

Financial Statements
June 30, 2025

San Diego County
Air Pollution Control District

San Diego County Air Pollution Control District

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June 30, 2025

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Independent Auditor's Report

To the Members of the Governing Board
San Diego County Air Pollution Control District
San Diego, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the San Diego County Air Pollution Control District (District), as of and for the year ended June 30, 2025, 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 accompanying 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, 2025, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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.

Adoption of New Accounting Standard

As discussed in Notes 2N and 10 to the financial statements, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, for the year ended June 30, 2025. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2024 to restate beginning net position. Our opinions are not modified with respect to this matter.

Correction of Error

As discussed in Note 10 to the financial statements, certain errors resulting in a misstatement of amounts previously reported as of June 30, 2024, were discovered during the current year. Accordingly, a restatement has been made to the governmental activities net position, each major fund balance, and the aggregate remaining fund information fund balance as of July 1, 2024, to correct the error. Our opinions are not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

The District's 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.

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 GAAS 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 GAAS 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of the District's proportionate share of Net Pension Liability; the schedule of the District's contributions – Net Pension Liability; the schedule of the District's proportionate share of net OPEB liability; the schedule of the District's contributions – Net OPEB Liability; the schedule of revenues, expenditures and changes in fund balance – budget and actual general fund; and the schedule of revenues, expenditures and changes in fund balance – budget and actual major special revenue funds, 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining and individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2026, 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 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.

Eide Bailly LLP

Ontario, California
September 8, 2026

San Diego County Air Pollution Control District
Statement of Net Position
June 30, 2025

	<u>Governmental Activities</u>
Assets	
Current Assets	
Cash and investments in the County of San Diego Treasury Investment Pool	\$ 108,206,043
Accounts receivable, net	87,187
Interest receivable	1,361,152
Due from other governments	2,113,987
Inventory	226,948
Noncurrent Assets	
Nondepreciable capital assets	1,701,230
Depreciable capital assets, net of accumulated depreciation	<u>8,078,678</u>
Capital assets, net of accumulated depreciation	<u>9,779,908</u>
Total assets	<u>121,775,225</u>
Deferred Outflows of Resources	
Deferred outflows of resources related to pensions	14,966,448
Deferred outflows of resources related to OPEB	<u>168,513</u>
Total deferred outflows of resources	<u>15,134,961</u>
Liabilities	
Current Liabilities	
Accounts payable	729,726
Accrued expenses	1,034,396
Deposits from others	2,817,139
Due to other governments	474,350
Unearned revenue	73,075,548
Compensated absences	1,497,307
Noncurrent Liabilities	
Compensated absences	2,245,961
Net pension liability	37,081,079
Net OPEB liability	<u>112,460</u>
Total liabilities	<u>119,067,966</u>
Deferred Inflows of Resources	
Deferred inflows of resources related to pensions	3,893,121
Deferred inflows of resources related to OPEB	<u>9,535</u>
Total deferred inflows of resources	<u>3,902,656</u>
Net Position	
Net investment in capital assets	9,779,908
Restricted for grants	11,803,647
Unrestricted (deficit)	<u>(7,643,991)</u>
Total net position	<u>\$ 13,939,564</u>

San Diego County Air Pollution Control District

Statement of Activities
Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	
Primary government				
Governmental activities				
Public protection	\$ 65,261,003	\$ 14,868,095	\$ 50,175,069	\$ (217,839)
General revenue				
Investment income				5,953,027
Other				387,814
Total general revenues				6,340,841
Change in Net Position				6,123,002
Net Position - Beginning, as previously reported				8,850,802
Adjustments (Note 10)				(1,034,240)
Net Position - Beginning, as restated				7,816,562
Net Position - Ending				\$ 13,939,564

San Diego County Air Pollution Control District

Balance Sheet – Governmental Funds

June 30, 2025

	General Fund	Special Revenue Funds			Total Governmental Funds
		Carl Moyer Program	Community Air Protection Program (AB 617) Fund	Nonmajor Funds	
Assets					
Cash and investments	\$ 23,467,886	\$ 26,338,569	\$ 43,313,585	\$ 15,086,003	\$ 108,206,043
Accounts receivable, net	87,187	-	-	-	87,187
Interest receivable	315,435	381,321	445,230	219,166	1,361,152
Due from other funds	1,117,230	4,149	401,936	261,210	1,784,525
Due from other governments	2,113,987	-	-	-	2,113,987
Inventory	226,948	-	-	-	226,948
Total assets	\$ 27,328,673	\$ 26,724,039	\$ 44,160,751	\$ 15,566,379	\$ 113,779,842
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 274,982	\$ -	\$ 397,133	\$ 57,611	\$ 729,726
Accrued expenses	1,034,396	-	-	-	1,034,396
Deposits from others	2,817,139	-	-	-	2,817,139
Due to other funds	667,295	58,529	614,730	443,971	1,784,525
Due to other governments	474,350	-	-	-	474,350
Unearned revenue	-	22,565,280	38,642,737	11,867,531	73,075,548
Total liabilities	5,268,162	22,623,809	39,654,600	12,369,113	79,915,684
Fund Balances					
Nonspendable	226,948	-	-	-	226,948
Restricted	-	4,100,230	4,506,151	3,197,266	11,803,647
Committed	9,200,000	-	-	-	9,200,000
Unassigned	12,633,563	-	-	-	12,633,563
Total fund balances	22,060,511	4,100,230	4,506,151	3,197,266	33,864,158
Total liabilities and fund balances	\$ 27,328,673	\$ 26,724,039	\$ 44,160,751	\$ 15,566,379	

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.

9,779,908

Deferred outflows of resources related to pensions

14,966,448

Deferred outflows of resources related to OPEB

168,513

Certain liabilities are not due and payable in the current period, and therefore, are not reported as fund liabilities in governmental funds:

Compensated absences

(3,743,268)

Net pension liability

(37,081,079)

Net OPEB liability

(112,460)

Deferred inflows of resources related to pensions

(3,893,121)

Deferred inflows of resources related to OPEB

(9,535)

Net position of governmental activities

\$ 13,939,564

San Diego County Air Pollution Control District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2025

		Special Revenue Funds			
	General Fund	Carl Moyer Program	Community Air Protection Program (AB 617) Fund	Nonmajor Funds	Total Governmental Funds
Revenues					
Licenses and permits	\$ 12,521,556	\$ -	\$ -	\$ -	\$ 12,521,556
Forfeitures and penalties	1,244,940	-	-	-	1,244,940
Charges for current services	1,101,599	-	-	-	1,101,599
Intergovernmental	17,323,324	5,662,394	17,124,051	10,065,300	50,175,069
Investment income	1,233,385	1,577,108	2,195,974	946,560	5,953,027
Other	387,814	-	-	-	387,814
Total revenues	33,812,618	7,239,502	19,320,025	11,011,860	71,384,005
Expenditures					
Public protection					
Salaries and wages	29,326,609	-	-	-	29,326,609
Services and supplies	7,342,802	-	31,907	506,881	7,881,590
Contribution to other agencies and others	442,270	5,069,764	16,271,171	5,354,448	27,137,653
Capital outlay	741,513	-	-	-	741,513
Total expenditures	37,853,194	5,069,764	16,303,078	5,861,329	65,087,365
Excess (deficiency) of revenues over (under) expenditures	(4,040,576)	2,169,738	3,016,947	5,150,531	6,296,640
Other Financing Sources (Uses)					
Transfers in	6,002,587	-	-	-	6,002,587
Transfers out	-	(654,088)	(1,582,579)	(3,765,920)	(6,002,587)
Total other financing sources (uses)	6,002,587	(654,088)	(1,582,579)	(3,765,920)	-
Net Change in Fund Balances	1,962,011	1,515,650	1,434,368	1,384,611	6,296,640
Beginning Fund Balances, as previously reported	19,924,683	2,320,261	2,619,562	1,694,626	26,559,132
Adjustments (Note 10)	173,817	264,319	452,221	118,029	1,008,386
Beginning Fund Balances, as restated	20,098,500	2,584,580	3,071,783	1,812,655	27,567,518
Fund Balances, Ending	\$ 22,060,511	\$ 4,100,230	\$ 4,506,151	\$ 3,197,266	\$ 33,864,158
Net change in fund balances of governmental funds					\$ 6,296,640
Amounts reported for governmental activities in the statement of activities are different because:					
Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over estimated useful lives as depreciation expense.					
Acquisition of capital assets				\$ 741,511	
Depreciation expense				(928,742)	(187,231)
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.					
Change in compensated absences				(365,275)	
Change in pension related amounts				65,266	
Change in OPEB related amounts				313,602	13,593
Change in net position of governmental activities					\$ 6,123,002

San Diego County Air Pollution Control District
Statement of Fiduciary Net Position – Fiduciary Fund
June 30, 2025

	<u>Custodial Fund</u>
Assets	
Cash and investments	\$ 412,853
Interest receivable	<u>4,835</u>
Total assets	<u>417,688</u>
Net position restricted for	
Hot spots program - air pollution	<u><u>\$ 417,688</u></u>

San Diego County Air Pollution Control District
Statement of Changes in Fiduciary Net Position – Fiduciary Fund
Year Ended June 30, 2025

	<u>Custodial Fund</u>
Additions	
Interest income	\$ 323,804
Deductions	
Distributions	<u>273,300</u>
Change in Net Position	50,504
Net Position - Beginning, as previously reported	<u>364,160</u>
Adjustments (Note 10)	3,024
Net Position - Beginning, as restated	<u>367,184</u>
Net Position, Ending	<u><u>\$ 417,688</u></u>

Note 1 - Reporting Entity

The San Diego County Air Pollution Control District, California (the District), was established in 1955 as an independent local air pollution control district to protect people and the environment from the harmful effects in air pollution pursuant to California Health and Safety Code Section 40002. Prior to March 1, 2021, the District was governed by the five-member County of San Diego Board of Supervisors and had been reported as a blended component unit of the County of San Diego, California (the County). On March 1, 2021, California Assembly Bill 423 amended the California Health and Safety Code to establish a new eleven-member Governing Board consisting of two members from the County Board of Supervisors, the Mayor or a City Council member from the City of San Diego, five City Council members, each being from a city within one of the five County supervisorial districts, and three public members. As a result of the new Governing Board for the District, effective March 1, 2021, the District no longer qualified as a blended component unit of the County.

Note 2 - Summary of Significant Accounting Policies

The District's accounting policies and financial reporting conform to accounting principles generally accepted in the United States of America and are based upon the Governmental Accounting Standard Board (GASB) pronouncements. The following is a summary of the significant policies:

A. Government-Wide and Fund Financial Statements

The basic financial statements include government-wide financial statements (statement of net position and statement of activities) and fund financial statements.

The government-wide financial statements focus on the District as a whole and the change in aggregate financial position resulting from the activities of the fiscal period. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. However, interfund services provided and used are not eliminated in the process of consolidation. The District's governmental activities are primarily supported by licenses, permits, charges for current services, and intergovernmental revenues. The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Interest income and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and the fiduciary fund after the government-wide financial statements. The fiduciary fund is excluded from the government-wide financial statements. The governmental funds display information about the District's major funds and its other governmental funds. In governmental and fiduciary funds, assets and liabilities are presented in order of relative liquidity.

The General Fund is the principal operating fund of the District. It is used to account for all financial resources, except those required to be accounted for in another fund.

Special revenue funds are used to account for the proceeds of specific revenue sources (other than those for debt service or major capital projects) that are either restricted or committed to expenditures for specified purposes. The District has two major Special Revenue Funds as follows:

- The Carl Moyer Program fund is legally restricted for projects that reduce mobile source emissions and associated health risks, and for program administration under the Carl Moyer Program. Revenue is received annually from the California Air Resources Board (CARB) through an application process that considers San Diego County's total population and air quality attainment status. Revenue is derived from annual smog abatement fees paid by owners of vehicles that are up to 8 model-years old and thus exempt from smog check requirements.
- The Community Air Protection Program (AB 617) Fund is legally restricted for District administration of the Community Air Protection Program, to select locations to participate in the program and monitor and improve air quality in disadvantaged communities that experience disproportionate burdens from exposure to air pollution due to environmental, health, and socioeconomic factors. This fund supports annual program staffing, capital expenditures, and services and supplies as necessary to measure air pollutants within the identified disadvantaged communities and provides incentive funding to reduce the emissions of those air pollutants and improve community capacity to participate in the process.

B. 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 as is the fiduciary fund financial statements. 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 imposed by the provider have been met.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues which are considered susceptible to accrual include interest and state and federal grants provided they are received within 60 days from the end of the fiscal year. Licenses and permits and other revenues are recorded as revenues when received in cash because they generally are not measurable until actually received.

Expenditures are recognized when the related fund liability is incurred except for (1) principal and interest of general long-term debt, which are recognized when due, and (2) employee annual leave and claims and judgments from litigation, which are recorded in the period due and payable since such amounts will not currently be liquidated with expendable available financial resources. General capital assets acquisitions are reported as expenditures in governmental funds.

The fiduciary fund is used to account for assets held by the District as a custodian for CARB, and is reported as a custodial fund.

C. Accounts Receivable and Due from Other Governments

The District's major receivables are comprised mainly of licenses and permits and due from other governments for federal and state grant activities. Accounts receivable is reported net of an allowance for uncollectible amounts. The allowance amount as of June 30, 2025, is \$80,127.

D. Inventory

Inventories are expensed when consumed using primarily the first-in, first-out (FIFO) for air pollution research materials and reported in governmental funds as an asset with an offsetting nonspendable fund balance amount.

E. Capital Assets

Capital assets are of a long-term character and include land, construction in progress, equipment, structures, and software. Capital assets are recorded at historical cost if purchased or constructed. Capital assets with original unit costs equal to or greater than the capitalization thresholds shown in the table below are reported in the government-wide financial statements. Depreciation is charged over the capital assets estimated useful lives using the straight-line method and governmental fund type depreciation is only shown in the statement of activities. Capital assets contributed from the County have useful lives carried over upon separation from the County. The table below shows the range of estimated useful lives for each capital assets category.

	Capitalization Thresholds	Estimated Useful Lives
Land	\$ -	N/A
Improvements	50,000	10-50 years
Infrastructure	50,000	10-50 years
Equipment	5,000	4-30 years
Computer Software	100,000	2-10 years
ROU Asset	250,000	Lease Term
Subscription Asset	150,000	Subscription Term

F. Deposits from Others

The District receives fees associated with permits from various customers in advance. The fees are recognized as revenues when the District completes the inspection and approves the permits.

G. Unearned Revenue

In the government-wide and governmental fund financial statements, unearned revenue represents amounts received, which have not been earned. Unearned revenue arises when the District receives resources before it has a legal claim to them, as when grant monies are received in advance prior to the incurrence of qualified expenditures. In subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the financial statement and revenue is recognized.

H. Compensated Employee Absences

The District's policy is to permit employees to accumulate earned but unused vacation, compensatory time, holiday and sick leave benefits. Each of these benefits is subject to certain limits based on employee class, except for sick leave and compensatory time that is subject to Fair Labor Standards Act (FLSA) rules or the California Labor Code. All vacation pay and a certain portion of compensatory and sick pay for specified employee classes is accrued in the government-wide financial statements. Except for specified employee classes, the District does not pay out for unused sick leave when employees separate from service with the District. However, the portion of the accumulated sick leave and compensatory time that is more likely than not to be used by employees, based on analysis of past employee usage, is accrued. Employees eligible for retirement benefits that meet minimum balance requirements may apply unused sick leave toward determining their length of service for the purpose of calculating retirement benefits.

Accumulated leave benefits including vacation, sick leave, and compensatory time worked are recorded in the government-wide statement of net position. Amounts recorded as accumulated leave benefits include the employer's share of Social Security and Medicare taxes. These amounts would not be expected to be liquidated from expendable available financial resources, but would be expected to be liquidated in future years as employees elect to use these benefits as prescribed by Civil Service rules and regulations.

District employees in the unclassified service and certain employees hired by the County prior to 1979 and continue to serve the District may receive up to 75% and 25%, respectively, of the cash value of all or a portion of their sick leave balances upon termination or retirement. The cash value of these benefits is included in the accumulated leave benefits noted above. This liability has been recorded in the current and long-term portion of compensated absences in the government-wide statement of net position.

All District employees who were hired by the County prior to the District's separation from the County and have completed at least five years of continuous service in the County retirement system, and have a sick leave balance of at least one hundred hours, may convert, at retirement, all or a portion of their sick leave balance to retirement service credits on a hour-for-hour basis. The conversion of these balances to retirement service credits is included in the actuarial accrued liability, as part of the annual actuarial valuation which includes assumptions regarding employee terminations, retirement, death, etc.

	July 1, 2024, As restated	Net Change	Balance June 30, 2025	Due Within One Year
Compensated Absences	\$ 3,377,993	\$ 365,275	\$ 3,743,268	\$ 1,497,307

*The roll-forward schedule only reports the net change in the compensated absences liability.

I. Pension

The District continues to participate in the San Diego County Employees Retirement Association Pension Plan (SDCERA-PP). The District recognizes its proportionate share of the SDCERA-PP's collective net pension liability. Essentially, the net pension liability represents the excess of the total pension liability over the fiduciary net position of the SDCERA-PP reflected in the actuarial report provided by the SDCERA-PP actuary. The net pension liability is measured as of June 30, 2024. Changes in the net pension liability are recorded in the period incurred, as pension expense or as deferred outflows of resources or deferred inflows of resources depending on the nature of the change. The changes in net pension liability that are recorded as deferred outflows of resources or deferred inflows of resources are those that arise from changes in actuarial assumptions or other inputs, changes in proportionate share and differences between employer's contributions and proportionate share of contributions, differences between expected and actual experience in the total pension liability, contributions to the pension plan subsequent to the measurement date, and the net difference between projected and actual earnings on SDCERA-PP investments.

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

J. OPEB

The District continues to participate in the San Diego County Employees Retirement Association Retiree Health Plan (SDCERA-RHP) after the separation from the County. The District recognizes its proportionate share of the SDCERA-RHP collective net Other Postemployment Benefits liability (net OPEB liability).

Essentially, the net OPEB liability represents the excess of the total OPEB liability over the fiduciary net position of the SDCERA-RHP reflected in the actuarial report provided by the SDCERA-RHP actuary. The net OPEB liability is measured as of June 30, 2024. Changes in the net OPEB liability are recorded in the period incurred, as OPEB expense or as deferred outflows of resources or deferred inflows of resources depending on the nature of the change. The changes in net OPEB liability that are recorded as deferred outflows of resources or deferred inflows of resources are those that arise from changes in actuarial assumptions or other inputs, changes in proportionate share and differences between employer's contributions and proportionate share of contributions, differences between expected and actual experience in the total OPEB liability, contributions to the OPEB plan subsequent to the measurement date, and the net difference between projected and actual earnings on SDCERA-RHP investments.

For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources, information about the fiduciary net position of the SDCERA-RHP and additions to/deductions from the SDCERA-RHP fiduciary net position have been determined on the same basis as they are reported by SDCERA. For this purpose, benefit payments are recognized when due and payable in accordance with the benefits terms. Investments are reported at fair value.

K. Components of Net Position

In the government-wide financial statements, Net Position is categorized as follows:

Net Investment in Capital Assets – consists of capital assets net of accumulated depreciation reduced by the outstanding debt and deferred outflows/inflows of resources attributed to the acquisition, construction or improvement of these assets. As of June 30, 2025, the District has \$9,779,908 of net investment in capital assets.

Restricted Net Position – consists of restricted assets reduced by liabilities related to those assets. It is the District's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position components are available. As of June 30, 2025, the District has \$11,803,647 in Restricted Net Position.

Unrestricted Net Position – consists of that portion of net position that doesn't meet the definition of Net Investment in Capital Assets or Restricted Net Position.

L. Fund Balances

In the fund financial statements, governmental funds report fund balances as nonspendable, restricted, committed, assigned or unassigned based on the extent to which the District is bound to observe constraints imposed on the use of resources or on the specific purposes for which amounts in the funds can be spent.

Nonspendable fund balance - amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. The District has \$226,948 of nonspendable fund balance as of June 30, 2025.

Restricted fund balance - amounts with constraints placed on their use that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. The District has restricted fund balances for the Carl Moyer Program in the amount of \$4,100,230, the Community Air Protection Program in the amount of \$4,506,151 and other air pollution control programs in the amount of \$3,197,266, for a total of \$11,803,647 restricted fund balance as of June 30, 2025.

Committed fund balance - amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Governing Board. The Governing Board may establish fund balance commitments by adoption of an ordinance, resolution, or formal board action memorialized by minute orders as may be required by law. All are equally binding. Those committed amounts cannot be used for any other purpose unless the District removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The District has committed fund balance in the General Fund for financial systems in the amount of \$3,000,000, facilities in the amount of \$1,000,000 and operating reserves in the amount of \$5,200,000, for a total of \$ 9,200,000 of committed fund balance as of June 30, 2025.

Assigned fund balance - amounts that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed. Intent should be expressed by the highest level of decision-making authority (the Governing Board), or by a body or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. As of June 30, 2025, there was no amount reported by the District for assigned fund balance.

Unassigned fund balance - the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for the specific purpose exceed the amount restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance. The District has \$12,633,563 of unassigned fund balance as of June 30, 2025.

M. Use of Estimates

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

N. New Governmental Accounting Standards Implemented During the Year Ended June 30, 2025

The following are new GASB Statements implemented by the District during the fiscal year ended June 30, 2025.

- GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The effect of the implementation of this standard on beginning net position is disclosed in Note 10.
- GASB Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with information about risks related to a government's vulnerabilities due to certain concentrations or constraints that is essential to their analyses for making decisions or assessing accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. There was not a significant effect on the District's financial statements as a result of the implementation of this standard.

O. Upcoming Governmental Accounting Standards Implementation

The requirements of the following accounting standards become effective in future periods, if applicable to the District. The District's management is currently in the process of evaluating the potential impacts to the District's basic financial statements.

- GASB Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. The District has not determined the effect on the financial statements.
- GASB Statement No. 104, *Disclosure of Certain Capital Assets*. The statement provides guidance on required certain types of capital assets to be disclosed separately in the capital assets note disclosures. The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information about certain types of capital assets to make informed decisions and assess accountability. Additionally, the disclosure requirements will improve consistency and comparability between governments. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. The District has not determined the effect on the financial statements.
- GASB Statement No. 105, *Subsequent Events*. The primary objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. This Statement defines subsequent events as transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued. The requirements of this Statement are effective for fiscal years beginning after June 15, 2026. The District has not determined the effect on the financial statements.

Note 3 - Cash in County Treasury

The District's cash is held in the County's Investment Pool (Pool). The Pool is a County sponsored "external investment pool" wherein moneys of the County and other legally separate external entities (including the District), which are not part of the County reporting entity, are commingled (pooled) and invested on the participants' behalf. The Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company. The Pool does not have any legally binding guarantees of share values.

The investment activities of the County's Treasury in managing the pool are governed by the California Government Code §53601 and the County of San Diego Treasury's Investment Policy. Investments are categorized into its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are quoted prices for similar assets in active markets; Level 3 inputs are significant unobservable inputs.

San Diego County Air Pollution Control District

Notes to Financial Statements

June 30, 2025

None of the County's investments are valued using Level 1 and Level 3 inputs. Interest earned on pooled cash and investments are allocated to participating funds based upon their average daily cash balance during the allocation month. Fair value adjustments to the pool are recorded annually.

Interest earned on pooled investments is allocated based upon their average daily cash balance during the allocation month. The District's proportionate share of cash and investments in the County Pool is valued at amortized cost.

A separately issued annual financial report for the Pool can be obtained from the County Treasurer-Tax Collector at 1600 Pacific Highway, Room 152, San Diego, California, 92101 and can also be accessed at <https://www.sdttc.com>.

Note 4 - Capital Assets

A summary of changes in capital assets for the year ended June 30, 2025 is as follows:

Governmental Activities	Beginning Balance June 30, 2024	Additions	Deletions	Ending Balance June 30, 2025
Non-Depreciable Capital Assets				
Land	\$ 1,551,017	\$ -	\$ -	\$ 1,551,017
Construction in progress	35,218	114,995	-	150,213
Total Non-Depreciable Capital Assets	1,586,235	114,995	-	1,701,230
Depreciable Capital Assets				
Equipment	5,205,365	626,516	(90,629)	5,741,252
Structures	5,729,185	-	-	5,729,185
Software	55,410	-	-	55,410
Total Depreciable Capital Assets	10,989,960	626,516	(90,629)	11,525,847
Less Accumulated Depreciation				
Equipment	(1,809,030)	(644,113)	90,629	(2,362,514)
Structures	(777,598)	(276,713)	-	(1,054,311)
Software	(22,428)	(7,916)	-	(30,344)
Total Accumulated Depreciation	(2,609,056)	(928,742)	90,629	(3,447,169)
Total Depreciable Capital Assets, Net	8,380,904	(302,226)	-	8,078,678
Capital Assets, Net	\$ 9,967,139	\$ (187,231)	\$ -	\$ 9,779,908

Depreciation expense for the year ended June 30, 2025 was \$928,742 and allocated to the public protection function.

Note 5 - Pension Plan

Certain District employees participate in the San Diego County Employees Retirement Association Pension Plan (SDCERA-PP or the Plan). All District's employees are classified as General members.

A. Plan Description

The District contributes to the SDCERA-PP, a cost-sharing, multiple-employer, defined benefit pension plan that is administered by the Board of Retirement of SDCERA, a public employee retirement system established by the County on July 1, 1939. SDCERA is an independent governmental entity separate and distinct from the District and the County.

The SDCERA-PP provides retirement, disability, death and survivor benefits for its members under the County Employees Retirement Law of 1937 (Government Code Section 31450 et. seq.), the "Retirement Act".

Management of SDCERA is vested with the Board of Retirement. The Board consists of nine members and two alternates made up of member-elected representatives, Board of Supervisors-appointed representatives and the County Treasurer-Tax Collector who is elected by the general public and a member of the Board of Retirement by law. All members of the Board of Retirement serve terms of three years except for the County Treasurer-Tax Collector whose term runs concurrent with his term as County Treasurer.

B. Plan Membership

The participating employers in the SDCERA-PP consist of the District, the County of San Diego; the Superior Court of California - County of San Diego; the San Dieguito River Valley Joint Powers Authority; the Local Agency Formation Commission; and the San Diego County Office of Education.

All employees of the District and the other aforementioned participating employers working in a permanent position at least 20 hours each week are members of the SDCERA. Membership begins with the first biweekly payroll period in the month following employment. Members are vested after accruing five years of service credit. There are separate retirement plans (types of membership) - General and Safety, under the SDCERA-PP. Safety membership is extended to those involved in active law enforcement or who otherwise qualify for Safety membership including court service officers and probation officers. All other employees including employees of the District are classified as General members.

The SDCERA-PP has five Tiers. Subject to the provisions of California Public Employees' Pension Reform Act of 2013 (PEPRA), California Government Code Section 7522 et seq. and Assembly Bill (AB) 197, any new employee hired on or after January 1, 2013 through June 30, 2018 who became a General member, was placed into Tier C; while any new employee hired on or after July 1, 2018 who became a General member is placed into Tier D. Tier C and Tier D are the current open plans for all new General employees; Tiers 1, A, and B are generally closed to new entrants but have active members. On March 8, 2002, the County of San Diego Board of Supervisors eliminated Tier II and established Tier A for active General Members who entered on or after March 8, 2002 and before August 28, 2009. All active General Members were converted to Tier A unless they elected to opt-out during a one-time opt-out period. All deferred General Tier II Members and active Members who elected to opt out of Tier A were converted to Tier I. Both Tier I and Tier II are closed to new members.

C. Benefits Provided

The tiers and their basic provisions are listed in the following table:

Tier Name	Governing Code	Membership Effective Date	Basic Provisions	Final Average Salary Period
General Tier 1	\$31676.12	Before March 8, 2002 (1)	2.62% at 62; maximum 3% COLA	Highest 1 - year
General Tier A	\$31676.17	March 8, 2002 to August 27, 2009	3.0% at 60; maximum 3% COLA	Highest 1 - year
General Tier B	\$31676.12	August 28, 2009 to December 31, 2012	2.62% at 62; maximum 2% COLA	Highest 3 - year
General Tier C	\$7522.20(a)	January 1, 2013 to June 30, 2018	2.5% at 67; maximum 2% COLA	Highest 3 - year (2)
General Tier D	\$31676.01	July 1, 2018	1.62% at 65; maximum 2% COLA	Highest 3 - year (2)

- (1) All General members with membership dates before March 8, 2002 who made a specific and irrevocable election to opt out of General Tier A. This also included those General Members in deferred status on March 8, 2002.
- (2) PEPPRA limits the amount of compensation that can be used to calculate retirement benefit for Tier C and Tier D to 100% and 120% of the 2013 Social Security taxable wage base limit for General members and Safety members, respectively. These amounts will be adjusted with price inflation starting in 2014.

General members enrolled in Tier 1, A or B are eligible to retire once they attain the age of 70 regardless of service or at age 50 (55 for Tier B) and have acquired 10 or more years of retirement service credit. A General member in Tier 1, A or B with 30 years of service is eligible to retire regardless of age. General members enrolled in General Tier C or D are eligible to retire once they attain the age of 70 regardless of service or at the age of 52, and have acquired five or more years of retirement service credit. The retirement benefit the member will receive is based upon age at retirement, final average compensation, years of retirement service credit and retirement plan and tier.

For members enrolled in Tier 1, A or B, the maximum monthly retirement allowance is 100% of final compensation. PEPPRA limits the amount of compensation that can be used to calculate the retirement benefit for Tier C and Tier D to 100% of the 2013 Social Security taxable wage base limit for General Members and 120% for Safety Members. These amounts will be adjusted with price inflation starting in 2014. The member may elect an unmodified retirement allowance, or choose an optional retirement allowance. The unmodified retirement allowance provides the highest monthly benefit and a 60% continuance to an eligible surviving spouse or domestic partner. An eligible surviving spouse or domestic partner is one married to or registered with the member one year prior to the effective retirement date. Certain surviving spouse or domestic partners may also be eligible if marriage or domestic partnership was at least two years prior to the date of death and the surviving spouse or domestic partner has attained age 55. There are four optional retirement allowances the member may choose. Each of the optional retirement allowances requires a reduction in the unmodified retirement allowance in order to allow the member the ability to provide certain benefits to a surviving spouse, domestic partner, or named beneficiary having an insurable interest in the life of the member.

The County Employees Retirement Law of 1937 (Government Code Section 31450 et seq.) assigns the County Board of Supervisors the authority to establish and amend benefit provisions. In addition to the aforementioned retirement, disability, death and survivor benefits, SDCERA provides an annual cost-of-living benefit to all retirees. The cost-of-living adjustment (COLA), based upon the Consumer Price Index for the San Diego-Carlsbad Area (with 1982-84 as the base period), is capped at 3.0% for Tier 1 and Tier A; and capped at 2.0% for Tier B, Tier C and Tier D. The County Employees Retirement Law of 1937 (Government Code Section 31450 et seq.) assigns the SDCERA Board of Retirement authority to approve retiree members and beneficiaries cost-of-living increases.

D. Contributions

SDCERA-PP is a contributory plan, meaning both the member and the employer pay contributions into the system; membership and contributions are mandatory. All members are required to make contributions to SDCERA regardless of the retirement plan or tier in which they are included. Those contribution rates are determined by an actuarial valuation as of June 30, 2023. Effective March 1, 2021, the District separated from the County, however, that separation has no impact on the District's funding requirements for the SDCERA-PP. The District carries contribution rates applied after the separation.

Member contribution rates for fiscal year 2025 ranged from 7.32% to 18.26% of compensation (not adjusted for employer rates of employee contributions). The District and the other participating agencies contribute to the retirement plan based upon actuarially determined contribution rates adopted by the Board of Retirement. Employer contribution rates are adopted annually based upon recommendations received from SDCERA's actuary after the completion of the annual actuarial valuation. The average employer contribution rate for fiscal year 2025 was 50.38% (not adjusted for pick-up) of compensation. The Retirement Act requires that District and member contributions be actuarially determined to provide a specific level of benefit. California Government Code Section 31454 (Section 31454) requires the County Board of Supervisors to adjust the rates of the San Diego County employer and employee retirement contributions in accordance with the recommendations of the Board of Retirement of SDCERA (SDCERA Board). Section 31454 allows the County Board of Supervisors to set (amend) the rate to a higher rate than that recommended by the SDCERA Board but cannot fix the rate lower than the recommended rate. Contribution rates are expressed as a percentage of covered payroll and member rates vary according to age at entry, benefit tier level and certain negotiated contracts that provide for the District to pay a portion of members' contributions. Contributions to the Plan from the District were \$7,035,910 for the year ended June 30, 2025.

Employer and employee contribution rates and active members for the General plans are as follows:

Employer/Employee Contribution Rates and Active Members by Tier

	Employer Contribution Rates	Employee Contribution Rate
General Tier 1	49.05%	10.28% - 18.26%
General Tier A	49.05%	12.24% - 20.13%
General Tier B	49.05%	8.75% - 15.56%
General Tier C	41.90%	10.04%
General Tier D	39.02%	7.32%

SDCERA issues a publicly available financial report that includes financial statements and required supplementary information for the SDCERA-PP. The financial report may be obtained by writing to San Diego County Employees Retirement Association, 2275 Rio Bonito Way, Suite 100, San Diego, California 92108-1685 or by calling (619) 515-6800 or by visiting www.sdcera.org/finance.

E. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2025, the District reported a liability of \$37,081,079 for its proportionate share of the collective Net Pension Liability (NPL). The NPL was measured as of June 30, 2024 and was determined by rolling forward the Total Pension Liability (TPL) as of the June 30, 2023, actuarial valuation date. The NPL is equal to the difference between the TPL and the Plan's Fiduciary Net Position. The Plan's Fiduciary Net Position is equal to the fair value of Plan assets (excluding the Health Insurance Allowance Reserve). Pension amounts, including the District's proportionate share of the NPL, are determined for the General membership classes based on their benefit provisions, actuarial experience, receipts and expenses. The total pension liability for each membership class was calculated based on the participants in and benefits provided for the respective membership class, and the SDCERA-PP fiduciary net position was determined in proportion to the valuation value of assets for each membership class.

For the District's General membership class, actual or statutorily required contributions for the year ended June 30, 2024, were used as the basis for determining the proportion of pension amounts, including the NPL. The ratio of the County's General member contributions to the total SDCERA-PP General member contributions for all participating employers is multiplied by the SDCERA-PP total General member NPL to determine the District's proportionate share of the General membership class NPL.

At the measurement date of June 30, 2024, the District's proportionate share of employer contributions was approximately 0.767%, which was a decrease of approximately 0.002% from its proportion measured as of June 30, 2023.

San Diego County Air Pollution Control District

Notes to Financial Statements

June 30, 2025

For the year ended June 30, 2025, the District recognized pension expense of \$6,981,818. At June 30, 2025, 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
Contributions to the pension plan subsequent to the measurement date	\$ 7,035,910	\$ -
Changes in proportionate share and differences between employer's contributions and proportionate share of contributions	850,472	-
Changes of assumptions or other inputs	3,025,368	621,106
Net difference between projected and actual earnings on pension plan investments	-	2,648,620
Difference between expected and actual experience in the total pension liability	4,054,698	623,395
	<u>\$ 14,966,448</u>	<u>\$ 3,893,121</u>

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

Projected earnings on pension investments are recognized as a component of pension expense. The net difference between projected and actual earnings on pension plan investments is reported as a deferred outflow of resources or deferred inflow of resources and amortized as a component of pension expense on a closed basis over a five-year period, beginning with the period in which they are incurred.

Changes in proportionate share and differences between employer's contributions and proportionate share of contributions, changes of assumptions and other inputs, and differences between expected and actual experience in the total pension liability, are amortized over the average of the expected remaining service lives (service lives) of all employees that are provided with pensions through the SDCERA-PP and are recorded as a component of pension expense, beginning with the period in which they are incurred.

\$7,035,910 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2026.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	Amount
2026	\$ 1,083,783
2027	4,717,083
2028	(955,241)
2029	(808,208)
Total	<u>\$ 4,037,417</u>

F. Actuarial Assumptions

Total Pension Liability represents the portion of the actuarial present value of projected benefit payments attributable to past periods of employee service. The significant actuarial assumptions used to measure the total pension liability as of June 30, 2024, the measurement date, are shown in the following table:

Inflation	2.50%
Salary increases	3.90% to 10.50% , vary by service, including inflation
Discount rate	6.50% , net of pension plan investment expense, including inflation
Cost-of-living adjustment	2.75% of retirement income for Tiers with 3% COLA
	2.00% of retirement income for Tiers with 2% COLA
Date of last experience study	July 1, 2018 through June 30, 2021

Mortality rates for General members and beneficiaries are based on the Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2021.

Mortality rates for General members with a disability retirement are based on the Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table (separate tables for males and females) with rates decreased by 15%, projected generationally with the two-dimensional mortality improvement scale MP-2021.

The allocation of investment assets within the SDCERA portfolio is approved by the Board of Retirement. Plan assets are managed on a total return basis with a long-term objective of achieving the assumed investment rate of return. The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns 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, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, are shown in the following table. This information was used in the derivation of the long-term expected investment rate of return assumption for the June 30, 2023 actuarial valuation and rolled forward to the June 30, 2024 measurement period:

Asset Class

	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Equity	19.00%	5.40%
Small Cap Equity	3.00%	6.17%
Developed International Equity	15.00%	6.13%
Global Equity	11.50%	6.20%
Emerging Markets Equity	5.00%	8.17%
High Yield Bonds	6.40%	2.76%
Bank Loan	0.60%	2.02%
Real Estate	7.40%	4.59%
Private Equity	5.00%	10.83%
Private Credit	1.00%	5.93%
Timberland	0.80%	4.44%
Infrastructure	1.50%	6.02%
Farmland - Row Crops	0.70%	5.62%
Real Estate (Non-Core)	2.60%	7.94%
Intermediate Duration Bonds - Gov't	10.30%	-0.24%
Intermediate Duration Bonds - Credit	10.20%	0.70%
Total	100.00%	

G. Discount Rate

The discount rate used to measure the total pension liability was 6.50 percent as of the June 30, 2024 of measurement date. The projection of cash flows used to determine the discount rate assumed SDCERA-PP member contributions will be made at the current contribution rates and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current SDCERA-PP members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future SDCERA-PP members and their beneficiaries, as well as projected contributions from future SDCERA-PP members, are not included. Based on those assumptions, the SDCERA-PP's net position was projected to be available to make all projected future benefit payments for current SDCERA-PP members. Therefore, the long-term expected rate of return on SDCERA-PP investments was applied to all periods of projected benefit payments to determine the total pension liability as of the June 30, 2024 measurement date.

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

The following table presents the District's proportionate share of the Net Pension Liability as of the June 30, 2024 measurement date, calculated using the discount rate of 6.50%, 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 (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
District's proportionate share of the net pension plan liability	\$ 61,265,827	\$ 37,081,079	\$ 17,348,990

Note 6 - Other Postemployment Benefits – Retiree Health Plan

Certain District employees participate in the SDCERA retiree health plan. All District employees are General members.

A. Plan Description

The District contributes to the SDCERA retiree health plan (SDCERA-RHP), a cost-sharing multiple-employer defined benefit health plan administered by SDCERA. The SDCERA-RHP is administered as an Internal Revenue Code Section 401(h) account (Health Benefits 401(h) Trust) within the defined benefit pension plan under the authority granted by the Retirement Act to the SDCERA Board of Retirement. The Health Benefits 401(h) Trust was established by the SDCERA Retirement Board and the County's Board of Supervisors. The Retirement Act assigns the authority to establish and amend Health Insurance Allowance (HIA) benefits to the SDCERA Board of Retirement.

SDCERA issues a publicly available financial report that includes financial statements and required supplementary information for the SDCERA-RHP. The financial report may be obtained by writing to San Diego County Employees Retirement Association, 2275 Rio Bonito Way, Suite 100, San Diego, California 92108-1685 or by calling (619) 515-6800 or by visiting www.sdcera.org/finance.

B. Benefits Provided

The SDCERA Retirement Board approved the SDCERA-RHP HIA benefits for eligible retired Tier I and Tier II members. The SDCERA-RHP is closed to members in the other Tiers. The HIA is paid from the Health Benefits 401(h) Trust, which is pooled with total fund assets for investment purposes, and is used exclusively to fund future retired member health insurance allowances and program administration. The HIA is not a vested SDCERA benefit and is not guaranteed. It may be reduced or discontinued at any time. The HIA may be applied to a member's insurance premiums for an SDCERA-sponsored plan or toward medical, dental, and prescription insurance premiums paid to other providers selected by the member. The allowance may not be used toward dependents' premiums, nor can it be used to cover any additional medical expenses incurred. It may not be used toward expenses for vision insurance, office visits or prescription co-payments. An allowance (or any portion of an allowance) that the retiree is unable to use, is forfeited.

Currently, an HIA benefit is paid to retired General Tier I and Tier II Members with at least 10 years of SDCERA service credit. Reciprocal service credit and purchased service credit from work in a prior public agency do not count toward the total service credit used to determine the level of allowance. The allowance increases for each year of service credit, with a maximum allowance of \$400 per month available for Members with 20 or more years of SDCERA service credit. When Members become eligible for Medicare, their HIA allowance is set at \$300 per month, plus reimbursement of \$93.50 per month for Medicare Part B premiums.

Members who were granted a disability retirement and were determined to be totally disabled are eligible for the maximum allowance. Members with less than 10 years of service credit who were granted a disability retirement and determined to be partially disabled are eligible for the minimum allowance.

The benefit amounts for non-disabled retirees in Tiers I and II are listed in the following table:

Years of SDCERA Service Credit*	Monthly Allowance If Not Eligible for Medicare	Monthly Allowance If Eligible for Medicare
Less than 10	\$0	\$0
10	200	300
11	220	
12	240	
13	260	
14	280	
15	300	In addition to the allowance,
16	320	93.50 will be reimbursed to use
17	340	toward the cost of the monthly
18	360	Medicare Part B premium.
19	380	
20 or more	400	

*Members who retired on or before September 30, 1991 may be eligible for the maximum allowance.

Upon the retiree's death, the HIA may be transferred to the retiree's eligible spouse or registered domestic partner. The duration of coverage is lifetime for retirees plus continuance to an eligible surviving spouse or registered domestic partner for life. The level of HIA payable to the survivor is the same as that payable to the retiree.

C. Contributions

The SDCERA-RHP is funded by employer contributions that are based on a biennial actuarial valuation, actuarially determined 20-year level dollar amortization schedule. The Actuarial Valuation of Other Postemployment Benefits (OPEB) as of June 30, 2023, established the fiscal year 2025 employer contribution rate of 1.13 percent of covered payroll which amounted to \$176,250 in required contributions made by the District. The Internal Revenue Code limits employer contributions to a 401(h) account to a maximum of 25 percent of the employer's normal cost contributions to the pension plan.

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

At the year ended June 30, 2025, the District reported a liability of \$112,460 for its proportionate share of the collective Net OPEB Liability (NOL). The NOL was measured as of June 30, 2024 (measurement date) and determined based upon the results of the actuarial valuation as of June 30, 2023. The Plan's Fiduciary Net Position (plan assets) and the Total OPEB Liability (TOL) were also valued as of the measurement date. The NOL is equal to the difference between the TOL and the Plan's Fiduciary Net Position. The Plan's Fiduciary Net Position is equal to the fair value of assets.

The District's proportion of the NOL, as well as its proportion of the other OPEB related deferred outflows of resources and deferred inflows of resources is determined using the employer contributions from each employer category from July 1, 2023 through June 30, 2024 as provided to the SDCERA Actuary from SDCERA. The ratio of the District's contributions to the total employer contributions is multiplied by the SDCERA-RHP total NOL to determine the District's proportionate share of the NOL. The same calculation is performed for the other OPEB related deferred outflows of resources and deferred inflows of resources. At the June 30, 2024 measurement date, the District's proportionate share of the NOL was approximately 0.905%. For the year ended June 30, 2025, the District recognized OPEB expense of \$136,533. As of June 30, 2025, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions to the OPEB plan subsequent to the measurement date	\$ 168,513	\$ -
Net difference between projected and actual earnings on OPEB plan investments	-	9,535
	<u>\$ 168,513</u>	<u>\$ 9,535</u>

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

Projected earnings on OPEB investments are recognized as a component of OPEB expense. The net difference between projected and actual earnings on OPEB plan investments is reported as a deferred outflow of resources or deferred inflow of resources and amortized as a component of OPEB expense on a closed basis over a five-year period, beginning with the period in which they are incurred.

Changes in proportionate share and differences between employer's contributions and proportionate share of contributions, changes of assumptions and other inputs, and differences between expected and actual experience in the total OPEB liability, are amortized over the average of the expected remaining service lives (service lives) of all employees that are provided with OPEB through the SDCERA-RHP and are recorded as a component of OPEB expense, beginning with the period in which they are incurred.

\$176,520 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the NOL in the year ending June 30, 2026.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2026	\$ (2,698)
2027	5,232
2028	(7,180)
2029	(4,889)
	<u>\$ (9,535)</u>

E. Actuarial Assumptions

The TOL in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement, as shown in the table below:

Inflation	2.50%
Salary increase	General: 3.90% to 10.25% , including 2.50 % inflation and 0.50% across the board salary increases
Discount rate	6.50%
Healthcare trend	Non-Medicare: 7.00% , graded to ultimate 4.50% over 10 years Medicare: 6.50% graded to ultimate 4.50% over 8 years
Health insurance allowance subsidy increases	0.00%

Mortality rates include post-retirement mortality rates and pre-retirement mortality rates. Post-retirement mortality rates include healthy retirement and disabled retirement.

Healthy Retirement. For General members and all beneficiaries, mortality rates are based on Pub-2010 General Healthy Retiree Headcount-Weighted Above-Median Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2021.

Disabled Retirement. For General members, mortality rates are based on Pub-2010 Non-Safety Disabled Retiree Headcount-Weighted Mortality Table (separate tables for males and females) times 85% for males and 85% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.

The aforementioned mortality data reasonably reflect the mortality experience as of the measurement date. These mortality tables were adjusted to future years using the generational projection to reflect future mortality improvement between the measurement date and those years.

Pre-retirement. For General members, mortality rates are based on the Pub-2010 General Employee Headcount-Weighted Above-Median Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2021.

The TOL as of June 30, 2024, was determined by actuarial valuation as of June 30, 2023. The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an experience study for the period from July 1, 2018 through June 30, 2021.

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 inflation) are developed for each major asset class. These returns 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, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption as of June 30, 2024 is summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Equity	19.00%	5.40%
Small Cap Equity	3.00%	6.17%
Developed International Equity	15.00%	6.13%
Global Equity	11.50%	6.20%
Emerging Markets Equity	5.00%	8.17%
High Yield Bond	6.40%	2.76%
Bank Loan	0.60%	2.02%
Real Estate	7.40%	4.59%
Private Equity	5.00%	10.83%
Private Credit	1.00%	5.93%
Timberland	0.80%	4.44%
Farmland - Row Crops	0.70%	5.62%
Infrastructure	1.50%	6.02%
Real Estate (No-Core)	2.60%	7.94%
Intermediate Duration Bonds - Gov't	10.30%	-0.24%
Intermediate Duration Bonds - Credit	10.20%	0.70%
Total	100%	

F. Discount Rate

The discount rate used to measure the TOL was 6.50% as of June 30, 2024. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current SDCERA-RHP members and their beneficiaries are included.

Projected employer contributions that are intended to fund the service costs (if any) for future SDCERA-RHP members and their beneficiaries, as well as projected contributions (if any) from future SDCERA-RHP members, are not included. Based on those assumptions, the SDCERA-RHP's Fiduciary Net Position was projected to be available to make all projected future benefit payments for current SDCERA-RHP members. Therefore, the long-term expected rate of return on SDCERA-RHP investments was applied to all periods of projected benefit payments to determine the TOL as of June 30, 2024.

G. Sensitivity of the District's Proportionate Share of the Net OPEB Liability to the Changes in the Discount Rate and Changes in the Healthcare Cost Trend Rate

The following table presents the District's proportionate share of the Net OPEB Liability (NOL) as of June 30, 2024, calculated using the discount rate of 6.50%, as well as what the District's proportionate share of the NOL would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
District's proportionate share of the net OPEB plan liability	\$ 162,685	\$ 112,460	\$ 68,228

The following table presents the District's proportionate share of the NOL as of June 30, 2024 and what it would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease*	Current Rate*	1% Increase*
District's proportionate share of the net OPEB plan liability	\$ 95,762	\$ 112,460	\$ 129,747

* Because current benefits for most members are limited by the fixed dollar HIA levels, the trend assumption has little effect on the NOL.

Note 7 - Interfund Activities

Short-term loans between funds that are expected to be repaid during the next fiscal year, as well as amounts due for services provided are reported as Due to other funds and Due from other funds, respectively.

Contributing Fund (Due from)	General Fund	Benefiting Fund (Due to)			Total
		Cal Moyer Program	Community Air Protection Program (AB 617) Fund	Nonmajor Funds	
General Fund	\$ -	\$ 58,529	\$ 614,730	\$ 443,971	\$ 1,117,230
Carl Moyer Program	4,149	-	-	-	4,149
Community Air Protection (AB 617) Fund	401,936	-	-	-	401,936
Nonmajor	261,210	-	-	-	261,210
Total	<u>\$ 667,295</u>	<u>\$ 58,529</u>	<u>\$ 614,730</u>	<u>\$ 443,971</u>	<u>\$ 1,784,525</u>

Interfund transfers result from the transfer of assets without the expectation of repayment. Transfers are most commonly used to move revenues from Special Revenue Funds to the General Fund to finance various programs accounted for in other funds. Interfund transfers for the year ended June 30, 2025 were as follows:

Benefiting Fund (Transfer In)	Contributing Funds (Transfer Out)			Total
	Cal Moyer Program	Community Air Protection Program (AB 617) Fund	Nonmajor Funds	
General Fund	<u>\$ 654,088</u>	<u>\$ 1,582,579</u>	<u>\$ 3,765,920</u>	<u>\$ 6,002,587</u>

Note 8 - Contingent Liabilities

The District is subject to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disaster. The District is subject to various lawsuits as well as grievances by labor unions. The District's management believes, based upon consultation with the District's attorney that any unasserted claims, in the aggregate, will not result in a material adverse financial impact to the District.

Note 9 - Related Parties

The District contracts with the County to provide accounting, banking and investment, human resources, risk management, building lease, information technology, legal services, purchasing, mailing, printing, copier program, health services, clerking services, warehouse, and other administrative services.

San Diego County Air Pollution Control District

Notes to Financial Statements

June 30, 2025

The District incurred expenses totaling \$956,941 for County of San Diego services provided during the fiscal year ended June 30, 2025. As of June 30, 2025, the amount payable to the County of San Diego is \$472,617.

Note 10 - Restatement

As of June 30, 2025, the Authority adopted GASB Statement No. 101, *Compensated Absences*. The provisions of this standard modernize the types of leave that are considered a compensated absence and provide guidance for a consistent recognition and measurement of the compensated absence liability. Therefore, the beginning balance of compensated absences was increased by \$2,042,626 and beginning net position was decreased by \$2,042,626 as of July 1, 2024. The effect of this change in accounting principle on beginning net position is described in the table below.

During fiscal year 2025, it was determined that there were certain errors in amounts previously reported in the 2024 financial statements resulting in a restatement of the beginning net position and fund balance. The corrections consist of the following:

A restatement to increase the beginning net position and fund balance to account for the change in fair market value that should have been recorded in prior year. The restatement increased governmental activities beginning net position and fund balance by \$1,008,386 and Fiduciary fund net position by \$3,024.

	July 1, 2024, As Previously Reported	Change in Principle	Error Correction	July 1, 2024, As Restated
Government-Wide				
Governmental Activities	\$ 8,850,802	\$ (2,042,626)	\$ 1,008,386	\$ 7,816,562
Total primary government	<u>\$ 8,850,802</u>	<u>\$ (2,042,626)</u>	<u>\$ 1,008,386</u>	<u>\$ 7,816,562</u>
Governmental Funds				
Major Funds				
General Fund	\$ 19,924,683	\$ -	\$ 173,817	\$ 20,098,500
Carl Moyer Program	2,320,261	-	264,319	2,584,580
Community Air Protection (AB 617) Fund	2,619,562	-	452,221	3,071,783
Nonmajor Funds	<u>1,694,626</u>	<u>-</u>	<u>118,029</u>	<u>1,812,655</u>
Total governmental funds	<u>\$ 26,559,132</u>	<u>\$ -</u>	<u>\$ 1,008,386</u>	<u>\$ 27,567,518</u>
Fiduciary Fund				
Custodial Fund	<u>\$ 364,160</u>	<u>\$ -</u>	<u>\$ 3,024</u>	<u>\$ 367,184</u>

San Diego County Air Pollution Control District

Notes to Financial Statements

June 30, 2025

If these amounts had been properly recorded in the prior year the change in net position and change in fund balance would have been adjusted as follows for the year ended June 30, 2024:

	June 30, 2024 As Previously Reported	Error Correction	June 30, 2024 As Restated
Government-Wide			
Governmental Activities	\$ 226,767	\$ 1,008,386	\$ 1,235,153
Governmental Funds			
General Fund	515,129	173,817	688,946
Carl Moyer Program	1,019,806	264,319	1,284,125
Community Air Protection (AB 617) Fund	1,232,616	452,221	1,684,837
Nonmajor Funds	<u>428,140</u>	<u>118,029</u>	<u>546,169</u>
Total governmental funds	<u>\$ 3,195,691</u>	<u>\$ 1,008,386</u>	<u>\$ 4,204,077</u>
Fiduciary Fund			
Custodial Fund	<u>\$ (12,510)</u>	<u>\$ 3,024</u>	<u>\$ (9,486)</u>

Required Supplementary Information
June 30, 2025

San Diego County
Air Pollution Control District

San Diego County Air Pollution Control District
Schedule of the District's Proportionate Share of the Net Pension Liability
Pension Plan (Unaudited)
June 30, 2025

	Measurement Date of				
	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
District's proportion of the net pension liability	0.767%	0.769%	0.768%	0.735%	0.775%
District's proportionate share of the net pension liability	\$ 37,081,079	\$ 42,732,563	\$ 43,595,037	\$ 17,601,152	\$ 37,311,042
District's covered payroll	15,599,953	13,387,877	12,617,557	11,354,177	11,621,060
District's proportionate share of the net pension liability as a percentage of its covered payroll	237.70%	319.19%	345.51%	155.02%	321.06%
Plan fiduciary net position as a percentage of the total pension liability	78.87%	74.63%	72.19%	87.15%	72.77%

San Diego County Air Pollution Control District
Schedule of the District's Contributions – Net Pension Liability
Pension Plan (Unaudited)
June 30, 2025

	Fiscal Year Ended 2025	Fiscal Year Ended 2024	Fiscal Year Ended 2023	Fiscal Year Ended 2022	Fiscal Year Ended 2021	Fiscal Year Ended 2020
Actuarial determined contributions	\$ 7,035,910	\$ 6,575,271	\$ 5,420,810	\$ 4,923,125	\$ 4,551,984	\$ 4,205,632
Contributions in relation to the actuarially determined contribution	7,035,910	6,575,271	5,602,161	4,938,839	4,551,984	4,205,632
Contribution deficiency (excess)	-	-	(181,351)	(15,714)	-	-
District's covered payroll	\$ 15,599,953	\$ 14,986,710	\$ 14,177,131	\$ 12,617,557	\$ 11,354,177	\$ 11,621,060
Contributions as a percentage of covered payroll	45.10%	43.87%	39.52%	39.14%	40.09%	36.19%

Changes in Actuarial Assumptions

Reporting Period	June 30, 2022
Inflation	2.50%
Salary increases	General: 3.90% to 10.50%
Discount rate	6.50% , net of pension investment expense, including inflation
Date of last experience study	July 1, 2018 through June 30, 2021

Reporting Period	June 30, 2020
Inflation	2.75%
Salary increases	General: 4.15% to 10.50%
Discount rate	7.00% , net of pension investment expense, including inflation.
Date of last experience study	July 1, 2015 through June 30, 2018
Mortality rates	Pub-2010

San Diego County Air Pollution Control District
Schedule of the District's Proportionate Share of the Net OPEB Liability
OPEB Plan (Unaudited)
June 30, 2025

	Measurement Date of				
	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
District's proportion of the net OPEB liability	0.905%	0.930%	0.866%	0.820%	0.826%
District's proportionate share of the net OPEB liability	\$ 112,460	\$ 459,782	\$ 646,803	\$ 625,745	\$ 820,400
District's covered payroll	15,599,953	13,387,877	12,617,557	11,354,177	11,621,060
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.72%	3.43%	5.13%	5.51%	7.06%
Plan fiduciary net position as a percentage of the total OPEB liability	84.04%	49.35%	32.73%	31.57%	19.70%

San Diego County Air Pollution Control District
Schedule of the District's Contributions – Net OPEB Liability
OPEB Plan (Unaudited)
June 30, 2025

	Fiscal Year Ended 2025	Fiscal Year Ended 2024	Fiscal Year Ended 2023	Fiscal Year Ended 2022	Fiscal Year Ended 2021	Fiscal Year Ended 2020
Actuarial determined contributions	\$ 176,520	\$ 186,206	\$ 168,631	\$ 158,572	\$ 154,680	\$ 167,370
Contributions in relation to the actuarially determined contribution	176,520	186,206	174,615	158,572	154,680	167,370
Contribution deficiency (excess)	-	-	(5,984)	-	-	-
District's covered payroll	\$ 15,599,953	\$ 14,986,710	\$ 14,177,131	\$ 12,617,557	\$ 11,354,177	\$ 11,621,060
Contributions as a percentage of covered payroll	1.13%	1.24%	1.23%	1.26%	1.36%	1.44%

Changes in Actuarial Assumptions

Reporting Period:	June 30, 2025
Healthcare trend	Non-Medicare: 7.00% graded to ultimate 4.50% over 10 years Medicare: 6.50% graded to ultimate 4.50% over 8 years
Reporting Period:	June 30, 2024
Discount rate	6.50%
Healthcare trend	Non-Medicare: 7.25% , graded to ultimate 4.50% over 11 years Medicare: 6.50% graded to ultimate 4.50% over 8 years
Reporting Period:	June 30, 2021
Healthcare trend	Non-Medicare: 7.50% graded to ultimate 4.50% over 12 years Medicare: 6.50% graded to ultimate 4.50% over 8 years
Reporting Period:	June 30, 2020
Inflation	2.75%
Salary increases	General: 4.15% to 10.50%
Discount rate	7.00% , net of OPEB investment expense, including inflation
Healthcare trend	Non-Medicare: 6.75% graded to ultimate 4.50% over 9 years Medicare: 6.25% graded to ultimate 4.50% over 7 years

San Diego County Air Pollution Control District
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund
Year Ended June 30, 2025

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Revenues				
Licenses and permits	\$ 11,375,000	\$ 11,375,000	\$ 12,521,556	\$ 1,146,556
Forfeitures and penalties	1,319,600	1,319,600	1,244,940	(74,660)
Charges for current services	1,720,800	1,400,000	1,101,599	(298,401)
Intergovernmental	19,963,500	20,163,500	17,323,324	(2,840,176)
Investment income	570,000	570,000	1,233,385	663,385
Other	54,600	375,400	387,814	12,414
Total revenues	35,003,500	35,203,500	33,812,618	(1,390,882)
Expenditures				
Public protection				
Salaries and wages	29,492,300	29,937,425	29,326,609	610,816
Services and supplies	14,401,800	15,316,332	7,342,802	7,973,530
Other charges	531,500	1,058,065	442,270	615,795
Capital outlay	1,050,000	2,183,596	741,513	1,442,083
Expenditures transfer reimbursement	(4,407,100)	(4,407,100)	-	(4,407,100)
Fund balance component increases	900,000	900,000	-	900,000
Total expenditures	41,968,500	44,988,318	37,853,194	7,135,124
Deficiency of revenues under expenditures	(6,965,000)	(9,784,818)	(4,040,576)	5,744,242
Other Financing Sources (Uses)				
Transfers in	17,665,000	17,665,000	6,002,587	(11,662,413)
Transfers out	(11,600,000)	(11,600,000)	-	11,600,000
Total other financing sources (uses)	6,065,000	6,065,000	6,002,587	(62,413)
Use of fund balance	900,000	900,000	-	(900,000)
Net Change in Fund Balance	\$ -	\$ (2,819,818)	1,962,011	\$ 4,781,829
Beginning Fund Balance, as previously reported			19,924,683	
Adjustments (Note 10)			173,817	
Beginning Fund Balance, as restated			20,098,500	
Fund Balance, Ending			\$ 22,060,511	

San Diego County Air Pollution Control District
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual –
Carl Moyer Program – Special Revenue Fund
Year Ended June 30, 2025

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Revenues				
Intergovernmental	\$ 18,230,000	\$ 27,093,907	\$ 5,662,394	\$ (21,431,513)
Investment income	800,000	800,000	1,577,108	777,108
Total revenues	19,030,000	27,893,907	7,239,502	(20,654,405)
Expenditures				
Public protection				
Other charges	18,300,000	27,163,907	5,069,764	22,094,143
Total expenditures	18,300,000	27,163,907	5,069,764	22,094,143
Excess of revenues over expenditures	730,000	730,000	2,169,738	1,439,738
Other Financing Sources (Uses)				
Transfers out	(730,000)	(730,000)	(654,088)	75,912
Net Change in Fund Balance	\$ -	\$ -	1,515,650	\$ 1,515,650
Beginning Fund Balance, as previously reported			2,320,261	
Adjustments (Note 10)			264,319	
Beginning Fund Balance, as restated			2,584,580	
Fund Balance, Ending			\$ 4,100,230	

San Diego County Air Pollution Control District
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual –
Community Air Protection Program (AB-617) – Special Revenue Fund
Year Ended June 30, 2025

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Revenues				
Intergovernmental	\$ 39,469,000	\$ 62,661,035	\$ 17,124,051	\$ (45,536,984)
Investment income	800,000	800,000	2,195,974	1,395,974
Total revenues	40,269,000	63,461,035	19,320,025	(44,141,010)
Expenditures				
Public protection				
Services and supplies	784,000	1,170,081	31,907	1,138,174
Other charges	34,000,000	59,505,954	16,271,171	43,234,783
Capital outlay	350,000	350,000	-	350,000
Total expenditures	35,134,000	61,026,035	16,303,078	44,722,957
Excess of revenues over expenditures	5,135,000	2,435,000	3,016,947	581,947
Other Financing Sources (Uses)				
Transfers out	(5,135,000)	(5,135,000)	(1,582,579)	3,552,421
Total other financing sources (uses)	-	(5,135,000)	(1,582,579)	3,552,421
Net Change in Fund Balance	\$ -	\$ (2,700,000)	1,434,368	\$ 4,134,368
Beginning Fund Balance, as previously reported			2,619,562	
Adjustments (Note 10)			452,221	
Beginning Fund Balance, as restated			3,071,783	
Fund Balance, Ending			\$ 4,506,151	

Budgetary Information

The District's recommended budget for fiscal year 2024-25 covers the period July 1, 2024 through June 30, 2025. The budget adoption process is specified in California Health and Safety Code Section 40131 and includes requirements for posting the Budget Summary and Fee Schedule 30 days in advance of the public hearings to receive and consider adopting the recommended budget; the two public hearings were scheduled for May 9, 2024 and June 13, 2024. The proposed initial adoption of the fiscal year 2024-25 was approved and finalized in June 2024.

This budget includes annual budget for the following governmental funds:

- General Fund
- Special Revenue Funds
 - Carl Moyer Program Fund
 - Community Air Protection Program (AB 617) Fund

The schedules of revenues, expenditures, and changes in fund balance – budget and actual that are presented as Required Supplementary Information were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), except for:

- Contribution to other agencies and others in the statement of revenues, expenditures, and changes in fund balances governmental funds is relabeled as other charges. Also, certain expenditures are reclassified for this purpose.
- Expenditures transfer reimbursement – includes administrative overhead charges allocated between programs.
- Fund balance component increases – used to create committed fund balance accounts for operating reserves and facilities/fleet maintenance and replacement.
- Use of fund balance is using existing fund balance to fund specific one-time expenditures for funding sources in the District's annual budget.

There was an error correction, see Note 10 for additional details.

Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

Air Quality Clean Car Program Fund

The Air Quality Clean Car Program Fund is legally restricted for District administration of providing an incentive funding for qualifying low-income residents of state-designated disadvantaged communities to trade in older passenger cars and trucks and replace them with newer hybrid and electric vehicles or other transportation options.

Goods Movement Emission Reduction Program (GMERP) Fund

The GMERP is legally restricted for projects that reduce emissions and associated health risk from freight movement, and for program administration under the GMERP.

Funding Agricultural Replacement Measures For Emission Reductions Program (FARMER) Fund

The FARMER fund is legally restricted for projects that reduce air pollution and greenhouse gas emissions in the agricultural sector. This fund is used to provide one-time grants to District approved projects to incentivize the accelerated retirement and replacement or upgrade of older, diesel on-road and off-road agricultural equipment including tractors, harvesting equipment, irrigation pump engines, utility terrain vehicles, heavy-duty trucks, and other equipment used in agricultural operations.

Vessels at Berth Remediation

The Vessels at Berth Remediation fund is legally restricted to fund incentive activities that comply with adopted CARB guidelines on existing incentive programs; and (2) achieve emission reductions that are early or in excess of any other state, federal or international rule, regulation, statute, or any other legal requirement (including any requirement under a Memorandum of Understanding with a government entity) or an emission reduction strategy identified in an AB 617 Community Emissions Reduction Program that has been approved by the California Air Resources Board.

Supplemental Environmental Project (SEP) Fund

The SEP fund is legally restricted to ensure proper implementation and oversight of the Supplemental Environmental Project (Air Purifier Distribution Program) through an agreement with the California Air Resources Board.

AB617 Implementation Fund

Fund is legally restricted for District administration of the Community Air Protection Program, to select locations to participate in the program and monitor and improve air quality in disadvantaged communities that experience disproportionate burdens from exposure to air pollution due to environmental, health, and socioeconomic factors. This fund supports annual program staffing, capital expenditures, and services and supplies as necessary to measure air pollutants within the identified disadvantaged communities and provides incentive funding to reduce the emissions of those air pollutants and improve community capacity to participate in the process. This fund was created to track fund balance and interest earned on the grant funds.

San Diego County Air Pollution Control District
Combining Balance Sheet – Nonmajor Governmental Funds – Special Revenue Funds
June 30, 2025

	Air Quality Clean Car Program	GMERP Fund	FARMER Fund	Vessels at Berth Remediation	Supplemental Environmental Project	AB617 Implementation	Total Nonmajor Funds
Assets							
Cash and investments	\$ 7,038,723	\$ 2,778,905	\$ 471,960	\$ 450,858	\$ 138,422	\$ 4,207,135	\$ 15,086,003
Due from other funds	-	-	-	-	-	261,210	261,210
Interest receivable	95,829	43,398	9,604	1,874	552	67,909	219,166
Total assets	\$ 7,134,552	\$ 2,822,303	\$ 481,564	\$ 452,732	\$ 138,974	\$ 4,536,254	\$ 15,566,379
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ 48,205	\$ -	\$ -	\$ -	\$ -	\$ 9,406	\$ 57,611
Due to other funds	37,597	-	1,002	-	-	405,372	443,971
Unearned revenue	6,342,531	1,271,409	293,957	-	134,335	3,825,299	11,867,531
Total liabilities	6,428,333	1,271,409	294,959	-	134,335	4,240,077	12,369,113
Fund Balances							
Restricted	706,219	1,550,894	186,605	452,732	4,639	296,177	3,197,266
Total liabilities and fund balances	\$ 7,134,552	\$ 2,822,303	\$ 481,564	\$ 452,732	\$ 138,974	\$ 4,536,254	\$ 15,566,379

San Diego County Air Pollution Control District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances –
Nonmajor Governmental Funds – Special Revenue Funds
Year Ended June 30, 2025

	Air Quality Clean Car Program	GMERP Fund	FARMER Fund	Vessels at Berth Remediation	Supplemental Environmental Project	AB617 Implementation	Total Nonmajor Funds
Revenues							
Intergovernmental	\$ 2,564,206	\$ 2,048,900	\$ 1,138,531	\$ 438,050	\$ -	\$ 3,875,613	\$ 10,065,300
Investment income	413,822	180,168	37,071	14,682	4,639	296,178	946,560
Total revenues	2,978,028	2,229,068	1,175,602	452,732	4,639	4,171,791	11,011,860
Expenditures							
Public protection							
Services and supplies	-	-	-	-	-	506,881	506,881
Contribution to other agencies and others	2,233,969	2,048,900	1,071,579	-	-	-	5,354,448
Total expenditures	2,233,969	2,048,900	1,071,579	-	-	506,881	5,861,329
Excess of revenues over expenditures	744,059	180,168	104,023	452,732	4,639	3,664,910	5,150,531
Other Financing Sources (Uses)							
Transfers out	(330,235)	-	(66,952)	-	-	(3,368,733)	(3,765,920)
Net Change in Fund Balances	413,824	180,168	37,071	452,732	4,639	296,177	1,384,611
Beginning Fund Balances, as previously reported	231,928	1,332,239	130,459	-	-	-	1,694,626
Adjustments (Note 10)	60,467	38,487	19,075	-	-	-	118,029
Beginning Fund Balances, as restated	292,395	1,370,726	149,534	-	-	-	1,812,655
Fund Balances, Ending	\$ 706,219	\$ 1,550,894	\$ 186,605	\$ 452,732	\$ 4,639	\$ 296,177	\$ 3,197,266

Federal Awards Reports in Accordance
with the Uniform Guidance
June 30, 2025

San Diego County Air Pollution Control District

San Diego County Air Pollution Control District

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June 30, 2025

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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 Members of the San Diego Air Pollution Control District Governing Board
San Diego County Air Pollution Control District
San Diego, California

We have audited, 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 (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the San Diego County Air Pollution Control District (District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 8, 2026. Our report also includes emphasis of matter paragraphs regarding the District's adoption of GASB Statement No. 101, *Compensated Absences*, and correction of an error as of July 1, 2024.

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 District'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2025-001 that we consider to be a material weakness.

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*.

The District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ontario, California

Eide Bailly LLP

September 8, 2026



Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

To the Members of the Governing Board
San Diego County Air Pollution Control District
San Diego, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited San Diego County Air Pollution Control District's (District)'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2025. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such

that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2025-002 to be a material weakness.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2025 and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated September 8, 2026, which contained unmodified opinions on those financial statements. Our report also includes emphasis of matter paragraphs regarding the District's adoption of GASB Statement No. 101, *Compensated Absences*, and correction of an error as of July 1, 2024. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Eide Bailly LLP

Ontario, California
September 8, 2026

San Diego County Air Pollution Control District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing Number	Direct Program Identifying Number	Expenditures
U.S. Environmental Protection Agency			
Direct Programs			
Air Pollution Control Program Support	66.001	A00905921	\$ 1,708,856
Surveys, Studies, Research, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034	5Q97T20101	494,027
Surveys, Studies, Research, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034	PM97T06301	129,400
Subtotal Assistance Listing 66.034			623,427
National Clean Diesel Funding Assistance Program	66.039	DE-98T08201	1,317,660
Environmental Justice Government-to-Government (EJG2G) Program	66.312	5C98T90601	225,627
Total U.S. Environmental Protection Agency			3,875,570
U.S. Department of Homeland Security			
Direct Programs			
Homeland Security Biowatch Program	97.091	06OHBIO00009	797,102
Total Federal Financial Assistance			\$ 4,672,672

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the San Diego County Air Pollution Control District (the District) under programs of the federal government for the year ended June 30, 2025. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes net position or fund balance of the District.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the modified accrual basis. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Note 3 - Indirect Cost Rate

The District has not elected to use the de minimis cost rate of up to 15 percent.

San Diego County Air Pollution Control District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2025

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a):	Yes

Identification of major programs:

Name of Federal Program	Federal Financial Assistance Listing
Air Pollution Control Program Support	66.001
National Clean Diesel Funding Assistance Program	66.039
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

2025-001

Reporting and Closing

Type of Finding: Material Weakness

Criteria:

Management is responsible for the preparation and fair presentation of the financial statements. Management is responsible for ensuring that all financial records and related information is reliable and properly recorded in accordance with the Generally Accepted Accounting Principles (GAAP).

Condition:

During our audit of the financial statements we identified several adjustments that were necessary to ensure the accuracy of the District's financial reporting:

- An adjustment of \$46,038 was required to increase Due From Other Governments and Intergovernmental Revenue to true-up DMV fees accrued for June 2025 for actual fees received after year-end in the General Fund.
- An adjustment of \$474,028 was required to re-classify Due To Other Funds to Due To Other Governments intra-fund activity in the General Fund.
- An adjustment of \$30,644 to correct Unearned Revenue incorrectly booked as Due From Other Governments in the Community Air Protection Program Fund.
- An adjustment of \$296,557 was required to reduce Beginning Fund Balance due to a missing adjustment in the Community Air Protection Program Fund.
- An adjustment totaling \$826,489 was required to correct Beginning Fund Balance due to missing prior years' adjustments in the General Fund.
- An adjustment of \$57,510 was required to decrease Inventory and increase Services and Supplies expenditures in the General Fund.
- A restatement was recorded to the Beginning Net Position of the Governmental-Activities in the amount of \$1,008,387, the General Fund Balance in the amount of \$173,817, the Carl Moyer Program Fund Balance in the amount of \$264,319, the Community Air Protection Program Fund Balance in the amount of \$452,221, and the Aggregate Remaining Fund Information Fund Balance in the amount of \$121,054, to record the GASB 31 fair value adjustment as of July 1, 2024.
- An adjustment was recorded to the Governmental-Activities in the amount of \$3,194,061, the General Fund in the amount of \$774,559, the Carl Moyer Program in the amount of \$777,712, the Community Air Protection Program Fund in the amount of \$1,278,942, and the aggregate remaining fund information in the amount of \$375,034, to record the GASB 31 fair value adjustment and increase Cash and Investments and Investment Income.

Cause:

These adjustments were necessary due to deficiencies in the District's reporting and closing procedures. Specifically, the existing processes did not ensure Beginning Fund Balance reconciled to the prior year audited financial statements, that all accruals were prepared and posted, intra-fund activities were accurately reconciled, and correction of an error was prepared and posted prior to the preparation of the financial statements.

Effect:

The deficiencies in the reporting and closing process resulted in material misstatements in the unadjusted trial balance. Without the auditor-proposed adjustments, the financial statements would not have been presented in accordance with GAAP, potentially misleading users of the financial statements regarding the District's financial position and results of operations.

Recommendation:

We recommend that the District strengthen its internal controls over financial reporting and closing by implementing reconciliation processes over the following areas:

- Fund Balance reconciliation between the current year's Beginning Fund Balance to prior year's audited Ending Fund Balance.
- Compare actual amounts to recognized estimates to identify any material adjustments.
- Reconciliation between intra-fund activity, eliminations, and Due To Other Governments to confirm accuracy.
- Reconciliation of Inventory and updating the recorded balance.
- Reconciliation of Unearned Revenue and updating the recorded balance.
- Reconciliation of Cash and Investments and updating the recorded balance to include the GASB 31 Fair Value adjustment.

Views of Responsible Officials:

Management agrees. See separately issued Corrective Action Plan.

Section III – Federal Award Findings and Questioned Costs

2025-002 **Program:** Air Pollution Control Program Support and National Clean Diesel Funding Assistance Program
Assistance Listing No.: 66.001 and 66.039
Federal Grantor: U.S. Environmental Protection Agency
Passed-through: Direct Award
Award No.: A00905921 and DE-98T08201
Award Year: 2024 and 2023

Compliance Requirements: Cash Management

Type of Finding: Material Weakness in Internal Control Over Compliance

Criteria:

2 CFR Section 200.303(a), Internal Controls, states that the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition:

For ALN 66.001, three (3) out of three (3) payment drawdowns, the District did not retain evidence to document the individual who reviewed and approved the drawdowns prior to submission.

For ALN 66.039, one (1) out of one (1) payment drawdown, the District did not retain evidence to document the individual who reviewed and approved the drawdown prior to submission.

Cause:

The District's procedures did not include documenting the review and approval of the payment drawdowns prior to submission.

Effect:

Ineffective controls over this area of compliance could result in payment drawdowns that are inaccurate being submitted to the granting agency.

Questioned Costs:

No questioned costs were identified as a result of our audit procedures.

Context/Sampling:

For ALN 66.001, a non-statistical sample of three (3) out of three (3) payment drawdowns were selected for testing. We tested the entire population of three (3) drawdowns during the year.

For ALN 66.039, a non-statistical sample of one (1) out of one (1) payment drawdown was selected for testing. We tested the entire population of one (1) drawdown during the year.

Repeat Finding from Prior Years:

No.

Recommendation:

We recommend the District revise its procedures to include evidence to document the individual who reviewed and approved payment drawdowns prior to submission.

Views of Responsible Officials:

Management agrees. See separately issued Corrective Action Plan.

Financial Statement Findings

<u>Finding No.</u>	<u>Category of Finding</u>	<u>Status of Corrective Action</u>
2024-001	Financial Reporting Process	Not implemented, see Finding 2025-001.

Federal Award Findings

None reported.