects, lease payments or debt service, and re-allocations of special revenues. The following are the interfund transfer balances as of June 30, 2024:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 26,169	\$ -
Special Grants	<u>-</u>	<u>26,169</u>
Total	<u>\$ 26,169</u>	<u>\$ 26,169</u>

FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 5: UNEARNED REVENUE

At June 30, 2024, components of unearned revenue were as follows:

General fund		
Woodsmoke reduction program	\$	174,326
Farmer program		1,958,049
CAP program		1,158,626
Woodstove program		204,956
Prescribed fire agent		24,017
Oil and gas program		44,788
Moyer program		697,260
Emission program		9,583
Immaterial		<u>5,295</u>
Total Unearned Revenue	\$	<u>4,276,900</u>

NOTE 6: LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2024:

<u>Type of Indebtedness</u>	<u>Balance</u> <u>July 1, 2023</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2024</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Compensated absences	\$ 46,308	\$ 62,892	(\$ 46,383)	\$ 62,817	\$ 62,817
Financed purchases	<u>220,946</u>	<u>-</u>	<u>(27,487)</u>	<u>193,459</u>	<u>193,459</u>
Total	<u>\$ 267,254</u>	<u>\$ 62,892</u>	<u>(\$ 73,870)</u>	<u>\$ 256,276</u>	<u>\$ 256,276</u>

NOTE 7: LEASES

Financed Purchases

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

	<u>Stated</u> <u>Interest Rate</u>	<u>Present Value</u> <u>of Remaining</u> <u>Payments at</u> <u>June 30, 2024</u>
Governmental activities	4.75%	\$ <u>193,459</u>
Total Capital Lease Obligations		\$ <u>193,459</u>

The building and related accumulated depreciation under financed purchases are as follows:

	<u>Governmental</u> <u>Activities</u>
Building	\$ 575,000
Less: accumulated depreciation	<u>(383,331)</u>
Net Value	<u>\$ 191,669</u>

FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 7: LEASES (CONTINUED)

Financed Purchases (Continued)

As of June 30, 2024, financed purchases annual amortization is as follows:

Year Ended June 30	Governmental Activities
2025	\$ 207,195
Total Requirements	207,195
Less: Interest	(13,736)
Present Value of Remaining Payments	<u>\$ 193,459</u>

NOTE 8: 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 9: FUND BALANCE

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

- **Non-spendable fund balance** - amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories and prepaid amounts.

FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 9: FUND BALANCE (CONTINUED)

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

The fund balance for the governmental funds as of June 30, 2024, was distributed as follows:

	<u>General Fund</u>	<u>Special Grants</u>	<u>Totals</u>
Nonspendable:			
Prepaid costs	\$ 23,079	\$ -	\$ 23,079
Subtotal	<u>23,079</u>	<u>-</u>	<u>23,079</u>
Restricted for:			
AB2766 Blue Sky Project	679,363	-	679,363
AB923 Carl Moyer	-	1,963,994	1,963,994
Subtotal	<u>679,363</u>	<u>1,963,994</u>	<u>2,643,357</u>
Assigned for:			
Project Awards	<u>476,505</u>	<u>-</u>	<u>476,505</u>
Subtotal	<u>476,505</u>	<u>-</u>	<u>476,505</u>
Committed for:			
PERS Unfunded Liability	45,884	-	45,884
PERS Retiree OPEB	3,000	-	3,000
Subtotal	<u>48,884</u>	<u>-</u>	<u>48,884</u>
Unassigned	<u>4,394,586</u>	<u>-</u>	<u>4,394,586</u>
Total	<u>\$ 5,622,417</u>	<u>\$ 1,963,994</u>	<u>\$ 7,586,411</u>

FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 9: FUND BALANCE (CONTINUED)

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 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

FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 10: PENSION PLAN (CONTINUED)

A. General Information about the Pension Plan (Continued)

Benefits Provided

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

Each Rate Tier's specific provisions and benefits in effect at June 30, 2024, are summarized as follows:

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

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	14.060%	7.960%	0.000%
Miscellaneous PEPRA	7.680%	7.750%	0.000%

For the year ended June 30, 2024, the contributions recognized as part of pension expense were as follows:

	<u>Contributions-Employer</u>	<u>Contributions-Employee (Paid by Employer)</u>
Miscellaneous	\$ 180,518	\$ -

FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 10: PENSION PLAN (CONTINUED)

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, 2023, 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, 2022 rolled forward to June 30, 2023 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, 2023 and 2024 was as follows:

	<u>Proportion June 30, 2023</u>	<u>Proportion June 30, 2024</u>	<u>Change – Increase (Decrease)</u>
Miscellaneous	0.027028%	0.027890%	0.000562%

As of June 30, 2024, 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	\$ 1,394,613
Total Net Pension Liability	<u>\$ 1,394,613</u>

For the year ended June 30, 2024, the District recognized pension expense of \$318,554. At June 30, 2024, 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 measurement date	\$ 393,164	\$ -
Changes of assumptions	79,218	-
Difference between expected and actual experience	67,104	(10,397)
Difference between projected and actual earnings on pension plan investments	225,476	-
Difference between District contributions and proportionate share of contributions	-	(35,045)
Adjustments due to differences in proportions	<u>62,584</u>	<u>-</u>
Total	<u>\$ 827,546</u>	<u>(\$ 45,442)</u>

FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 10: PENSION PLAN (CONTINUED)

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

\$193,164 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended <u>June 30</u>	
2025	\$ 129,019
2026	88,789
2027	165,064
2028	6,068
2029	-
Thereafter	<u>-</u>
Total	<u>\$ 388,940</u>

Actuarial Assumptions

The total pension liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Payroll Growth	2.80%
Projected Salary Increase	Varies by entry-age and service
Investment Rate of Return	6.80%
Mortality	Derived using CalPERS membership data for all funds

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

Long-Term Expected Rate of Return

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

FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2024

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)

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

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

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

(2) Figures are based on the 2021-22 Asset Liability Management Study

Discount Rate

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

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

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

	1% Decrease	Discount Rate	1% Increase
	<u>5.90%</u>	<u>6.90%</u>	<u>7.90%</u>
Miscellaneous	\$ 2,208,251	\$ 1,394,613	\$ 724,919

Pension Plan Fiduciary Net Position

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

FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2024

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). No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided

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

Post-Retirement Coverage

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

Employees Covered by Benefit Terms

At June 30, 2024, the following employees were covered by the benefit terms:

Inactive employee or beneficiaries currently receiving benefit payments	1
Active employees	11
	12

B. Net OPEB Liability

The District’s net OPEB liability of \$201,569 was measured as of June 30, 2024.

Actuarial Assumptions

The net OPEB liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry-Age Actuarial Cost Method
Salary increases	2.75% per year
Inflation rate	2.50% per year
Investment rate of return	3.93% per year
Healthcare cost trend rate	4.00% per year
Discount rate	3.93% per year net of expenses

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

FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2024

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

B. Net OPEB Liability (Continued)

Discount Rate

The discount rate estimates investment earnings for assets earmarked to cover retiree health benefit liabilities. The discount rate depends on the nature of underlying assets for funded plans. The rate used for a funded plan is the real rate of return expected for plan assets plus the long-term inflation assumption. For an unfunded plan, the discount rate is based on an index of 20-year General Obligation municipal bonds. For partially funded plans, the discount rate is a blend of the funded and unfunded rates. As of the measurement date of June 30, 2024, a discount rate of 3.65 percent, net of expenses was used.

C. Changes in the Net OPEB Liability

The table below shows the changes in the net 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, 2024 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, 2023	\$ 462,908	\$ -	\$ 462,908
Changes for the year:			
Service cost	43,890	-	43,890
Interest	17,642	-	17,642
Contributions - employer	-	303,000	(303,000)
Benefit Payments	(3,000)	(3,000)	-
Change in assumptions	(19,871)	-	(19,871)
Net changes	<u>38,661</u>	<u>300,000</u>	<u>38,661</u>
Balance at fiscal year ended June 30, 2024	<u>\$ 501,569</u>	<u>\$ 300,000</u>	<u>\$ 201,569</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	Discount Rate	1% Increase
	<u>2.93%</u>	<u>3.93%</u>	<u>4.93%</u>
Net OPEB liability	\$ 576,487	\$ 201,569	\$ 411,679

FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2024

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 (3.00%)	Trend Rate (4.00%)	1% Increase (5.00%)
Net OPEB Liability	\$ 441,477	\$ 201,569	\$ 574,278

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

For the year ended June 30, 2024, the District recognized OPEB expense of \$42,512. At June 30, 2024, 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
Differences between expected and actual experience	\$ -	(\$ 199,406)
Changes in assumptions and other inputs	70,879	(117,542)
Total	\$ 70,879	(\$ 316,948)

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

Year Ended June 30	
2025	(\$ 19,020)
2026	(19,020)
2027	(19,020)
2028	(19,020)
2029	(19,020)
Thereafter	(150,969)
	(\$ 246,069)

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.

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.

FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2024

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, 2024, 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

Loan Payoff

The District successfully completed the payoff of an outstanding loan subsequent to June 30, 2024. This action resulted in the elimination of all future annual payments associated with the loan. The loan payoff yielded significant financial benefits, including the following:

- A total interest savings of \$29,706.83. The removal of recurring annual payment obligations, providing increased financial flexibility for the organization.

This significant event demonstrates the District's commitment to improving its financial position and optimizing resource allocation. The elimination of the loan obligation positively impacts the overall fiscal outlook.

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**Required Supplementary Information
(Unaudited)**

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FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Required Supplementary Information
District Pension Plan
Schedule of Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2024
Last 10 Years

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

<u>2018/2019</u>	<u>2019/2020</u>	<u>2020/2021</u>	<u>2021/2022</u>	<u>2022/2023</u>
0.023610%	0.024654%	2.734900%	0.027028%	0.027890%
\$ 945,456 683,194	\$ 1,040,129 810,411	\$ 519,307 875,542	\$ 1,264,725 920,063	\$ 1,394,613 890,209
138.39%	128.35%	59.31%	137.46%	156.66%
77.67%	77.45%	89.42%	77.53%	76.82%

FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Required Supplementary Information
District Pension Plan
Schedule of Contributions
For the Year Ended June 30, 2024
Last 10 Years

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

<u>2019/2020</u>	<u>2020/2021</u>	<u>2021/2022</u>	<u>2022/2023</u>	<u>2023/2024</u>
\$ 136,668	\$ 160,302	\$ 173,764	\$ 180,518	\$ 193,164
<u>(136,668)</u>	<u>(160,302)</u>	<u>(173,764)</u>	<u>(180,518)</u>	<u>(393,164)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (200,000)</u>
\$ 810,411	\$ 875,542	\$ 920,063	\$ 890,209	\$ 979,063
16.86%	18.31%	18.89%	20.28%	19.73%

FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Required Supplementary Information
District Pension Plan
Note to District Pension Plan
For the Year Ended June 30, 2024

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

Changes of benefit terms – There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided benefit improvement to their employees such as Golden Handshakes, service purchases, and other prior service costs. Employers that have done so may need to report this information as a separate liability in their financial statements as CalPERS considers such amounts to be separately financed employer-specific liabilities. These employers should consult with their auditors.

Changes in assumptions – There were no changes in assumptions.

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FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Required Supplementary Information
District OPEB Plan
Schedule of Changes in the Net OPEB Liability and Related Ratios
For the Year Ended June 30, 2024
Last 10 Years*

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

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

(a) Not available.

<u>2021/2022</u>	<u>2022/2023</u>	<u>2023/2024</u>
\$ 59,970	\$ 45,693	\$ 43,890
13,540	20,175	17,642
(117,484)	(3,585)	(19,871)
-	(147,763)	-
<u>(3,000)</u>	<u>(3,000)</u>	<u>(3,000)</u>
(46,974)	(88,480)	38,661
<u>598,362</u>	<u>551,388</u>	<u>462,908</u>
<u>\$ 551,388</u>	<u>\$ 462,908</u>	<u>\$ 501,569</u>
\$ 3,000	\$ 3,000	\$ 303,000
<u>(3,000)</u>	<u>(3,000)</u>	<u>(3,000)</u>
-	-	300,000
-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 300,000</u>
<u>\$ 551,388</u>	<u>\$ 462,908</u>	<u>\$ 201,569</u>
0.00%	0.00%	148.83%
\$ -	\$ -	\$ -
(a)	(a)	(a)

FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Required Supplementary Information
District OPEB Plan
Note to District OPEB Plan
For the Year Ended June 30, 2024

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

None.

FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule - Combined
For the Year Ended June 30, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance With Final Budget Positive (Negative)</u>
REVENUES				
Licenses and permits	\$ 1,588,947	\$ 1,588,947	\$ 1,560,975	\$ (27,972)
Fines, forfeitures and penalties	60,000	60,000	55,183	(4,817)
Use of money and property	64,000	64,000	296,658	232,658
Intergovernmental	2,713,119	2,713,119	3,712,629	999,510
Other revenues	1,000	1,000	114	(886)
Total Revenues	<u>4,427,066</u>	<u>4,427,066</u>	<u>5,625,559</u>	<u>1,198,493</u>
EXPENDITURES				
Current public protection:				
Salaries and benefits	1,409,620	1,993,555	1,952,823	40,732
Communication	17,730	18,342	19,334	(992)
Insurance	32,092	32,092	30,305	1,787
Maintenance	48,875	48,875	16,020	32,855
Membership dues and subscriptions	10,751	10,751	4,301	6,450
Office	92,683	92,683	48,293	44,390
Professional services	167,167	199,285	191,293	7,992
Publications and legal notices	50,000	50,000	4,251	45,749
Travel and transportation	33,300	33,300	10,550	22,750
Rent	1,800	1,800	1,318	482
Utilities	16,200	16,200	17,611	(1,411)
Program activities	-	-	96,872	(96,872)
Special grant/program activities	3,087,487	3,534,804	3,534,804	-
Debt service	-	-	37,889	(37,889)
Capital outlay	-	103,700	47,150	56,550
Total Expenditures	<u>4,967,705</u>	<u>6,135,387</u>	<u>6,012,814</u>	<u>122,573</u>
Net Change in Fund Balances	(540,639)	(1,708,321)	(387,255)	1,321,066
Fund Balances - Beginning	<u>7,973,666</u>	<u>7,973,666</u>	<u>7,973,666</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 7,433,027</u>	<u>\$ 6,265,345</u>	<u>\$ 7,586,411</u>	<u>\$ 1,321,066</u>

The District budgets for debt service principal and interest expenditures as one item. For purposes of the budgetary comparison schedule, the debt service principal and interest expenditures have been combined.

The District prepares a combined budget for the General fund and Special Projects special revenue fund. The budgetary comparison schedule above is for the two funds combined.

FEATHER RIVER AIR QUALITY MANAGEMENT DISTRICT
Required Supplementary Information
Note to Budgetary Comparison Schedule
For the Year Ended June 30, 2024

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 General fund. The District did not adopt a budget for the Special Grants 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.

The District does not use encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation.

OTHER REPORT

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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
Feather River Air Quality Management District
Yuba City, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Feather River Air Quality Management District, California (District) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 1, 2025.

Report on 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 or significant deficiencies may exist that were not identified.

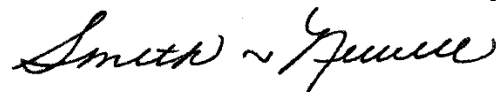
To the Board of Directors
Feather River Air Quality Management District
Yuba City, California

Report on 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.



Smith & Newell CPAs
Yuba City, California
April 1, 2025