

**Monterey Bay  
Unified Air  
Pollution Control  
District dba  
Monterey Bay Air  
Resources District**

Monterey, California

*Basic Financial Statements  
and Independent Auditors' Reports*

*For the year ended June 30, 2018*



# Monterey Bay Unified Air Pollution Control District dba Monterey Bay Air Resources District

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
of the Monterey Bay Unified Air Pollution Control District  
Monterey, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Monterey Bay Unified Air Pollution Control District, California (District) as of and for the year ended June 30, 2018, 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.

### Auditors' 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. 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  
of the Monterey Bay Unified Air Pollution Control District  
Monterey, California  
Page 2

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, budgetary comparison information, pension plan schedules, and OPEB plan schedules on pages 3-9 and 52-55 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.

**Change in Accounting Principle**

As described in Note 1 to the financial statements, in 2018, the District adopted new accounting guidance, *GASBS No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.



Badawi & Associates  
Certified Public Accountants  
Oakland, California  
January 16, 2019

**MONTEREY BAY UNIFIED AIR  
POLLUTION CONTROL DISTRICT dba  
MONTEREY BAY AIR RESOURCES DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018**

Our discussion and analysis of the Monterey Bay Unified Air Pollution Control District's (the District) financial performance provides an overview of the financial activities for the fiscal year ended June 30, 2018. This report is to be read in conjunction with the basic financial statements.

**FINANCIAL HIGHLIGHTS**

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$13,552,000 (net position). Of this amount, \$11,996,000 (restricted net position) are legally restricted for grant programs and other purposes.
- The District's total net position increased by \$1,639,000 from the prior year.
- As of the close of the fiscal year, the District's governmental funds reported combined ending fund balances of \$18.2 million, an increase of \$1,161,000 in comparison to the prior year. The major factors contributing to this increase are described on page 7.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis serves as an introduction to the District's financial statements. The District's financial statements are comprised of three components: 1) Government-wide financial statements; 2) Fund Financial Statements; and 3) Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements.

**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 of the District's assets and deferred outflows of resources and liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The Statement of Net Position combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations. Other nonfinancial factors should also be taken into consideration, such as changes in the District's revenue base, to assess the overall health or financial condition of the District.

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The governmental-wide financial statements include all the governmental activities of the District. The governmental activities of the District include administration, engineering/compliance, air monitoring, planning and grants. The District does not operate any business-type activities.

The District's government-wide financial statements are presented on pages 14 and 15.

## OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

**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 fund financial statements provide detailed information about the most significant funds, not the District as a whole. The District has one fund, the General Fund, which is a governmental fund type. The General Fund includes all of the sub-funds the District maintains, including the individual grant program funds such as AB2766, AB293, Moyer Grant Fund, and the General Grant Fund. 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 fiscal year.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented in the government-wide financial statements. 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 governmental funds and government-wide statements. The fund financial statements can be found on pages 18 through 21 of this report.

**Notes to Basic Financial Statements** – The notes provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28 to 47 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Summary of Net Position (Rounded to the nearest \$1,000) For the Year Ended June 30

	2018	2017 (as restated)	Change
Current and other assets	\$ 18,849,000	\$ 18,194,000	\$ 655,000
Capital assets	<u>3,144,000</u>	<u>2,256,000</u>	<u>888,000</u>
Total assets	<u>21,993,000</u>	<u>20,450,000</u>	<u>1,543,000</u>
Deferred outflow of resources	<u>2,466,000</u>	<u>1,628,000</u>	<u>838,000</u>
Current and other liabilities	802,000	1,228,000	(426,000)
Long-term liabilities	<u>8,993,000</u>	<u>6,773,000</u>	<u>2,220,000</u>
Total liabilities	<u>9,795,000</u>	<u>8,001,000</u>	<u>1,794,000</u>
Deferred inflow of resources	<u>1,112,000</u>	<u>2,164,000</u>	<u>1,052,000</u>
Net investment in capital assets	3,144,000	2,256,000	888,000
Restricted	11,996,000	10,596,000	1,400,000
Unrestricted	<u>(1,588,000)</u>	<u>(939,000)</u>	<u>(649,000)</u>
Total net position	<u>\$ 13,552,000</u>	<u>\$ 11,913,000</u>	<u>\$ 1,639,000</u>

Net position may serve over time as a useful indicator of the District's financial position. At the close of the fiscal year ended June 30, 2018, the District's assets exceeded its liabilities by \$12.2 million.

**GOVERNMENT–WIDE FINANCIAL ANALYSIS (Continued)**

Approximately 93% of the District’s current and other assets consist of cash and investments.

Approximately \$12.0 million (89% of total net position) are restricted for grants and other purposes. The unrestricted portion of the District’s net position decreased by almost \$649,000 from the previous year. This decrease is primarily due to an increase in long term debt of about \$2.22 million offset by an increase of current assets of about \$0.7 million. Restricted assets in the District’s grant funds increased by \$1.4 million. These funds will be spent primarily on grant projects in future periods.

**Change in Net Position (Rounded to the nearest \$1,000)  
For the Year Ended June 30**

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Revenues:			
Program Revenues:			
Charges for services	\$ 4,218,000	\$ 4,323,000	\$ (105,000)
Operating grants and contributions	1,445,000	441,000	1,004,000
General Revenues:			
DMV surcharges	2,686,000	2,677,000	9,000
AB 923	1,343,000	1,338,000	5,000
City/County contributions	303,000	269,000	34,000
Investment income	228,000	186,000	42,000
Other	<u>651,000</u>	<u>989,000</u>	<u>(338,000)</u>
Total Revenues	<u>10,874,000</u>	<u>10,223,000</u>	<u>651,000</u>
Expenses:			
Administration	1,965,000	1,938,000	27,000
Engineering/Compliance	2,691,000	2,909,000	(218,000)
Air monitoring	663,000	712,000	(49,000)
Planning and grants	<u>3,916,000</u>	<u>3,101,000</u>	<u>815,000</u>
Total Expenses	<u>9,235,000</u>	<u>8,660,000</u>	<u>575,000</u>
Change in net position	1,639,000	1,563,000	76,000
Net position, beginning of year	<u>11,913,000</u>	<u>11,343,000</u>	<u>570,000</u>
Net position, end of year	<u>\$ 13,552,000</u>	<u>\$ 12,906,000</u>	<u>\$ 646,000</u>

For Program Revenues, Charges for Services totaled approximately \$4.2 million, which is \$105,000 lower than the previous year’s total. Civil penalties were down substantially from the prior year but offset by additional revenues due to a 5.0% increase to certain permit fee categories. Operating grant revenues in FY 2017-18 increased by about \$1.0 million as compared to the previous year primarily due to an increase of \$748,000 in Carl Moyer grant program revenues as a result of timing of grant projects. In addition, the District received new state funding of \$85,000 for implementing new oil and gas regulations.

For General Revenues, DMV and AB923 surcharges increased by about 0.3% over the previous year. City and County contributions were up by \$34,000 due to an increase to the per capita rates from \$.35 to \$.39. Investment income increased by about \$42,000 due to higher interest rates and larger overall fund balances as compared to the previous year.

The last General Revenue category, “Other” revenues, include CARB Subvention, rental income, off-site mitigation fees from the East Garrison housing development in Marina, and miscellaneous income. In total, other revenues were down by \$338,000 primarily due to \$268,000 of one-time cost recoveries in the prior year from a Dynegy power plant settlement, \$90,000 of deferred revenue from an asbestos case settlement, and a decrease of \$63,000 in off-site mitigation fees. Cost recoveries of \$151,406 included \$117,000 from insurance reimbursements for legal fees spent on recent lawsuits.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Expenses for the year totaled \$9.2 million, an increase of about \$575,000 as compared to the previous year. Contributing factors for the change include a 15% increase in CalPERS employer retirement contributions and changes in GASB 68 & 75 expense allocations.

Administration Division expenses were up in total by about \$27,000 primarily due to an increases in fixed assets and computer replacements. Engineering and Compliance Divisions' expenses were less than the previous year by about \$218,000, primarily due to lower salaries and benefits as a result of retirements.

Air Monitoring expenses were \$49,000 lower than the previous year primarily due to allocations of depreciation expenses. Planning Division expenses were higher by about \$815,000, primarily due to an increase in Moyer grant program expenditures plus professional services related to a California Energy Commission (CEC) grant to fund electric vehicle readiness programs.

AB 2766 grants and electric vehicle rebates totaled approximately \$673,000 million as compared to \$1.2 million in FY 2016-17. AB 923 grants increased by about \$738,000 and \$458,000 was spent from the AB 923 Fund on the District's electric vehicle infrastructure program. For the Carl Moyer grant program, grant reimbursements increased by about \$963,000 as compared to the prior year. Grant program expenditures fluctuate from year to year due to the timing of the completion of grant projects.

Overall, the District's net position increased by \$646,000 bringing the net position to \$13.6 million as of June 30, 2018.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The book value of the District's investment in capital assets was \$3,144,000 (net of accumulated depreciation of \$4.7 million) as of June 30, 2018. This investment in capital assets includes land, buildings, laboratory equipment, air monitoring stations, computer and office equipment, and vehicles.

In FY 2017-18, there was a \$888,000 net increase in capital assets consisting of:

Capital purchases	\$ 1,066,000
Assets retired	(172,000)
Depreciation, net of retired assets	(6,000)
Total	<u>\$ 888,000</u>

Capital purchases for the year included \$962,000 for the 3rd floor building remodel project, \$46,000 for building lighting improvements, and \$32,000 for air monitoring equipment, and \$26,000 for a vehicle replacement. The 3<sup>rd</sup> floor building remodel project was the second phase of the improvements to workstations, restrooms and lighting that began with the 2<sup>nd</sup> floor remodel project in FY 2015-16.

Additional information regarding the capital assets can be found in Note 3 in the "Notes to Basic Financial Statements," pages 36 - 37.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)**

### Long Term Liabilities

At June 30, 2018, the District had total long term liabilities of \$8,993,000, consisting of Pension Liability, Compensated Absences (accrued leave) and Other Post-Employment Benefits (OPEB) liabilities.

The District's net pension liability increased by \$1,128,000 to \$7,378,000. OPEB liabilities increased by about \$1,100,000, net of a \$95,000 deposit to the District's Other Post-Employment Benefits (OPEB) trust account to fund future health benefits for retirees. The OPEB liability reflects the District's first year of implementing GASB 75 (*"Accounting and Financial Reporting for Postemployment Benefits Other Than Pension"*) which is intended to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The District's other liability, Compensated Absences, decreased by \$17,000.

Details of the long term liability balances are found on pages 37-45, Note 4, 6, and 7 of the "Notes to Basic Financial Statements."

## **FINANCIAL ANALYSIS OF THE GOVERNMENT FUNDS**

The focus of the District's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements.

The General Fund balance at June 30, 2018 was \$18,210,000, an increase of approximately \$1,161,000 from the prior year. The increase was primarily due to the net of the following factors:

- Decrease to the General Fund of approximately \$238,000 as compared to a budgeted deficit of \$634,000. Overall revenues exceeded budget by about \$193,000 with the largest positive variances in penalties and fines, permit fees and EPA grants. The largest negative budget variance for revenues was the \$225,000 in State funded woodsmoke reduction funding. This variance resulted from a timing issue, as the funds were received after the fiscal year end. Expenditures were about \$202,000 under budget primarily due positive variances for fixed assets and professional services. Significant expenditures included: a) \$1,008,000 in fixed assets expenditures, including \$962,000 for the third floor remodeling project, b) \$272,000 in professional services and \$197,000 in legal expenses, c) \$95,000 for a deposit to the District's OPEB liability trust account, and d) \$70,500 in Woodstove Changeout grants.
- Increase to the AB2766 Grant program funds of approximately \$1,226,000 primarily due to the timing of grant project reimbursements. DMV \$4.00 fees received from the State totaled \$2,686,000, an increase of approximately \$12,000 over the previous year. Grant expenditures and incentives totaled about \$673,000 as compared to budget of \$2.9 million. \$414,500 of the total spent was for electric vehicle incentives. Other expenditures were about \$280,000 under budget.
- Increase to the AB923 Grant program funds of approximately \$107,000. DMV \$2.00 fees received from the State totaled \$1,342,000, an increase of approximately \$4,000 over the previous year. AB923 grant expenditures were about \$798,000 as compared to budget of \$1.01 million due to timing of grant project reimbursements. About \$458,000 was spent of the \$1.6 million set aside for the District's electric vehicle infrastructure program which is intended to increase the number of charging stations in the Monterey, Santa Cruz, and San Benito counties.
- Decrease to the Moyer Grant program funds of approximately \$201,000. Funds received for grant projects and administrative expenses totaled approximately \$917,000 as compared to budget of \$782,000. Grant expenditures were about \$1.03 million.

- Increase to the General Grant fund of \$268,000. Revenues from offsite mitigation fees for the East Garrison Specific Plan Project in Marina (Monterey County) totaled \$254,000. No grant expenditures were made from this fund during the fiscal period. The grant monies are designated for agricultural pump retrofits and replacements and for purchasing low emission school buses.

## **BUDGETARY HIGHLIGHTS**

### Revenues

The actual revenues total of \$10.9 million compared to a final budget of \$10.7 million. The categories with the largest favorable budget variances were:

- Carl Moyer grant program revenues, about \$134,000 higher than budget
- Permit fees, about \$103,000 higher than budget
- Cost recoveries, about \$61,000 higher than budget
- Interest income, about \$49,000 higher than budget
- Civil and late payment penalties, about \$179,000 higher than budget.

The categories with the largest unfavorable budget variances included:

- Woodsmoke Reduction Funding, about \$225,000 under budget (monies received in FY 2018-19)
- DMV Surcharges, about \$62,000 lower than budget
- Off-site mitigation fees, about \$69,000 lower than budget
- Other Grant Revenues (CEC grant), about \$61,000 lower than budget

### Expenditures

Actual expenditures for the year totaled \$9.8 million as compared to a budget of \$15.1 million. The primary reason for the significant budget variance is a timing difference for grant expenditures. The grants expenditures budget is based on the maximum amount to be reimbursed for all outstanding grant commitments. For example, \$2.5 million was budgeted for AB2766 expenditures for new grants and unspent grants carried forward from previous years. Out of this total, actual payments to grantees totaled about \$258,000, resulting in a budget variance of \$2.2 million. Similar timing issues existed for the General Grant Fund with a budget of \$1.0 million but no grant projects were completed or reimbursed during the fiscal period. For the AB923 grant program, Grants were also under budget by \$278,000 for the AB923 grant program and \$116,000 for the Carl Moyer grant program.

Other notable expenditure budget variances included a \$1.3 million positive variance for legal and professional services, with the largest variances in the Planning Division (\$1.1 million under budget) due to the timing of expenses related to the District's electric vehicle infrastructure program budget, and the Administrative Division with legal expenses \$50,000 over budget. In addition, there was a \$62,000 fixed assets budget assets positive variance primarily due to the final payment for the work on the 3<sup>rd</sup> floor remodel project being paid in FY 2018-19, and a \$58,000 positive variance for salaries and benefits due to unfilled positions as a result of retirements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The FY 2018–19 new budget was prepared with the assumption that operating revenues would be about \$360,000 lower than the previous year, primarily due to projected losses in permit and Title V fees from the Dynegy power plant. To offset these losses, permit fees were increased by 5 to 15% for most fee categories.

The operating budget includes new State revenues of approximately \$647,000 with the largest amount

being \$425,000 for the District's Woodstove Changeout program. In addition, the budget includes the second year of the California Energy Commission grant at \$150,000 in revenues with an offsetting expense for professional services. The budget assumes a staffing level of 32 employees. Salaries and benefit costs are budgeted at \$4.6 million which is an increase of about \$56,000 primarily due to higher pension costs and wage increases. Fixed asset purchases of \$280,000 are projected, consisting of \$81,000 for document management scanning software, \$75,000 for painting the exterior of the District's office building, \$70,000 for vehicle replacements, \$30,000 for air monitoring equipment, and a \$24,000 capital lease payment for a solar project for the District's office building.

In FY 2018–19, the revised General Fund budget is projected to have a \$(88,000) net deficit. The projected budget deficit will be covered by the use of General Fund reserves, including the use of the Other Post Employment Benefits (OPEB) liability reserve to make a \$100,000 deposit to the District's OPEB trust. The OPEB reserve had a balance of \$275,000 as of June 30, 2018.

For non-operating budget revenues (grant program revenues), the FY 2018–19 budget is higher than the previous year budget by about \$161,000. The new budget includes two new State funded grant programs: the Community Air Protection Program (CAPP) and the Funding Agricultural Replacement Measures for Emission Reductions (FARMER). The CAPP grant program is focused on reducing air pollution in disadvantaged and low income areas. The FARMER grant program is intended to fund agricultural equipment replacements to reduce emissions. These new programs' grant expenditures are budgeted at about \$1.8 million.

The District's June 30, 2018 General Fund reserve balance was \$6.2 million with \$2.4 million designated for special purposes and \$3.8 million as unassigned. This level of reserves will help offset potential revenue losses and/or increased expenditures. A portion of the reserves, \$775,000, is designated to fund trust accounts to reduce the District's OPEB and pension obligations. Future financial challenges include additional potential loss of permit fee revenues from major sources, possible decreases to EPA grant funding, and increases to retirement and health benefit costs. To minimize the effect of these factors, the District strives each year to make efficiency improvements to lower costs and seeks to maximize its limited revenue sources to cover expenses.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Monterey Bay Air Resources District, Attn: Administrative Services, 24580 Silver Cloud Court, Monterey, California 93940 or via email at [jgiuffre@mbard.org](mailto:jgiuffre@mbard.org).

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## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**Monterey Bay Unified Air Pollution Control District**  
**dba Monterey Bay Air Resources District**  
**Statement of Net Position**  
**June 30, 2018**

<b>ASSETS</b>	
Current assets:	
Cash and investments	\$ 17,561,384
Receivables:	
Account receivables, net	385,813
Interest receivables	70,148
DMV fees receivable	703,898
Other receivables	104,922
Prepaid expenses	22,949
Total current assets	<u>18,849,114</u>
Noncurrent assets:	
Capital assets:	
Non-depreciable	1,338,633
Depreciable, net	1,805,674
Total capital assets, net	<u>3,144,307</u>
Total noncurrent assets	<u>3,144,307</u>
<b>Total assets</b>	<u>21,993,421</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows of resources - pension	2,302,421
Deferred outflows of resources - OPEB	163,516
<b>Total deferred outflows of resources</b>	<u>2,465,937</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued liabilities	638,675
Compensated absences - due in one year	163,536
Total current liabilities	<u>802,211</u>
Noncurrent liabilities:	
Compensated absences - due in more than one year	228,780
Net OPEB liability	1,386,781
Net pension liability	7,377,972
Total noncurrent liabilities	<u>8,993,533</u>
<b>Total liabilities</b>	<u>9,795,744</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources - pension	1,088,502
Deferred inflows of resources - OPEB	23,579
<b>Total deferred inflows of resources</b>	<u>1,112,081</u>
<b>NET POSITION</b>	
Investment in capital assets	3,144,307
Restricted	11,995,740
Unrestricted	(1,588,514)
<b>Net position</b>	<u>\$ 13,551,533</u>

See accompanying Notes to Basic Financial Statements.

**Monterey Bay Unified Air Pollution Control District**  
**dba Monterey Bay Air Resources District**  
**Statement of Activities**  
**For the year ended June 30, 2018**

	Expenses	Program Revenues			Net
		Charges for Services	Operating Grants and Contributions	Total	(Expense) Revenue and Changes in Net Position
					Governmental Activities
<b>Governmental activities</b>					
Administration	\$ 1,964,731	\$ 34	\$ -	\$ 34	\$ (1,964,697)
Engineering/Compliance	2,690,958	4,114,035	325,113	4,439,148	1,748,190
Air monitoring	663,326	104,343	140,703	245,046	(418,280)
Planning and grants	3,915,965	-	979,407	979,407	(2,936,558)
<b>Total governmental activities</b>	<b>\$ 9,234,980</b>	<b>\$ 4,218,412</b>	<b>\$ 1,445,223</b>	<b>\$ 5,663,635</b>	<b>(3,571,345)</b>
<b>General Revenues:</b>					
					DMV surcharges 2,685,847
					AB 923 1,342,924
					City/County contribution 302,571
					Investment Income 228,112
					Other 650,685
					<b>Total general revenues 5,210,139</b>
					<b>Change in net position 1,638,794</b>
					<b>Net position - beginning of year, as restated 11,912,739</b>
					<b>Net position - end of year \$ 13,551,533</b>

See accompanying Notes to Basic Financial Statements.

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## **FUND FINANCIAL STATEMENTS**

**Monterey Bay Unified Air Pollution Control District**  
**dba Monterey Bay Air Resources District**  
**Balance Sheet - General Fund**  
**June 30, 2018**

	General
<b>ASSETS</b>	
Cash and investments	\$ 17,561,384
Receivables:	
Account receivables, net	385,813
Interest receivables	70,148
DMV fees receivable	703,898
Other receivables	104,922
Prepaid items	22,949
<b>Total assets</b>	<b>\$ 18,849,114</b>
<b>LIABILITIES AND FUND BALANCES</b>	
<b>Liabilities:</b>	
Accounts payable	\$ 470,808
Accrued liabilities	167,867
<b>Total liabilities</b>	<b>638,675</b>
<b>Fund Balances:</b>	
Nonspendable	28,870
Restricted:	
AB2766	5,469,316
Moyer	447,607
AB923	4,923,347
General grants	1,155,470
Committed:	
Economic uncertainty	1,525,000
Building and facilities	100,000
OPEB funding	275,000
Pension funding	500,000
Unassigned	3,785,829
<b>Total fund balances</b>	<b>18,210,439</b>
<b>Total liabilities and fund balances</b>	<b>\$ 18,849,114</b>

See accompanying Notes to Basic Financial Statements.

**Monterey Bay Unified Air Pollution Control District**  
**dba Monterey Bay Air Resources District**  
**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position**  
**For the year ended June 30, 2018**

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<b>Fund Balances of General Funds</b>	\$ 18,210,439
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 funds.	3,144,307
Employer contributions for pension and OPEB paid after the measurement date and prior to the reporting date were recorded as expenditures in the governmental funds. However, in the Government-Wide Financial Statement these contributions are deferred.	705,352
In the Government-Wide Financial Statements, certain differences between actuarial amounts and actual results for pension and OPEB are deferred and amortized over a period of time, however these differences do not impact the Governmental Funds Balance Sheet:	
Deferred outflows of resources - pension	1,760,585
Deferred inflows of resources - pension	(1,088,502)
Deferred inflows of resources - OPEB	(23,579)
Long-term liabilities are not due and payable in the current period and therefore they are not reported in the funds.	
Compensated absences - due within one year	(163,536)
Compensated absences - due in more than one year	(228,780)
Net OPEB liability	(1,386,781)
Net pension liability	(7,377,972)
<b>Net Position of Governmental Activities</b>	<u>\$ 13,551,533</u>

See accompanying Notes to Basic Financial Statements.

**Monterey Bay Unified Air Pollution Control District**  
**dba Monterey Bay Air Resources District**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the year ended June 30, 2018**

	General
<b>REVENUES:</b>	
DMV surcharges	\$ 4,028,771
Grants	1,360,223
Licences and permits	3,500,924
Fines and fees	603,121
Investment earnings	228,113
Other revenues	1,242,622
<b>Total revenues</b>	<b>10,963,774</b>
<b>EXPENDITURES:</b>	
Current	
Administration	1,797,766
Engineering/Compliance	2,469,904
Air monitoring	600,358
Planning and grants	3,869,127
Capital outlay	1,065,345
<b>Total expenditures</b>	<b>9,802,500</b>
<b>Net change in fund balances</b>	<b>1,161,274</b>
<b>FUND BALANCES:</b>	
Beginning of year	17,049,165
End of year	\$ 18,210,439

See accompanying Notes to Basic Financial Statements.

**Monterey Bay Unified Air Pollution Control District**  
**dba Monterey Bay Air Resources District**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund**  
**Balances of Governmental Funds to the Statement of Activities**  
**For the year ended June 30, 2018**

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**Net Change in Fund Balances** \$ 1,161,274

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

Governmental funds report capital outlay as expenditures. In the statement of activities, however, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period these amounts are:

Capital outlay	1,065,345
Other capitalized expenditures	950
Current year depreciation	(172,425)
Loss on disposal of asset	(5,479)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds. (90,000)

Employer contributions for pension paid after the measurement date and prior to the reporting date were recorded as expenditures in the governmental funds. However, in the Government-Wide Financial Statement these contributions are deferred. 705,352

Pension expense is recorded as incurred in the Government-Wide Statement of Activities, however pension expense is not recognized in the governmental funds. (913,036)

OPEB expense is recorded as incurred in the Government-Wide Statement of Activities, however pension expense is not recognized in the governmental funds. (130,326)

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 Governmental Funds. In the current period these amounts are:

Compensated absences	17,139
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**Change in Net Position of Governmental Activities** \$ 1,638,794

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## FIDUCIARY FUND FINANCIAL STATEMENTS

### OPEB Trust Fund

*Retirement Employees Health Care Plan Fund* accounts for contributions made to the District's established IRC section 115 irrevocable trust fund with PARS (Public Agency Retirement Services) created as part of the District's OPEB (other post employment benefits) funding policy.

**Monterey Bay Unified Air Pollution Control District**  
**dba Monterey Bay Air Resources District**  
**Statement of Fiduciary Net Position**  
**Fiduciary Fund - OPEB Trust Fund**  
**June 30, 2018**

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	Retired Employees Health Care Plan
<b>ASSETS</b>	
Investments at fair value:	
U.S. Bank Public Agencies Retirement Services Pool	\$ 683,397
Total assets	<u>683,397</u>
<b>NET POSITION</b>	
Held in trust restricted for other postemployment benefits	<u>683,397</u>
<b>Total net position</b>	<u><u>\$ 683,397</u></u>

See accompanying Notes to Basic Financial Statements.



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## **NOTES TO BASIC FINANCIAL STATEMENTS**

**Monterey Bay Unified Air Pollution Control District**  
**dba Monterey Bay Air Resources District**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2018**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. *Description of Reporting Entity***

The Monterey Bay Unified Air Pollution Control District (the District) was created in 1974, by a district agreement between the Counties of Monterey, Santa Cruz and San Benito. The District shares responsibility with the California Air Resources Board for ensuring that all state and federal air quality standards are achieved and maintained within the North Central Coast Air Basin.

**B. *Basis of Presentation and Accounting/Measurement Focus***

The basic financial statements include both government-wide and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the District. Separate fund based financial statements are provided for governmental funds. The District has no proprietary or fiduciary funds.

The government-wide focus is more on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the District's general Fund, its sole major governmental fund. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

*Measurement Focus and Basis of Accounting* – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenue to be available if they are collected within 60 days of year end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Fees, fines, charges for services, operating grants, and interest are recognized under the susceptible to accrual concept. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance.

**Monterey Bay Unified Air Pollution Control District**  
**dba Monterey Bay Air Resources District**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2018**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***B. Basis of Accounting/Measurement Focus, Continued***

There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the District; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

The District's major governmental fund, the General Fund, accounts for the District's primary services, Administration, Engineering/Compliance, Air Monitoring and Planning and grants.

***C. Cash and Investments***

Pooled cash and investment accounts, which essentially operate as demand deposit accounts, are maintained by the Monterey County Treasurer's Office. Available cash balances are controlled and invested by the County Treasurer in pooled investment funds in order to provide safety, liquidity and high investment returns for all funds. Interest earnings from these funds are generally credited to the District's account on a quarterly basis. The investments are stated at the fair value, which equates cost.

The Monterey County Treasurer's investment policy is in compliance with Section 53601 of the Government Code of the State of California, which permits investments in certain securities and participation in certain investment trading techniques or strategies.

The District also has cash held with a banking institution for accounts payable and payroll purposes.

***D. Receivables and Deferred Inflows of Resources***

Receivables are amounts due representing revenues earned or accrued in the current period. Receivables which have not been remitted within 60 days subsequent to year end are offset by deferred inflows of resources, and accordingly have not been recorded as revenue in the governmental fund.

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. The allowance is based on an assessment of the current status of individual accounts. At June 30, 2018, the allowance was estimated to be \$12,268.

**Monterey Bay Unified Air Pollution Control District**  
**dba Monterey Bay Air Resources District**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2018**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*E. Capital Assets*

Property, facilities and equipment purchased or acquired is carried at historical cost. Contributed fixed assets are recorded at estimated fair market value at the time received. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	15 – 20 Years
Office furniture and equipment	3 – 5 Years
Shop, monitoring and lab equipment	5 – 7 Years
Vehicles	5 Years

*F. Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of net 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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net 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(s) and so will not be recognized as an inflow of resources (revenue) until that time.

*G. Compensated Absences*

Unused annual leave may be accumulated up to 600 hours for management and unused vacation leave may be accumulated up to 300 hours for other employees and is paid at the time of termination from District employment. Unused sick leave may be accumulated and is only paid to employees upon termination by death or retirement from the District through the Public Employees' Retirement System. Eligible employees are paid an amount equal to the sick leave accrued, up to 1,500 hours, at thirty percent of their hourly rate. Compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

*H. Long-Term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

**Monterey Bay Unified Air Pollution Control District**  
**dba Monterey Bay Air Resources District**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2018**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**I. Pensions**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) 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. For this report, the following timeframes are used:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

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

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Authority'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, 2017
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

**K. Net Position**

The Statement of Net Position presents the District's assets and liabilities, with the difference reported as net position. Net position is reported in three categories.

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction, or improvement of those assets.

*Restricted* results when constraints placed on net position use is either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted* consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

**Monterey Bay Unified Air Pollution Control District**  
**dba Monterey Bay Air Resources District**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2018**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**L. Fund Balances**

Fund balance classifications are based primarily on the extent to which the District is bound to honor constraints on the use of the resources reported in each governmental fund.

In the Fund financial statements, fund balance consists of non-spendable fund balances, which includes amounts that cannot be spent because they are not in spendable form, or they are legally or contractually required to be maintained intact. Restricted fund balances are amounts restricted to specific purposes. Committed fund balances are amounts that can only be used for specific purposes as pursuant to official action by the Board prior to the end of the reporting period. Unassigned fund balances represent fund balances that have not been assigned to other funds and have not been restricted or committed to specific purposes within the general fund.

When restricted and other fund balance resources are available for use, it is the District's policy to use restricted resources first, followed by committed and unassigned amounts, respectively.

**M. Use of Estimates**

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

**N. New Pronouncements**

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* - The objective of this statement is to address reporting by governments that provide other postemployment benefits (OPEB) to their employees and for governments that finance OPEB for employees of other governments. The District restated its beginning net position as part of implementation of this statement.
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements* - The objective of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this statement did not apply to the District for the current fiscal year.
- GASB Statement No. 85, *Omnibus 2017* - The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and other postemployment benefits (OPEB). There was no effect on net position as a result of implementation of this statement.

**Monterey Bay Unified Air Pollution Control District**  
**dba Monterey Bay Air Resources District**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2018**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*N. New Pronouncements, Continued*

- GASB Statement No. 86, *Certain Debt Extinguishment Issues* – The objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this statement did not apply to the District for the current fiscal year.

**2. CASH AND INVESTMENTS**

The District maintains cash and investments as summarized below:

Cash on hand	\$ 500
Deposits with financial institutions	<u>106,259</u>
Total Cash	<u>106,759</u>
Investment	
Investment with Monterey County Investment Pool	<u>17,454,625</u>
Total District Cash and Investments	<u><u>\$ 17,561,384</u></u>
Investments held in trust for other postemployment benefits	<u><u>\$ 683,397</u></u>

**Monterey Bay Unified Air Pollution Control District**  
**dba Monterey Bay Air Resources District**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2018**

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**2. CASH AND INVESTMENTS, Continued**

**A. Cash with Banking Institutions**

The carrying amount of the District's cash deposit with financial institutions was \$106,259. Bank balances before reconciling items were a positive amount of \$185,709 at June 30, 2018. The District has waived the collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The remaining amount was collateralized with securities held by the pledging financial institutions in the District's name.

The California Government Code (Code) requires California banks and savings and loan associates to secure the District's cash deposit by pledging securities as collateral. The Code states that the collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the District's name.

The market value of pledged securities must equal at least 110% of the District's cash deposits. California law allows institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 140% of the District's total cash deposits.

**B. Investment with Monterey County Investment Pool**

\$17,454,625 at June 30, 2018 is part of the common investment pool of the Monterey County Investment Pool. It is the policy of the Treasurer-Tax Collector of Monterey County to invest public funds in a manner which provides for the safety of the funds on deposit, the cash flow demands, or liquidity needs of the treasury pool participants, and the highest possible yield after first considering the first two objectives of safety and liquidity. In addition, it is the Treasurer-Tax Collectors' policy to invest all funds in strict conformance with all state statutes governing the investment of public monies.

Investments are measured at fair value on a recurring basis. *Recurring* fair value measurements, are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's investments in the County pool are not subject to levelling.

**Monterey Bay Unified Air Pollution Control District**  
**dba Monterey Bay Air Resources District**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2018**

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**2. CASH AND INVESTMENTS, Continued**

*C. Investments held in Trust for Other Postemployment Benefits*

The District established an irrevocable Section 115 OPEB Trust with Public Agency Retirement Services (PARS). As of June 30, 2018, the trust had a balance of \$683,397. PARS' policy for allocation of invested assets is established and may be amended by the PARS Board of Trustees through a majority vote. It is the policy of the Board to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of specific asset classes. The investment policy has a long-term focus. It discourages both major shifts of asset class allocations over a short time span, and except for liquidity purposes, the use of cash equivalents. The following was the PARS' Board's adopted asset allocation policy as of June 30, 2018:

<u>Asset Class</u>	<u>Target Allocation</u>
Global Equity	60.91%
Global Fixed Income	36.41%
Liquidity	2.68%
Total	<u>100%</u>

PARS held no investments in any one organization that represented 5% or more of fiduciary net position.

**Rate of return:** For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expenses, was 7.16%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Monterey Bay Unified Air Pollution Control District**  
**dba Monterey Bay Air Resources District**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2018**

**3. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance				Balance
	June 30, 2017	Increases	Decreases	Reclassifications	June 30, 2018
Non-depreciable assets:					
Construction in progress	\$ 109,163	\$ 957,763	\$ -	\$ -	\$ 1,066,926
Land	271,707	-	-	-	271,707
Total non-depreciable assets	380,870	957,763	-	-	1,338,633
Depreciable assets:					
Buildings and improvements	4,923,311	51,330	(26,218)	(24,359)	4,924,064
Office furniture and equipment	580,163	-	-	-	580,163
Equipment	477,896	31,627	-	-	509,523
Vehicle	493,948	25,575	(49,228)	24,359	494,654
Total depreciable assets	6,475,318	108,532	(75,446)	-	6,508,404
Less accumulated depreciation:					
Buildings and improvements	3,541,839	78,987	(23,201)	(18,963)	3,578,662
Office furniture and equipment	286,509	41,841	-	-	328,350
Equipment	419,413	11,588	-	-	431,001
Vehicle	352,511	40,009	(46,766)	18,963	364,717
Total accumulated depreciation	4,600,272	172,425	(69,967)	-	4,702,730
Total depreciable assets, net	1,875,046	(63,893)	(5,479)	-	1,805,674
<b>Total capital assets</b>	<b>\$ 2,255,916</b>	<b>\$ 893,870</b>	<b>\$ (5,479)</b>	<b>\$ -</b>	<b>\$ 3,144,307</b>

**Monterey Bay Unified Air Pollution Control District**  
**dba Monterey Bay Air Resources District**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2018**

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**3. CAPITAL ASSETS, Continued**

Depreciation expense was charged to functions/programs of the primary government as follows:

Administration	\$	90,174
Engineering and Compliance		54,606
Planning/Air Monitoring		27,645
<b>Total depreciation expense</b>	<b>\$</b>	<b>172,425</b>

**4. LONG-TERM LIABILITIES**

Long-term liability balances and transactions for the year ended June 30, 2018 are as follows:

	Balance June 30, 2017	Additions	Reductions	June 30, 2018	Due Within One Year	Due More Than One Year
<b>Other Liabilities</b>						
Compensated absences	\$ 409,455	\$ 89,275	\$ (106,414)	\$ 392,316	\$ 163,536	\$ 228,780
Total	<u>\$ 409,455</u>	<u>\$ 89,275</u>	<u>\$ (106,414)</u>	<u>\$ 392,316</u>	<u>\$ 163,536</u>	<u>\$ 228,780</u>

**5. DEFERRED COMPENSATION PLAN**

The District offers a deferred compensation plan for its eligible employees wherein amounts earned by the employee are paid at a future date. All full-time, regular, salaried employees are permitted to participate in the Plan beginning on the first day of the month following their hire date. The employee may elect to make contributions up to the limits established by the Internal Revenue Service for this type of plan. The employees become 100% vested in their own contributions from the first date of participation.

The Plan was originally established in conformity with Section 457 of the Internal Revenue Code which prevented governments from placing plan assets in a trust for the benefit of participants. Consequently, the participating employees' assets were potentially at risk of loss by claims of the District's general creditors. In 1996, Congress amended Section 457 by requiring governments to place plan assets in a trust for the exclusive benefit of participants and their beneficiaries thus protecting the Plan assets from the District's general creditors.

The District has complied with the amended Section 457 requirements. Governmental Accounting Standards Board Statement (GASB) No. 32 states that if a fiduciary relationship no longer exists between the governmental entity and the Section 457 deferred compensation plan, the governmental entity should not report the assets of the plan in its financial statements.

The District believes that, since it does not provide investment advice or administer the Plan, it does not maintain a fiduciary relationship with the plan. Therefore, the District does not report the Plan assets in its financial statements.

**Monterey Bay Unified Air Pollution Control District**  
**dba Monterey Bay Air Resources District**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2018**

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**6. PENSION PLAN**

**General Information about the Pension Plan**

*A. Plan Description*

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plans (Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The District sponsors two miscellaneous rate plans. 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.

*B. 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 with statutorily reduced benefits. 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 each rate plan are applied as specified by the Public Employees' Retirement Law.

The rate plan provisions and benefits in effect at June 30, 2018, are summarized as follows:

Hire Date	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Benefit vesting schedule	5 years service	5 years service
Benefit payment	Monthly for life	Monthly for life
Retirement age	50-55	52-67
Monthly benefits, as a % of annual salary	2% to 2.7%	1% to 2.5%
Required employee contribution rates	7.000%	6.250%
Required employer contribution rates	8.921%	6.533%
Required unfunded liability payment	\$ 286,844	\$ 82

**Monterey Bay Unified Air Pollution Control District**  
**dba Monterey Bay Air Resources District**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2018**

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**6. PENSION PLAN, Continued**

**B. Benefits Provided, Continued**

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 the Plan is 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.

**C. Contributions**

The District's contributions to the Plan for the measurement period ended June 30, 2017 were \$471,224.

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

As of June 30, 2018, the District reported net pension liability for its proportionate share of the net pension liability of the Plan was \$7,377,972.

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, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The District's proportionate share of the net pension liability was based on the District's plan liability and asset-related information where available, and proportional allocations of plan amounts as of the valuation date where not available. The District's proportionate share of the net pension liability for the Plan as of measurement dates June 30, 2016 and 2017 were as follows:

Proportion - June 30, 2016	0.07223%
Proportion - June 30, 2017	0.07440%
Change - Increase (Decrease)	<u>0.00217%</u>

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**6. PENSION PLAN, Continued**

*D. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions, Continued*

For the year ended June 30, 2018, the District recognized pension expense of \$912,640. Pension expense is allocated to the functions based on full time equivalents. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Pension contributions subsequent to measurement date	\$ 541,836	\$ -
Differences between expected and actual experience	10,603	151,904
Changes of assumptions	1,315,552	100,312
Changes in employer's proportion	136,906	269,692
Differences between the employer's contribution and the employer's proportionate share of contributions	-	566,594
Net differences between projected and actual earnings on plan investments	297,524	-
	<u>                    </u>	<u>                    </u>
Total	<u>\$ 2,302,421</u>	<u>\$ 1,088,502</u>

\$541,836 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year	
Ending June 30:	
	<u>                    </u>
2019	(112,478)
2020	611,312
2021	349,894
2022	(176,645)

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**6. PENSION PLAN, Continued**

**E. Actuarial Assumptions**

The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Projected Salary Increase	Varies by entry age and service
Investment Rate of Return	(1) 7.15%
Mortality	Based on CalPERS specific Data, using Society of Actuaries Scale BB

(1) Net of pension plan administrative expenses.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2016 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

**F. Discount Rate**

The discount rate used to measure the total pension liability was 7.15% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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**6. PENSION PLAN, Continued**

*F. Discount Rate, Continued*

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

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 returns were calculated over the short-term (first 10 years) and the long-term (11-60 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 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 equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%
Total	100%		

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**6. PENSION PLAN, Continued**

**G. 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, 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 - 6.15%		
Net Pension Liability (Asset)	\$	11,714,409
Current Discount Rate - 7.15%		
Net Pension Liability (Asset)	\$	7,377,972
1% Increase - 8.15%		
Net Pension Liability (Asset)	\$	3,768,457

**H. Pension Plan Fiduciary Net Position**

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

Payable to the Pension Plan

At June 30, 2018, the District reported a payable of \$0 for outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

**7. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**A. Plan Description**

The District has contracted with the Public Employees Retirement System (PERS) under the PERS Care Health Plan to provide benefits of the Meyers-Geddes State Employees’ Medical and Hospital Care Act per Government Code Section 22850. The Plan provides for continuation of medical insurance benefits for certain retirees or annuitants and their dependents. The Plan can be amended by action of the District Board on passing a Resolution. As of June 30, 2017, the Plan had 30 active members and 12 retirees.

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**7. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), Continued**

**B. Employees Covered**

Inactive employees or beneficiaries currently receiving benefits	12
Inactive employees entitled to but not yet receiving benefits	0
Active employees	<u>30</u>
Total	<u>42</u>

**C. Contributions**

The obligations of the plan members and the District are established by action of the District Board pursuant to the passing of a Resolution. The Districts' contribution for each retiree or annuitant is the minimum amount provided under Government Code Section 22825 of the Public Employees Medical and Hospital Care Act. The retiree is responsible for any premium costs in excess of the District's contribution. For the measurement period ended June 30, 2017, the District contributed \$32,161. Plan members receiving benefits contributed no amounts of the total premiums.

**D. Net OPEB Liability**

The District's net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated July 1, 2017, based on the following actuarial methods and assumptions:

Valuation Date	July 1, 2017
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.30%
Inflation	2.75%
Contribution Policy	Contributes full ADC
Salary Increases	3.25%
Projected Salary Increase	3.00%
Investment Rate of Return	6.30%
Mortality	CalPERS 1997-2015 Experience Study
Healthcare Trend	8.00% for 2018 decreasing to an ultimate rate of 5.00% for 2025 and later.

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**7. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), Continued**

*D. Net OPEB Liability, Continued*

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 OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the table below:

Asset Class	Target Allocation	Expected Real Rate of Return
Public Equity	60.00%	6.30%
Fixed Income	35.00%	6.30%
TIPS	5.00%	6.30%
Assumed Long-Term Rate of Inflation		2.75%
Assumed Long-Term Investment Expenses		n/a
Expected Long-Term Net Rate of Return, Rounded		6.30%
Discount Rate*		6.30%

\*The fiduciary net position is projected to be sufficient to make projected benefit payments, and the plan assets are expected to be invested using the strategy to achieve the expected return.

*E. Discount Rate*

The discount rate used to measure the total OPEB liability was 6.30 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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**7. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), Continued**

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

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
<b>Balance at June 30, 2016</b>	\$ 1,796,561	\$ 389,366	\$ 1,407,195
<b>Changes in the year:</b>			
Service cost	48,517	-	48,517
Interest on the total pension liability	115,227	-	115,227
Differences between actual and expected experience	-	-	-
Changes in assumptions	-	-	-
Changes in benefit terms	-	-	-
Contribution - employer	-	127,161	(127,161)
Contribution - employee	-	-	-
Net investment income	-	56,997	(56,997)
Benefit payments , including refunds of employee contributions	(32,161)	(32,161)	-
<b>Net changes</b>	<b>131,583</b>	<b>151,997</b>	<b>(20,414)</b>
<b>Balance at June 30, 2017</b>	<b>\$ 1,928,144</b>	<b>\$ 541,363</b>	<b>\$ 1,386,781</b>

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

The following presents the net OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2018:

	1% Decrease (5.30%)	Current Discount (6.30%)	1% Increase (7.30%)
Net OPEB Liability	\$ 1,664,179	\$ 1,386,781	\$ 1,160,337

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**7. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), Continued**

*H. Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate*

The following presents the net OPEB liability of the District if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2018:

	1% Decrease (7.0% - 4.0%)	Current Healthcare Trend Rate (8.0% - 5.0%)	1% Increase (9.0% to 6%)
Net OPEB Liability	\$ 1,135,294	\$ 1,386,781	\$ 1,736,320

*I. Recognition of Deferred Outflow and Deferred Inflows of Resources*

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The recognition period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on OPEB plan investments	5 years
All other amounts	Expected average remaining service lifetime (EARSL) (5.65 years at June 30, 2017)

For the fiscal year ended June 30, 2018, the District recognized OPEB expense of \$130,326. For the fiscal year ended June 30, 2018, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 163,516	\$ -
Net differences between projected and actual earnings on plan investments	-	23,579
Total	\$ 163,516	\$ 23,579

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**7. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), Continued**

*J. OPEB Expense and Deferred Outflows/(Inflows) of Resources Related to OPEB*

\$163,516 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year	
Ending June 30:	
2019	\$ (5,895)
2020	(5,895)
2021	(5,895)
2022	(5,894)

**8. RISK FINANCING**

The District is exposed to various risks of loss related to torts, thefts, damage or destruction of assets, errors and omissions, injuries to workers, and natural disasters. The District covers its liability for significant claims by purchasing property, liability, crime and workers' compensations insurance. These risks are covered by a combination of participation in Public Property Insurance Program (PEPIP), Special Liability Insurance Program (SLIP), Alliant Crime Insurance Program (ACIP), and Special District Risk Management Authority (SDRMA). There have been no significant reductions in insurance coverage in the current year. Settled claims from these risks have not exceeded commercial coverage for the past three fiscal years.

SDRMA was formed under a joint powers agreement pursuant to California Government Code Section 6500 et seq. effective August 1, 1986 to provide general liability, comprehensive/collision liability and property damage, and errors and omissions risk financing for the member districts. SDRMA is administered by a Board of Directors, consisting of one member appointed by the California Special Districts Association and five members elected by the participating districts.

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**9. OPERATING LEASES**

The District renewed a lease for office space with the City of Watsonville on October 15, 2017. The minimum monthly rent is \$963. The total lease expense for the year ended June 30, 2018 was \$7,704.

The District leases certain office equipment under noncancelable operating leases as follows: 1) A copy machine lease expires in August 2017, the monthly lease is \$1,120, total lease expense for the year ended June 30, 2018 was \$1,991; 2) A copy machine lease expires in August 2021, the monthly lease is \$349, total lease expense for the year ended June 30, 2018 was \$3,494; 3) A mail system lease expires August 2020, the monthly lease is \$223 for the first twelve months and \$324 for the next thirty-six months, total lease expense for the year ended June 30, 2018 was \$3,583.

Future minimum lease payments and sub-lease receipts under noncancelable operating leases are as follows:

Year Ending 30-Jun	Lease Payments
2019	\$ 8,079
2020	8,079
2021	5,164
2022	699
Total	<u>\$ 22,021</u>

**12. PRIOR PERIOD ADJUSTMENTS**

The District recorded prior period adjustments to eliminate the net OPEB obligation as of June 30, 2017, and to record the net OPEB liability and deferred employer contributions made for OPEB as of June 30, 2017 as part of implementing GASB Statement No. 75.

	Prior Period Adjustments			Net Position as Restated at June 30, 2017	
	Net Position, as Previously Reported at June 30, 2017	Deferred Outflows of Resources - OPEB	Net OPEB Obligation		Net OPEB Liability
Government-Wide Statements					
Governmental Activities	<u>\$ 12,906,220</u>	<u>\$ 127,161</u>	<u>\$ 286,553</u>	<u>\$ (1,407,195)</u>	<u>\$ 11,912,739</u>

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**10. COMMITMENTS AND CONTINGENCIES**

The District may be subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the ultimate outcome of the claims and litigation, if any, will not have a material adverse effect on the District's financial position.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Monterey Bay Unified Air Pollution Control District**  
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**1. BUDGETARY DATA**

The District adopts an annual operating budget prepared on a modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America (GAAP basis). By State law, the District's governing board must approve a tentative budget no later than July 1st and adopt a final budget no later than September 15th of each year. A hearing must be conducted to hear public comments prior to adoption.

The Air Pollution Control Officer is authorized to transfer budget appropriations between objects in accordance with District policy. Each change shall be reported to the Board of Directors. Transfers between funds must be approved by the Board of Directors.

These budgets are revised by the District's governing board during the year to give consideration to unanticipated revenues and expenditures.

**A. Budgetary Comparison Schedule**

The following are the budget comparison schedules for the General Fund and all major special revenue funds.

Budgetary Comparison Schedule, General Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
DMV surcharges	\$ 4,091,000	\$ 4,091,000	\$ 4,028,771	\$ (62,229)
Grants - EPA,CEC, Moyer	1,212,400	1,212,400	1,360,223	147,823
Licenses and permits	3,334,105	3,386,105	3,500,924	114,819
Fines and fees	411,945	411,945	603,121	191,176
Investment earnings	179,500	179,500	228,113	48,613
Other revenue	1,091,950	1,451,950	1,242,622	(209,328)
<b>Total revenues</b>	<b>10,320,900</b>	<b>10,732,900</b>	<b>10,963,774</b>	<b>230,874</b>
<b>EXPENDITURES:</b>				
Current:				
Administration	1,941,852	1,950,352	1,797,766	152,586
Engineering/Compliance	2,622,448	2,619,948	2,469,904	150,044
Air Monitoring	639,977	634,718	600,358	34,360
Planning & Grants	8,265,723	8,722,373	3,869,127	4,853,246
Capital outlay	657,000	1,127,259	1,065,345	61,914
<b>Total expenditures</b>	<b>14,127,000</b>	<b>15,054,650</b>	<b>9,802,500</b>	<b>5,252,150</b>
<b>Net change in fund balance</b>	<b>\$ (3,806,100)</b>	<b>\$ (4,321,750)</b>	<b>1,161,274</b>	<b>\$ 5,483,024</b>
<b>FUND BALANCE:</b>				
Beginning of year			17,049,165	
End of year			\$ 18,210,439	

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**2. SCHEDULE OF FUNDING PROGRESS OF OTHER POST EMPLOYMENT BENEFITS LAST TEN YEARS\***

<i>Measurement Period</i>	<u>2017</u>
<b>Total OPEB Liability</b>	
Service Cost	\$ 48,517
Interest on the total OPEB liability	115,227
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit paymens, including refunds of employee contributions	<u>(32,161)</u>
<b>Net change in total OPEB liability</b>	131,583
<b>Total OPEB liability - beginning</b>	<u>1,796,561</u>
<b>Total OPEB liability - ending (a)</b>	<u>\$ 1,928,144</u>
<b>Plan Fiduciary Net Position</b>	
Contributions - employer	\$ 127,161
Contributions - employee	-
Net investment income	56,997
Benefit payments, including refunds of employee contributions	(32,161)
Administrative expense	<u>-</u>
<b>Net change in plan fiduciary net position</b>	151,997
<b>Plan fiduciary net position - beginning</b>	<u>389,366</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 541,363</u>
<b>Net OPEB liability/(asset) - ending (a) - (b)</b>	\$ 1,386,781
Plan fiduciary net position as a percentage of the total OPEB liability	28%
Covered-employee payroll	\$ 3,100,000
Net OPEB liability as a percentage of covered-employee payroll	44.73%

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**3. SCHEDULE OF OPEB CONTRIBUTIONS LAST 10 YEARS\***

	<u>2018</u>
Actuarially determined contribution	\$ 163,516
Contribution in relation to the actuarially determined contributions	<u>(163,516)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 3,135,430
Contributions as a percentage of covered-employee payroll	5.22%

\* - Fiscal year 2018 was the 1st year of implementation

**4. SCHEDULE OF INVESTMENT RETURNS - PARS OPEB TRUST PROGRAM LAST TEN YEARS\***

<u>Year*</u>	<u>Annual Money-weighted Rate of Return, Net of Investment Expenses</u>
2017	9.38%
2018	7.16%

\*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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**5. SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY LAST 10 YEARS\***

Fiscal year:	2018	2017	2016	2015
Measurement date:	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Proportion of the net pension liability	0.07440%	0.07223%	0.06609%	0.07051%
Proportionate share of the net pension liability	\$ 7,377,972	\$ 6,249,868	\$ 4,536,128	\$ 4,387,756
Covered payroll	\$ 3,040,605	\$ 3,076,988	\$ 3,103,566	\$ 3,109,115
Proportionate share of the net pension liability as a percentage of covered payroll	243%	203%	146%	141%
Plan's share of fiduciary net position as a percentage of total pension liability	73.31%	74.06%	78.40%	79.82%

**Notes to Schedule:**

**Benefit changes.** The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2017 valuation date. This applies for voluntary benefit changes as well as any offers of two years additional service credit.

**Changes in assumptions.** The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense in fiscal year 2016. In fiscal year 2017, the discount rate was changed from 7.65 percent to 7.15 percent.

\* Fiscal year 2015 was the 1st year of implementation.

**6. SCHEDULE OF PENSION CONTRIBUTIONS LAST 10 YEARS\***

	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 541,836	\$ 471,224	\$ 440,564	\$ 496,951
Contribution in relation to the actuarially determined contributions	(541,836)	(471,224)	(440,564)	(496,951)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 3,055,933	\$ 3,040,605	\$ 3,076,988	\$ 3,103,566
Contributions as a percentage of covered payroll	17.73%	15.50%	14.32%	16.01%
<b>Note to Schedule</b>				
Valuation date:	6/30/2015	6/30/2014	6/30/2013	6/30/2012

\* - Fiscal year 2015 was the 1st year of implementation