

**NORTHERN SIERRA AIR QUALITY  
MANAGEMENT DISTRICT**

**AUDIT REPORT  
JUNE 30, 2019**

**NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT  
AUDITED FINANCIAL STATEMENTS  
JUNE 30, 2019**

**TABLE OF CONTENTS**

<b><u>FINANCIAL SECTION</u></b>	<b><u>Page No.</u></b>
Independent Auditors' Report on Financial Statements	1
Management's Discussion and Analysis	3
 <b><u>Basic Financial Statements:</u></b>	
Government-Wide Statement of Net Position	12
Government-Wide Statement of Activities	13
 <b><u>Fund Financial Statements:</u></b>	
Balance Sheet-Governmental Funds	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	15
Statement of Revenue, Expenditures and Changes in Fund Balances-Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures And Changes in Fund Balances of Governmental Funds To the Statement of Activities	17
Notes to Financial Statements	18
 <b><u>Required Supplementary Information:</u></b>	
General Fund – Budgetary Comparison Schedule	35
Restricted Fund – Budgetary Comparison Schedule	36
Proportionate Share of the Net Pension Liability - PERS	37
Schedule of District Contributions - PERS	38
Schedule of District's Proportionate Share of Net OPEB Liability	39
Schedule of District's OPEB Contributions	40
Schedule of Changes in the District's OPEB Liability and Related Ratios	41
 <b><u>OTHER SUPPLEMENTARY INFORMATION</u></b>	
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	42
Combined Schedule of Findings and Questioned Costs	45
Summary Schedule of Prior Year Audit Findings	47
Corrective Action Plan	48

## **FINANCIAL SECTION**

## Independent Auditor's Report

Board of Directors  
Northern Sierra Air Quality Management District  
Grass Valley, CA

We have audited the accompanying financial statements of the governmental activities and the major funds of the Northern Sierra Air Quality Management District (District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### **Auditors' Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major funds of Northern Sierra Air Quality Management District as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, the schedule of Proportionate Share of the Net Pension Liability and the schedule of District Contributions and the schedule of the District's proportionate share of the net OPEB liability and schedule of District OPEB contributions and Schedule of Changes in the District's Total OPEB Liability and Related Ratios as shown in the notes to the financial statements as required supplementary information be presented to supplement the basic financial statements. Such information, although not a basic part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2020, 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 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 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.

Respectfully Submitted,

**SingletonAuman PC**  
Susanville, CA  
February 19, 2020

**NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
AS OF JUNE 30, 2019**

**INTRODUCTION**

Our discussion and analysis of Northern Sierra Air Quality Management District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2019. It should be read in conjunction with the District's financial statements (including notes and supplementary information), which follow this section.

The District's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the District's financial activity, (c) identify changes in the District's financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

**Overview of District's Financial Activity**

The District's mission is to preserve air quality and protect the public health and welfare in Nevada, Plumas and Sierra Counties. The District does this through programs implemented with the assistance of federal, state and local contributions. A major portion of the District's yearly annual revenue is through state subvention.

Pursuant to the joint powers agreement and amendments signed by the chairperson of each member county Board of Supervisors, the District receives funding from each of the Counties it serves. Each year, the District's Board of Directors adopts one method of calculating the current year's contribution. Methods are based on historical contributions, county populations, need, and inflation. Additional revenue comes from the following sources:

- State Subvention Funds
- AB 2766 DMV Surcharge Fees
- AB 923 DMV Surcharge Fees
- Stationary Source Fees
- Hearing Board Fees
- Open Burning Fees
- Woodstove Inspection Fees
- AB 2588 Air Toxics Hot Spots Fees
- Fines Levied for Rule Infractions
- Interest on Reserves
- Subscriptions & Copies
- Contract with EPA to Monitor PM2.5
- Carl Moyer Program (grant pass-through only)
- EPA's 2015 Target Grant (for the Plumas PM.2.5 Nonattainment Area)
- H & S Settlement with EPA

Assembly Bill 2766 (1991) Vehicle Registration Fee funds make up a significant portion of District revenue, however, these funds may be used solely to reduce air pollution from motor vehicles and for related planning, monitoring, enforcement, and technical studies necessary for the implementation of the California Clean Air Act of 1988. The District collects \$4 per vehicle registration in Nevada County and Plumas County and \$2 registration in Sierra County.

The District receives revenues from the State which are restricted - funds which can only be used for exclusive purposes allocated by the Board and state requirements. Examples of continuing restricted funds are the pass-through grant programs of Board-approved AB2766 projects and Carl Moyer Heavy-Duty Diesel program. The District administers the expenditure of these monies (restricted expenditures) for worthy air pollution projects within the District's jurisdiction. All monies restricted for external grants only are placed in an account (Restricted Budget) separate from the District's Internal Operating Budget.

**Carl Moyer Program** pass-through funds come from ARB at a different cycle than the District's Fiscal Year of July 1 and is to be used throughout a three-year time period. During FY 18/19, the District disbursed \$164,136.

**The External AB2766** grant cycle lags behind the fiscal year by 3 months, running from October 1<sup>st</sup> to September 30th. AB 2766 funding is encumbered in June (for previously approved grants) for use after June 30th. Typically, about half of originally allocated funds are used in these final months. During the first 3 months of the AB 2766 grant cycle, the opposite is true. As grantees gear up and since grant payments are reimbursement-based there is a lag of several months before payments are made to grantees. This irregular, unpredictable cash flow produces confusion to those trying to evaluate the District's reserves and can lead to overly optimistic estimations of the financial health of the District's reserves. In order to make this process easier to understand, the District places the granted portion of AB2766 funds in a separate account (Restricted Account) from the Operating Account. The AB 2766 projects must go through a competitive process and be approved by the District's Board of Directors. During FY 18/19, the District disbursed \$115,446.

#### **TIMBER (Truck Improvement Modernization Emission Reduction Program)**

The Carl Moyer Truck Improvement/Modernization Benefitting Emission Reductions (TIMBER) Program provides a streamlined approach for replacing older, high-polluting heavy-duty log trucks earlier than required. The TIMBER program helps reduce some of the costs associated with replacing a log truck with a new (not used) log truck. The District disbursed \$0 during FY 18/19.

#### **EPA's Target Grant (for the Plumas PM2.5 Nonattainment area)**

The District received a \$2.48 million grant from the Targeted Air Shed Grant for a wood stove change-out program. The grant is intended to improve air quality in areas of the U. S. with the highest levels of pollution. During fiscal year 18/19 the District expended \$184,249 on this grant.

### **H & S Woodstove Mitigation**

The District had a one-time revenue of \$400,000 as a result of a settlement between H & S and the Environmental Protection Agency. These funds are to be used for a woodstove change-out program. The District disbursed \$72,000 during FY 18/19.

### **Financial Highlights – Operating Budget**

The operating fund reported an excess of revenues over expenditures this year of \$149,134. During the year, the District's non-grant expenses were \$776,411, while revenue for the unrestricted fund was \$925,545.

#### **Operating Budget - Revenue**

Revenues were \$925,545 which was less than expected revenue by \$14,177. This was largely due to less than expected intergovernmental revenue.

For Fiscal Year 19/20, the District expects revenue to be \$xxxxxx.

#### **Operating Budget - Expenditures**

During FY 18-19, approximately 72% of expenditures (\$557,839) were utilized for Salaries and Benefits. During FY 19/20, the District expects \$xxxxx (xx% of total expenditures) for Salaries and Benefits.

### **Financial Highlights - Restricted Budget**

The restricted fund reported an excess of expenditures over revenues this year of \$103,731. During the year, the District's restricted revenue was \$1,100,463 while expenditures for the restricted fund were \$996,732.

#### **Restricted Revenue**

Total revenue for FY 18/19 was \$1,100,463. This revenue is from five government grant programs; AB2766, AB 923, EPA Target Grant, Woodstove change-out and the Farmer's Shared Pool Program.

#### **Restricted Expenditures**

Total amount disbursed in FY 18/19 was \$996,732. Major disbursements were as follows:

- \$115,446 for the AB2766 program,
- \$164,136 for the Carl Moyer Heavy Duty Diesel program,
- \$373,381 for the Woodsmoke Reduction Program,
- \$72,000 for the H & S Mitigation Program,
- \$184,249 for the EPA Target Grant and
- \$87,520 for the Farmer's Shared Pool Program.

### **FINANCIAL HIGHLIGHTS**

- ❑ Total net position was \$308,361 at June 30, 2019. This was an increase of \$238,652 over the prior year.

- ❑ Overall revenues were \$2,026,008, which were more than expenses of \$1,787,356 by \$238,652.
- ❑ The General Fund reported a fund balance this year of \$1,162,578
- ❑ The Restricted Fund reported a fund balance this year of \$771,284.

## OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts – management’s discussion and analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- ❑ **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity’s overall financial position.
- ❑ **Fund financial statements** focus on reporting the individual parts of the District operations in more detail. The fund financial statements comprise the remaining statements.
  - **Governmental funds** statements tell how general government services were financed in the short term as well as what remains for future spending.
  - **Fiduciary fund** statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources belong.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required supplementary information that further explains and supports the financial statements. A comparison of the district’s budget for the year is included.

### Government-Wide Statements

The government-wide statements report information about the District, as a whole, using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District’s net position and how it has changed. Net position, the difference between assets and liabilities, is one way to measure the District’s financial health or position.

- ❑ Over time, increases or decreases in the District’s net position is an indicator of whether its financial health is improving or deteriorating, respectively.

- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the tax base, and changes in program funding by the Federal and State governments, and the condition of the District's facilities.

The government-wide financial statements of the District include governmental activities. Most of the District's basic services are included here, such as air monitoring.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's most significant funds-not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular programs. Some funds are required to be established by state law and by bond covenants. The Board of Directors establishes other funds to control and manage money for particular purposes or to show that the District is meeting legal responsibilities for using certain revenues. The District has one kind of funds:

- Governmental funds - Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the government funds statements that explains the relationship (or differences) between them.

## FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

### Net Position

The District's combined net position was \$308,361 at June 30, 2019. See Table 1.

**Table 1:  
Net Position**

	Governmental Activities		Total Percentage
	2019	2018	Change 2019-2018
<b>Assets</b>			
Cash	\$ 2,029,668	\$ 2,018,564	0.55%
Accounts Receivable	236,377	172,535	37.00%
Prepaid Expenses	19,113	9,254	100.00%
Capital Assets, Net of Accumulated Depreciation	99,668	119,906	-16.88%
<b>Total Assets</b>	<b>2,384,826</b>	<b>2,320,259</b>	<b>2.78%</b>
<b>Deferred Outflows</b>			
Pension Plan Contributions	250,575	250,083	100.00%
OPEB Contributions	23,586	23,776	100.00%
<b>Total Deferred Outflows</b>	<b>274,161</b>	<b>273,859</b>	
<b>Liabilities</b>			
Accounts Payable	9,006	9,651	-6.68%
Unearned Revenue	342,289	509,705	-32.85%
Long-Term Debt	1,952,994	1,997,501	-2.23%
<b>Total Liabilities</b>	<b>2,304,289</b>	<b>2,516,857</b>	<b>-8.45%</b>
<b>Deferred Inflows</b>	<b>46,337</b>	<b>31,393</b>	<b>100.00%</b>
<b>Net Position</b>			
Net Investment In Capital Assets	99,668	119,906	-16.88%
Restricted	802,000	667,553	20.14%
Unrestricted	(593,307)	(717,750)	-17.34%
<b>TOTAL NET POSITION</b>	<b>\$ 308,361</b>	<b>\$ 69,709</b>	<b>342.35%</b>

### Changes in Net Position

The District's total revenues were \$2,026,008. A majority of the revenue comes from Federal and State aid for specific programs (90%) of total revenues.

The total cost of all programs and services was \$1,787,356. This reflects an increase of \$112,075 in expenditures from the prior year.

**Table 2:  
Changes in Net Position**

	Governmental Activities		Total Percentage
	2019	2018	Change 2019-2018
Revenues			
Permits & Fees	\$ 163,223	\$ 222,067	-26.50%
Government Funding	1,830,265	1,544,815	18.48%
Interest Income	32,520	24,323	33.70%
<b>TOTAL REVENUES</b>	<u>2,026,008</u>	<u>1,791,205</u>	13.11%
Expenses:			
Air Quality Management	1,787,356	1,675,281	6.69%
<b>TOTAL EXPENSES</b>	<u>1,787,356</u>	<u>1,675,281</u>	6.69%
INCREASE/(DECREASE) IN NET POSITION	<u>\$ 238,652</u>	<u>\$ 115,924</u>	105.87%

### Governmental Activities

Table 3 presents the cost of each of the District's functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by charges for services, operating grants and capital grants and contributions.

The total cost of all governmental activities this year was \$1,787,356.

**Table 3  
Net Cost of Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2019	2018	2019	2018
Air Quality Management	\$ 1,787,356	\$ 1,675,281	\$ 206,132	\$ 91,601
<b>TOTAL</b>	<u>\$ 1,787,356</u>	<u>\$ 1,675,281</u>	<u>\$ 206,132</u>	<u>\$ 137,785</u>

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The overall financial performance of the District, as a whole, is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,933,862 which is above last year's ending fund balance of \$1,680,997.

### General Fund Budgetary Highlights

Before each year the District budgets for that year operation. The Districts' budget was revised during the year. A schedule of the District's original and final budget amounts compared with actual revenues and expenses is provided in the supplemental section of the audited financial report.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2019, the District had invested \$99,668 in a broad range of capital assets, including furniture, equipment and vehicles. During the year, the District invested in additional monitoring equipment. See Table 4.

**Table 4**  
**Capital Assets**

	Governmental Activities		Total Percentage
	2019	2018	Change 2019-2018
Furniture	\$ 74,070	\$ 72,665	1.93%
Equipment	295,685	271,952	8.73%
Vehicles	101,662	101,662	0.00%
Totals at Historical Cost	471,417	446,279	5.63%
Total Accumulated Depreciation	(371,749)	(326,373)	13.90%
<b>NET CAPITAL ASSETS</b>	<b>\$ 99,668</b>	<b>\$ 119,906</b>	<b>-16.88%</b>

The District expects to spend \$ \_\_\_\_\_ in capital expenditures for the 2019/20 fiscal year for \_\_\_\_\_.

## Long-Term Debt

At year end, the District had \$1,952,994 in debt, consisting of compensated absences, other post-employment benefits and net pension liability as shown in Table 5. More detailed information about the District's debt is presented in the notes to the financial statements.

**Table 5**  
**Long-Term Debt**

	Governmental Activities		Change
	2019	2018	2019-2018
Compensated Absences	\$ 62,176	\$ 56,065	10.90%
Net OPEB Liability	867,094	884,064	-1.92%
Net Pension Liability	1,023,724	1,057,372	-3.18%
<b>TOTAL LONG-TERM DEBT</b>	<b>\$ 1,952,994</b>	<b>\$ 1,997,501</b>	<b>-2.23%</b>

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future financial health:

- The uncertainty of state funding can have a profound impact on the financial health of the District. Although no changes are currently anticipated, the state government could implement mid-year budget cuts and further cash deferrals.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, participants, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact:

Gretchen Bennett, Air Pollution Control Officer  
Northern Sierra Air Quality Management District  
200 Litton Drive, Suite 320  
Grass Valley, CA 95945  
530-274-9360

**NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT  
STATEMENT OF NET POSITION  
AS OF JUNE 30, 2019**

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash on Hand and in Banks	\$ 57,690
Cash in County Treasury	1,971,978
Accounts Receivable	236,377
Prepaid Expenses	19,113
Capital Assets:	
Furniture, Equipment, and Vehicles, Net	99,668
Total assets	<u>\$ 2,384,826</u>
 <b>Deferred Outflows of Resources</b>	
Deferred Recognition of Contributions to Pension Plan	\$ 250,575
Deferred Outflows- OPEB Contributions	23,586
Total Deferred Outflows of Resources	<u>\$ 274,161</u>
 <b>Liabilities</b>	
Accounts Payable	\$ 9,006
Unearned Revenue	342,289
Noncurrent Liabilities:	
Compensated Absences	62,176
Net OPEB Liability	867,094
Net Pension Liability	1,023,724
Total liabilities	<u>\$ 2,304,289</u>
 <b>Deferred Inflows of Resources</b>	
Deferred Recognition of Pension Plan Earnings	\$ 24,210
Deferred Recognition of OPEB Earnings	22,127
Total Deferred Inflows	<u>\$ 46,337</u>
 <b>Net Position</b>	
Net Investment in Capital Assets	\$ 99,668
Restricted	802,000
Unrestricted	(593,307)
Total Net Position	<u>\$ 308,361</u>

The accompanying notes are an integral part of this statement.

**NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019**

<b>Governmental Activities</b>	Expenses	Program Revenues Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position  Total Governmental Activities
Air Quality Management	\$ 1,787,356	\$ 163,223	\$ 1,830,265	\$ 206,132
Total Governmental Activities	\$ 1,787,356	\$ 163,223	\$ 1,830,265	206,132
<b>General Revenues:</b>				
Interest				32,520
Total General Revenue				32,520
Change in net position				238,652
Net position, beginning				69,709
Net position, ending				\$ 308,361

The accompanying notes are an integral part of this statement.

**NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2019**

	<u>General Fund</u>	<u>Restricted Fund</u>	<u>Total</u>
<b>Assets</b>			
Cash on Hand and in Banks	\$ 57,690	\$ -	\$ 57,690
Cash in County Treasury	989,059	982,919	1,971,978
Accounts receivable	147,131	89,246	236,377
Due From General Fund		42,620	42,620
Prepaid Expenses	19,113		19,113
	<u>\$ 1,212,993</u>	<u>\$ 1,114,785</u>	<u>\$ 2,327,778</u>
<b>Liabilities and Fund Balance</b>			
Liabilities:			
Accounts Payable	\$ 6,104	\$ 1,212	\$ 7,316
Due to Restricted Fund	42,620		42,620
Other Current Liabilities	1,691		1,691
Unearned Revenue	-	342,289	342,289
	<u>50,415</u>	<u>343,501</u>	<u>393,916</u>
Fund Balance:			
Restricted		771,284	771,284
Committed	802,000		802,000
Unassigned	360,578		360,578
Total Fund Balance	<u>1,162,578</u>	<u>771,284</u>	<u>1,933,862</u>
	<u>\$ 1,212,993</u>	<u>\$ 1,114,785</u>	<u>\$ 2,327,778</u>
Total Liabilities and Fund Balance			

The accompanying notes are an integral part of this statement.

**NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO  
THE STATEMENT OF NET POSITION  
AS OF JUNE 30, 2019**

Total Fund Balances - Governmental Funds	\$ 1,933,862
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds	99,668
Payables for compensated absences which are not due in the current period are not reported in the funds	(62,176)
Deferred Outflows of resources in governmental activities are reported as expenditures in the funds	274,162
Deferred Inflows of resources in governmental activities are not reported in the funds	(46,337)
Payables for Pension Benefits which are not due in the current period are not reported in the funds	(1,023,724)
Payables for Other Post-Employment Benefits which are not due in the current period are not reported in the funds.	<u>(867,094)</u>
Total Net Position - Governmental Activities	<u><u>\$ 308,361</u></u>

The accompanying notes are an integral part of this statement.

**NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2019**

	General Fund	Restricted Fund	Total
<b>Revenue:</b>			
Permits & Fees	\$ 162,204	\$ -	\$ 162,204
Intergovernmental Revenue	729,802	1,100,463	1,830,265
Interest Income	32,520		32,520
Other Income	1,019		1,019
<b>Total Revenue</b>	<b>\$ 925,545</b>	<b>\$ 1,100,463</b>	<b>\$ 2,026,008</b>
<b>Expenditures:</b>			
<b>Air Quality Management</b>			
Salaries	376,542	-	376,542
Benefits	181,297		181,297
Air Monitoring	10,172		10,172
H & S Mitigation		72,000	72,000
AB 2776 Grants		115,446	115,446
Carl Moyer Diesel		164,136	164,136
Woodsmoke Reduction Program		373,381	373,381
EPA Target Grant - Wood St.		184,249	184,249
Farmer's Pooled Share Program		87,520	87,520
Professional Fees	58,141		58,141
Communications	19,895		19,895
Travel	12,456		12,456
Office	18,990		18,990
Rent and Utilities	45,429		45,429
Repairs and Maintenance	4,495		4,495
Dues and Subscriptions	3,823		3,823
Insurance	9,256		9,256
Capital Outlay	25,139		25,139
Miscellaneous	10,776		10,776
<b>Total Expenditures</b>	<b>776,411</b>	<b>996,732</b>	<b>1,773,143</b>
<b>Revenue Over (Under) Expenditures</b>	<b>149,134</b>	<b>103,731</b>	<b>252,865</b>
<b>Fund Balance, July 1</b>	<b>1,013,444</b>	<b>667,553</b>	<b>1,680,997</b>
<b>Fund Balance, June 30</b>	<b>\$ 1,162,578</b>	<b>\$ 771,284</b>	<b>\$ 1,933,862</b>

The accompanying notes are an integral part of this statement.

**NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUE AND EXPENDITURES  
TO THE STATEMENT OF ACTIVITIES  
AS OF JUNE 30, 2019**

Net Changes in fund balances - total governmental funds	\$ 252,865
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
The depreciation of capital assets used in governmental activities is not reported in the funds.	(45,376)
Other Post-employment benefits are reported as the amount earned in the SOA but as the amount paid in the funds.	(5,347)
Compensated Absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(6,111)
Pension (Expenditures) Credits used in governmental activities are not reported in the funds.	17,482
Capital Outlays are not reported as expenses in the SOA	25,139
Changes in net position of governmental activities - statement of activities	\$ 238,652

The accompanying notes are an integral part of this statement

**NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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

The Northern Sierra Air Quality Management District (District) was founded on November 20, 1986 by an agreement between Nevada, Plumas and Sierra Counties and their corresponding Air Pollution Control Districts under provisions of Chapter 3 Part 3 Division 26 of the California Health and Safety Code. The District is responsible for attaining and maintaining the federal and state ambient air quality standards, and is therefore engaged in activities such as air monitoring, planning, enforcement, permitting, public education, and complaint investigation. Substantial funding for the District is from County established surcharges on vehicle registrations. These monies are collected by the California Department of Motor Vehicles and subsequently remitted to the District. Other sources of revenues include state subvention funding and fees from various permits, fines, and County general fund contributions. Over 50% of the District's revenue originates from or passes through departments of the State of California.

The District accounts for its financial transactions in accordance with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

**1. Reporting Entity**

The District's combined financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the District's reporting entity, as set forth in GASB Statement No. 14 "The Financial Reporting Entity" and GASB Statement No. 39 "Determining Whether Certain Organizations Are Component Units," include whether:

- The organization is legally separate (can sue and be sued in its name)
- The District holds the corporate powers of the organization
- The District appoints a voting majority of the organization's board
- The District is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the District
- There is fiscal dependency by the organization on the District
- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government
- The primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization
- The economic resources received or held by an individual organization that the specific primary government is entitled to, or has the ability to otherwise access, are significant to that primary government

Based on these criteria, the District has no component units. Additionally, the District is not a component unit of any other reporting entity as defined by the GASB Statement.

**NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The District reports the following major governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial resources of the district except those required to be accounted for in another fund.

Restricted Fund: This is the program fund of the District. It represents resources restricted to support of District air quality improvement and monitoring grants funded by AB 2766, Carl Moyer, Wood Stove Replacement Project, EPA PM2.5 Grant , and other government funding programs.

**NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

b. Measurement Focus, Basis of Accounting

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

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Investment earnings are recorded as earned, since they are both measurable and available. Revenue from permits is not considered measurable until they are received and are recognized as revenue at that time because the renewal amount is based partially on actual emissions for the preceding period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

3. Assets, Liabilities, and Equity

a. Deposits & Investments

Cash is composed of the following amounts as of June 30, 2019:

	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
Cash on hand and in banks	\$ -	\$ 57,690	\$ 57,690
Cash in Nevada County Treasury	982,919	989,059	1,971,978
Total Cash and Investments	<u>\$ 982,919</u>	<u>\$ 1,046,749</u>	<u>\$ 2,029,668</u>

Cash balances held in banks are insured to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized.

**NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

Nearly all cash at June 30, 2019 is pooled for investment purposes and held by Nevada County. Interest is apportioned quarterly to the District based on the average daily balances on deposit with the County of Nevada. The Nevada County Treasury is an external investment pool for the District and the District is considered an involuntary participant. The investments made by the Treasurer are regulated by the California Government Code and by the County's investment policy, however, the County's investment pool is not rated by a nationally recognized rating agency. By limiting its investments to the Nevada County Treasurers' investment pool, managed in accordance with the California Government Code, the District minimizes its exposure to custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

Cash deposits are reported at carrying value which reasonably estimates fair value.

b. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$1,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Vehicles	5
Office Equipment	7
Field Equipment	5-7

Gain or loss is recognized when assets are retired from service or are otherwise disposed.

c. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

**NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

d. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item that qualifies for reporting in this category, unavailable amounts from the District portion of PERS pension earnings.

e. Compensated Absences

Accrued compensated absences for accumulated unpaid leave that is payable to employees upon termination include 100% of all employees' vacation time and compensated time off earned. In addition, 35% of sick time earned for employees who have been employed by the district for five years are also included. This liability is accrued in the Government-Wide financial statements but not on the Governmental Fund financial statements. The current portion of the liabilities is recognized in the General Fund at year end.

f. Budgetary Accounting

The District adopts its budget by July 1<sup>st</sup> of each year. Supplemental appropriations are adopted throughout the year as necessary.

g. Use of Estimates

The preparation of financial statements in conformity with Accounting Principles Generally Accepted in the United States of America requires the use of management's estimates. Actual results could differ from those estimates.

**NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

h. Components of Net Position

For Government-Wide Financial Statements, equity is classified in three components as follows:

Net Investment in Capital Assets consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of debt borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position consists of net assets with restrictions placed on the use either by external groups such as contributors, grantors or regulations of other governments, or law through constitutional provisions or enabling legislation.

Unrestricted Net Position consists of all other net assets that do not meet the definition of "restricted" or "net investment in capital assets."

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

The District can assign balances for specific future uses; however, these assignments are not disclosed on the Statement of Net Position.

i. Equity Classifications

Fund balances of the governmental funds are classified as follows:

Non-spendable Fund Balance – represents amounts that cannot be spend because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

**NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

Assigned Fund Balance – represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debts service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund’s primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spend for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

j. Subsequent Event Evaluation

Management has evaluated subsequent events through February 19, 2020, the date the financial statements were available to be issued.

**NOTE 2 – COMPLIANCE AND ACCOUNTABILITY**

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Net Assets of Individual Funds

Following are funds having deficit fund net assets at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
Unrestricted Net Position	\$593,307	The deficit is largely due to Net OPEB and Pension liabilities, which do not require debt service payments.

**NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 3 – CAPITAL ASSETS**

A summary of changes in fixed assets follows:

	<u>Balance</u> <u>06/30/18</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance</u> <u>6/30/2019</u>
Furniture	\$ 72,665	\$ 1,405		\$ 74,070
Equipment	271,952	23,734		295,685
Vehicles	101,662			101,662
	<u>446,279</u>	<u>25,139</u>		<u>471,417</u>
Accumulated Depreciation	<u>(326,373)</u>	<u>(45,376)</u>		<u>(371,749)</u>
Property, Plant and Equipment, Net	<u>\$ 119,906</u>	<u>\$ (20,237)</u>	<u>\$ -</u>	<u>\$ 99,668</u>

Depreciation was charged to functions as follows:

Air Quality Management	\$45,376
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**NOTE 4 – LONG TERM DEBT**

Long Term Debt is summarized as follows:

	<u>Balance</u> <u>06/30/18</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/2019</u>
Other Post Employment Benefits	\$ 884,064		16,970	\$ 867,094
Compensated Absences	56,065	6,111		62,176
Net Pension Liability	1,057,372		33,648	1,023,724
Total Debt Payable	<u>\$ 1,997,501</u>	<u>\$ 6,111</u>	<u>\$ 16,970</u>	<u>1,952,994</u>
Less Current Portion				-
Long Term Portion of Debt Payable				<u>\$ 1,952,994</u>

**NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 5 – EXCESS OF EXPENSES OVER APPROPRIATIONS**

<u>Appropriations Category</u>	<u>Amount</u>
General Fund:	
Miscellaneous	<u>\$ 3,351</u>

Miscellaneous exceeded budget due to audit adjustments.

**NOTE 6 – COMMITMENTS AND CONTINGENCIES**

Litigation

The District is not currently involved in litigation. In the opinion of management and legal counsel, the disposition of all litigation pending will not have a material effect on the financial statements.

State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

**NOTE 7 – RISK MANAGEMENT AND LITIGATION**

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and customers; and natural disasters. The District has managed these risks by obtaining coverage from commercial insurance companies as well as providing employee education and prevention programs. All risk management activities are accounted for in the General Fund. Expenses and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported are considered.

The District's attorney estimates that the amount of actual or potential claims against the District as of June 30, 2019 will not materially affect the financial condition of the District. Therefore, the funds contain no provision for estimated claims. Information relating to an analysis of claims activities for the year was not available.

**NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 8 – PENSION PLAN**

Plan Description

The District, as the employer, participates in the cost-sharing, multiple-employer defined benefit pension plan administered by the California Public employees' Retirement System (CalPERS). The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members, and beneficiaries. A full description of the pension plan benefit provisions and assumptions for funding purposes can be obtained in Appendix B of the June 30, 2013 CalPERS actuarial evaluation report available at <https://www.calpers.ca.gov/page/forms-publications>.

Contributions

The contribution requirements of the Plan are established by Section 20814(c) of the California Public Employees' Retirement Law, which requires that employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. For the measurement period ended June 30, 2019 the active employee contribution rate was 7% of annual pay, and the Districts contribution rate was 10.152%. Contributions to the pension plan from the District were \$126,059 for the year ended June 30, 2019.

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

At June 30, 2019, the District reported a net pension liability of \$1,023,724 for its proportionate share of the total net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The District's proportion of the net pension liability was based on the District's contributions received by the pension plan relative to the total contributions received by the pension plan for all participating employers as of June 30, 2019. Based upon this information, the District's proportion was .02403%.

For the year ended June 30, 2019, the District recognized pension expense of \$148,218. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change in Assumptions	\$ 88,105	\$ -
Differences between Expected and Actual Experience	25,912	
Differences between Projected and Actual Investment Earnings	5,061	
Differences between Employer's Contributions and Proportionate Share of Contributions		9,328
Change in Employer's Proportion	5,438	14,882
Pension Contributions made Subsequent to Measurement Date	126,059	
Total	<u>\$ 250,575</u>	<u>\$ 24,210</u>

\$250,575 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 ended June 30, 2020. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Period Ended June 30,	<u>Deferred Outflows/(Inflows) of Resources</u>
2020	94,057
2021	50,861
2022	(35,405)
2023	(9,208)
Total	<u>\$ 100,305</u>

**NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Discount Rate:	7.15%
Inflation:	2.75%
Salary Increases:	Varies by Entry Age and Service
Investment Rate of Return:	7.50% net of Pension Plan Investment and Administrative Expenses
Mortality Rate Table:	Derived using CalPERS Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The table below reflects long-term expected real rates of return by asset class. The rate of return was calculated using the capital marked assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1-10 <sup>1</sup>	Real Return years 11 + <sup>2</sup>
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00	0.99	2.43
Inflation Sensitive	6.00	0.45	3.36
Private Equity	12.00	6.83	6.95
Real Estate	11.00	4.50	5.13
Infrastructure and Forestland	3.00	4.50	5.09
Liquidity	2.00	(0.55)	(1.05)

<sup>1</sup>An expected inflation of 2.5% used for this period

<sup>2</sup>An expected inflation of 3.0% used for this period

**NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 9– POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

The District provides certain postretirement healthcare benefits, as established by board policy, to eligible employees through a single-employer plan governed by the Public Employees' medical & Hospital Care Act (PEMHCA) and administered by the District. The Plan is a single-employer defined benefit OPEB plan. Employees may receive this benefit until they reach Medicare age. Employees are eligible for this benefits after attaining the age of 55 with at least 10 years of service to the District. Benefits are provided by CalPERS in exchange for premiums paid by the District up to \$9,600 per year. Employees hired after July 1, 2014 are not eligible for District paid premiums. The plan does not issue a standalone report.

Authority to establish and amend the benefit terms and financing requirements lies with the District board of directors. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement NO. 75.

All contracts with District employees will be renegotiated periodically in the future, thus costs and benefits are subject to change. Benefits and contribution requirements for the OPEB plan are established by various labor agreements.

a. Funding Policy

The District currently pays for post-employment healthcare benefits on a pay-as-you-go basis. The District has not set aside any funds to accumulate assets for future retiree obligations. Due to the requirements of GASB No. 75, assets intended to fund future obligations are not considered to offset the unfunded benefit obligation until the assets are transferred to an irrevocable trust designed to pay for future OPEB obligations.

At June 30, 2019, the following retirees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	3
Active Employees	<u>4</u>
Total Number of Participants	<u>7</u>

b. Total OPEB Liability

The District's total OPEB liability of \$867,094 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

**NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

*Actuarial Assumption and Other Inputs*

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumption and other inputs, applied to all periods including in the measurement unless otherwise specified.

Percent Married	50%
Salary Increases	3.00%
Discount Rate	3.62%
Healthcare Cost Trend Rates	5.00%
Dental + Vision Cost Trend Rate	4.00%
Age Adjustment Factor	3.00%

*Discount Rate*

GASB 75 requires a discount rate that reflects the following:

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

To determine a resulting single (blended) rate, the amount of the pan’s projected fiduciary net position (if any) and the amount of projected benefit payments is compared in each period of projected benefit payment. The discount rate used to measure the District’s Total OPEB liability is based on these requirements and the following information:

Long-Term Expected Return of Plan Investments	4.00 %
Municipal Bond 20- Year High Grade Rate Index	3.62%

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

**NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

*Schedule of changes in Net OPEB Liability*

<b>Total OPEB Liability</b>		
Service Cost		\$ 29,097
Interest		27,035
Changes of benefit terms		0
Difference between expected and actual experience		0
Changes of assumptions		(49,786)
Benefit Payments		(23,586)
<b>Net Change in total OPEB liability</b>		<u>(16,970)</u>
<b>Total OPEB liability- beginning (a)</b>		<u>884,064</u>
<b>Total OPEB liability- ending (b)</b>		<u>\$ 867,094</u>
<b>Plan Fiduciary Net Position</b>		
Contributions – employer *		\$ 23,586
Net Investment Income		0
Benefit Payments		(23,586)
Administrative expenses		0
<b>Net Change in plan fiduciary net positions</b>		<u>0</u>
<b>Plan fiduciary net position – Beginning (c)</b>		<u>0</u>
<b>Plan fiduciary net position – ending (d)</b>		<u>\$ 0</u>
<b>Net OPEB liability- beginning (c) – (a)</b>		<b>\$ 884,064</b>
<b>Net OPEB liability- ending (d) – (b)</b>		<b>\$ 867,094</b>

\* Amount includes implicit subsidy associated with benefits paid.

*Sensitivity of the net OPEB liability to changes in the discount rate.* The following presets the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1- percent point lower (2.13 percent) or 1- percentage-point higher (4.13 percent) than the current discount rate:

	1% Decrease <u>(2.62%)</u>	Discount Rate <u>(3.62%)</u>	1% Increase <u>(4.62%)</u>
Net OPEB Liability (asset)	\$ 973,790	\$ 867,094	\$ 778,226

**NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

*Sensitivity of the net OPEB liability to change in the healthcare cost trend rates.* The following presents the net OPEB liability, as well as what net OPEB liability would be if it were calculated using healthcare cost trend that are 1- percentage-point lower (5.300 percent decreasing to 4.0 percent) or 1- percentage- point higher (7.00 percent decreasing to 6.0 percent) than the current healthcare cost trend rates:

	1% Decrease (5.0% Decreasing to <u>4.00%</u> )	Trend Rate (6.00% decreasing to <u>5.00%</u> )	1% Increase (7.00% decreasing to <u>6.00%</u> )
Net OPEB liability (assets)	\$ 767,185	\$ 867,094	\$ 986,817

c. OPEB Expense and Deferred Outflow of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the District recognized OPEB expense of \$28,743.

<b>Net OPEB Expense</b>	
Change in Net OPEB Liability	\$ (16,970)
Change in Deferred Inflows	22,127
Employer Contributions	23,586
<b>Net OPEB Expense</b>	<u>(16,970)</u>
	<u>\$ 28,743</u>
Service Cost	\$ 29,097
Interest Cost	27,305
Changes in Assumptions	<u>(27,659)</u>
<b>Net OPEB Expense</b>	<u>\$ 28,743</u>

At June 30, 2019 the District report deferred outflows of resources related to the following sources:

	<u>Deferred outflow of Resources</u>
Contributions made subsequent to measurement date	\$ 23,776
	 <u>Deferred Inflow of Resources</u>
Changes in Assumptions or Other Inputs	\$ 22,127

Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense during the fiscal year ending June 30, 2020.

**NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 10 – COMMITTED FUND BALANCE**

As of June 30, 2018, the District through action by its board of Directors has internally committed portions of the unrestricted fund balance as follows:

Detail of Committed Fund Balance:

Other Post-Employment Benefits	\$ 200,000
Equipment Replacements / Depreciation	154,000
Leave Liability	55,000
Air Monitoring Program	100,000
Public Education Program	5,000
Contingencies	288,000
Total	<u>\$ 802,000</u>

**NOTE 11 – RELATED PARTY TRANSACTIONS**

The District's Board is made up of members of the Board of Supervisors of Nevada, Plumas, and Sierra Counties. During the fiscal year ended June 30, 2019, Nevada County contributed \$60,335, Plumas County contributed \$9,893 and Sierra County contributed \$1,602 to support the District's operations.

**NOTE 12 – JOINT POWERS AGREEMENT**

The District participates in one joint venture under joint powers agreements (JPA's) with the Special District Risk Management Authority (SDRMA), a public entity risk pool established to provide health, liability, property, and workers' compensation insurance to its members. The boards control the operations of the JPA's including the selection of management and approval of the operating budget, independent of any influence by the member districts beyond their representation on the boards.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT  
GENERAL FUND BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget Positive / (Negative)
	Original Budget	Final Budget		
Revenue:				
Permits & Fees	\$ 158,500	\$ 158,500	\$ 162,204	\$ 3,704
Intergovernmental Revenue	767,807	776,122	729,802	(46,320)
Interest Income	5000	5000	32,520	27,520
Other Income	100	100	1,019	919
<b>Total Revenue</b>	<b>931,407</b>	<b>939,722</b>	<b>925,545</b>	<b>(14,177)</b>
Expenditures:				
Air Quality Management				
Salaries	392,347	376,547	376,542	5
Benefits	191,500	181,400	181,297	103
Air Monitoring	15,000	12,120	10,172	1,948
Professional Fees	35,000	58,300	58,141	159
Communications	15,000	19,900	19,895	5
Travel	10,000	12,560	12,456	104
Office	11,500	19,060	18,990	70
Rent and Utilities	42,040	45,555	45,429	126
Repairs and Maintenance	3,500	4,550	4,495	55
Dues and Subscriptions	3,450	3,850	3,823	27
Insurance	8,000	9,300	9,256	44
Capital Outlay	23,053	28,078	25,139	2,939
Miscellaneous	8,650	7,425	10,776	(3,351)
<b>Total Expenditures</b>	<b>759,040</b>	<b>778,645</b>	<b>776,411</b>	<b>2,234</b>
Revenue Over (Under) Expenditure	<u>\$ 172,367</u>	<u>\$ 161,077</u>	<u>149,134</u>	<u>\$ (16,411)</u>
Fund Balance, July 1			<u>1,013,444</u>	
Fund Balance, June 30			<u>\$ 1,162,578</u>	

**NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT  
RESTRICTED FUND BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Variance with
	Original Budget	Final Budget		Final Budget Positive / (Negative)
Revenue:				
Intergovernmental Revenue	\$ 1,246,295	\$ 1,475,404	\$ 1,100,463	\$ (374,941)
Interest Income	2,100	2,100	-	(2,100)
<b>Total Revenue</b>	<u>1,248,395</u>	<u>1,477,504</u>	<u>1,100,463</u>	<u>(377,041)</u>
Expenditures:				
Air Quality Management				
Nevada County CDA		2,250		
AB-2014	21,207	21,207		21,207
AB-2015	64,620	64,620		64,620
AB-2016	47,532	47,532		47,532
AB-2017	130,026	130,026		
H & S Mitigation	180,000	180,000	72,000	108,000
AB 2776 Grants	219,134	219,134	115,446	103,688
Carl Moyer Diesel	176,223	176,223	164,136	12,087
Woodsmoke Reduction Program	292,500	373,500	373,381	119
AB 923	220,800	220,800	-	220,800
EPA Target Grant- Woodstove	398,400	398,400	184,249	214,151
Farmers Pooled Share Program		87,520	87,520	-
Nonreduction Measure	70,212	70,212		
AB 617	20,183	20,183	-	20,183
<b>Total Expenditures</b>	<u>1,840,837</u>	<u>2,011,607</u>	<u>996,732</u>	<u>679,028</u>
<b>Revenue Over (Under) Expenditures</b>	<u>\$ (592,442)</u>	<u>\$ (534,103)</u>	<u>103,731</u>	<u>\$ (1,056,069)</u>
Fund Balance, July 1			<u>667,553</u>	
Fund Balance, June 30			<u>\$ 771,284</u>	

**SCHEDULE OF THE NORTHERN SIERRA AIR QUALITY MANAGEMENT'S  
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's Proportion of the Net Pension Liability/(Asset)	0.010720%	0.010662%	0.010697%	0.010831%	0.01162%
Districts Proportionate Share of the Net Pension Liability (Asset)	\$ 1,023,724	\$ 1,057,372	\$ 925,584	\$ 751,272	\$ 722,829
District's Covered-Employee Payroll	\$ 419,635	\$ 364,341	\$ 390,896	\$ 369,089	\$ 396,315
District's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Employee Payroll	243.96%	290.21%	236.79%	203.55%	182.39%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's total Net Pension Liability	74.03%	71.71%	75.87%	78.00%	76.79%
Plan's Proportionate Share of Aggregate Employer Contributions	\$ 112,679	\$ 73,545	\$ 84,594	\$ 77,441	\$ 64,684

**Notes to Schedule:**

Only the five fiscal years are presented because 10-year data is not yet available.

NORTHERN SIERRA AIR QUALITY MANAGEMENT'S  
 SCHEDULE OF DISTRICT CONTRIBUTIONS  
 CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM

	Fiscal Year 2018-19	Fiscal Year 2017-18	Fiscal Year 2016-17	Fiscal Year 2015-16	Fiscal Year 2014-15
Actuarially Determined Contribution	\$ 126,059	\$ 106,950	\$ 95,065	\$ 60,900	\$ 65,837
Contributions in Relation to the Actuarially Determined Contribution	<u>(126,059)</u>	<u>(94,835)</u>	<u>(88,034)</u>	<u>(84,594)</u>	<u>(77,441)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ 12,115</u>	<u>\$ 7,031</u>	<u>\$ (23,694)</u>	<u>\$ (11,604)</u>
Covered Employee Payroll	\$ 419,635	\$ 364,341	\$ 390,896	\$ 369,089	\$ 396,315
Contributions as a Percentage of Covered-employee Payroll	30.04%	26.03%	22.52%	22.92%	19.54%

**Notes to Schedule:**

Only the five fiscal years are presented because 10-year data is not yet available.

**NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
SHARE OF THE NET OPEB LIABILITY**

	<u>Measurement Years Ended</u>	
	<u>2018</u>	<u>2017</u>
District's proportion of the collective net OPEB liability	100%	100%
District's proportionate share of the collective net OPEB liability	<u>\$ 867,094</u>	<u>\$ 884,064</u>
<u>Total</u>	<u>\$ 867,094</u>	<u>\$ 884,064</u>
District's covered-employee payroll	\$ 348,849	\$ 364,341
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	40.23%	41.21%
Plan fiduciary net position as a percentage of the total OPEB liability	N/A	N/A

\*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the schedule provides the information for those years for which information is available.

**NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT  
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS**

	<u>Measurement Years Ended</u>	
	<u>2018</u>	<u>2017</u>
Statutorily or contractually required District contribution	\$ 28,743	\$ 54,587
Contributions recognized by OPEB in relation to statutorily or contractually required contribution	<u>23,586</u>	<u>23,776</u>
Contribution deficiency (excess)	<u>\$ 5,157</u>	<u>\$ 30,811</u>
District's covered-employee payroll	\$ 348,849	\$ 364,341
Contributions as a percentage of covered-employee payroll	8.24%	14.98%

\*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the schedule provides the information for those years for which information is available.

**NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT  
SCHEDULE OF CHANGES IN THE DISTRICT'S  
OPEB LIABILITY AND RELATED RATIOS**

	Fiscal Year Ended	
	2018	2017
Service Cost	\$ 29,097	\$ 28,250
Interest	27,035	26,337
Changes of Benefit Terms	-	-
Difference between expected and actual experience	-	-
Changes of Assumptions	(49,786)	-
Benefit Payments	<u>(23,586)</u>	<u>(23,776)</u>
Net Change in OPEB Liability	\$ (16,970)	\$ 30,811
OPEB Liability- Beginning	<u>884,064</u>	<u>853,253</u>
OPEB Liability- Ending	<u>\$ 867,094</u>	<u>\$ 884,064</u>

There were no changes of benefit terms in 2018.

The following are the discount rates listed in each period:

2018	3.62%
2017	3.13%

## **OTHER SUPPLEMENTARY INFORMATION**

**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**

Board of Directors  
Northern Sierra Air Quality Management District  
Grass Valley, CA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major funds of the Northern Sierra Air Quality Management District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 19, 2020.

**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) to determine the 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal controls that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We found no deficiencies that we considered to be material weaknesses.

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. We consider the deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies. See findings 2019-1 and 2019-2.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether District's financial statements are free of 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 determination of financial statement amounts. 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 that are required to be reported under *Government Auditing Standards*.

### **District's Response to Findings**

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of the Report**

This 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.

Respectfully Submitted,

**SingletonAuman PC**  
**Susanville, CA**  
February 19, 2020

**NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT  
COMBINED SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2019**

**EXECUTIVE SUMMARY**

The Northern Sierra Air Quality Management District (District) was founded on November 20, 1986 by an agreement between Nevada, Plumas and Sierra Counties and their corresponding Air Pollution Control Districts under provisions of Chapter 3 Part 3 Division 26 of the California Health and Safety Code. The District is responsible for attaining and maintaining the federal and state ambient air quality standards and is therefore engaged in activities such as air monitoring, planning, enforcement, permitting, public education, and complaint investigation.

The quality of the District's internal controls is highly dependent upon involvement in the day to day operations by the District employees. Also, due to the limited number of employees of the District, there is an inability to segregate the custody of and accountability for District assets in the manner generally required for model systems of internal accounting controls. A summary of the auditors' results follows:

1. **Type of Auditors' Report on Financial Statements:** Unmodified
2. **Internal Control Findings:** 2 Significant Deficiencies
3. **Material Noncompliance Noted:** None.

**NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT  
COMBINED SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2019**

**YELLOW BOOK SECTION  
Internal Control – Significant Deficiency**

**Finding 2019-1: Financial Statement Preparation**

Criteria upon which audit finding is based (Legal Citation):

In accordance with Statement on Auditing Standards No. 122 (SAS 122), the District is responsible for preparing complete and accurate financial statements, footnote disclosures, and management's discussion and analysis in accordance with Generally Accepted Accounting Principles (GAAP).

Finding (Condition):

The District does not have policies and procedures in place to ensure that complete and accurate financial statements, footnote disclosures, and management's discussion and analysis are prepared in accordance with GAAP prior to the annual audit for the newest GASB pronouncements, GASB 68 & GASB 75. Management relies upon the auditor to recommend footnote disclosures and required supplementary information schedules, for the financial statements and to prepare adjusting journal entries for approval in order to report financial information in accordance with GAAP.

Amount of Questioned Cost, How Computed and Prevalence:

None

Effect:

There is a risk that a financial statement misstatement may exist and not be prevented or detected by the District's system of internal control.

Cause:

This condition has always existed at the District and is being reported in accordance with SAS 122.

Recommendation:

We recommend that the District hire a professional in governmental accounting on an ongoing basis, to assist in the preparation of accounting records that are accurate and in accordance with Governmental GAAP.

We also recommend that the District convert its accounting system to the full accrual basis to allow for more complete financial reporting for fixed assets and long-term debt.

District's Response:

The District concurs with this finding.

**NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT  
COMBINED SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2019**

**YELLOW BOOK SECTION  
Internal Control – Significant Deficiency**

**Finding 2019-2: Lack of Segregation of Duties**

Criteria upon which audit finding is based (Legal Citation):

Yellow Book paragraphs 5.11 – 5.15 and Appendix I, SAS No. 122.

Finding (Condition):

An inadequate segregation of duties exists in the areas of cash handling, payroll, financial reporting and grant accounting.

Amount of Questioned Cost, How Computed and Prevalence:

None.

Effect:

The Northern Sierra Air Quality Management District has exposure to risk of financial statement misstatement and the potential risk for fraud.

Cause:

Due to the number of personnel assigned to duties that involve access to the general ledger and other accounting records and who also have custody of and responsibility for handling cash and other assets, an inadequate segregation of duties exists.

Recommendation:

We recommend that the Northern Sierra Air Quality Management District engage an individual to report to the board and serve in a Treasurer capacity.

The control system processes should be evaluated and redesigned so that one person cannot do any two of the following:

- 1) Record transactions to the general ledger
- 2) Have custody of cash (sign checks).
- 3) Authorize transactions.

We recommend that financial reports from the District's accounting system be provided to the Board members on a monthly basis. Reports should include details regarding payments to vendors.

District's Response:

The District concurs with this finding.

**NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
(FINDINGS FROM THE JUNE 30, 2018 AUDIT REPORT)  
JUNE 30, 2019**

**Finding 2018-1**

The District does not have policies and procedures in place to ensure that complete and accurate financial statements, footnote disclosures, and management's discussion and analysis are prepared in accordance with GAAP prior to the annual audit for the newest GASB pronouncements, GASB 68 & GASB 75. Management relies upon the auditor to recommend footnote disclosures and required supplementary information schedules, for the financial statements and to prepare adjusting journal entries for approval in order to report financial information in accordance with GAAP.

**Status**

Not Implemented. See the current year finding 2019-1.

**Finding 2018-2**

An inadequate segregation of duties exists.

**Status**

Not implemented. See current year finding 2019-2

**NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT  
CORRECTIVE ACTION PLAN  
JUNE 30, 2019**

**Person Monitoring Corrective Action Plan**  
Gretchen Bennitt, Air Pollution Control Officer

**Finding 2019-1: Financial Statement Preparation**

Finding (Condition)

The District does not have policies and procedures in place to ensure that complete and accurate financial statements, footnote disclosures, and management's discussion and analysis are prepared in accordance with GAAP prior to the annual audit for the newest GASB pronouncements, GASB 68 & GASB 75. Management relies upon the auditor to recommend footnote disclosures and required supplementary information schedules, for the financial statements and to prepare adjusting journal entries for approval in order to report financial information in accordance with GAAP.

Corrective Action Planned

The District has determined that the costs of correcting this control weakness outweigh the benefits to be received. The District will continue to rely on the independent auditor to prepare its annual financial statements.

Expected Completion Date

Ongoing.

**Finding 2019-2: Lack of Segregation of Duties**

Finding (Condition)

An inadequate segregation of duties exists in the areas of cash handling, payroll, financial reporting and grant accounting.

Corrective Action Planned

The District will consider supplementing policies and procedures to mitigate this deficiency.

Expected Completion Date

Ongoing.