SAN DIEGO COUNTY
AIR POLLUTION CONTROL DISTRICT

2022 Annual Financial Report

As of and for the Year Ended June 30, 2022

MGO. | Certified Public Accountants

SAN DIEGO COUNTY AIR POLLUTION CONTROL DISTRICT
2022 Annual Financial Report
As of and for the Year Ended June 30, 2022

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Independent Auditor's Report

To the Members of the San Diego County Air Pollution Control District 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, California (District), as of and for the year ended June 30, 2022, 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 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, 2022, 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.

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 Penson Liability; the schedule of the District's proportionate share of net OPEB liability; the schedule of the District's OPEB 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 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2023 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.

Macias Gini & O'Connell LLP

San Diego, California
July 28, 2023

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SAN DIEGO COUNTY AIR POLLUTION CONTROL DISTRICT

Statement of Net Position

June 30, 2022

		Governmental Activities
Assets		
Current assets:		
Cash and investments in the County of San Diego Treasury Investment Pool	$	96,693,044
Accounts receivable, net		99,409
Interest receivable		196,481
Due from other governments		3,555,636
Inventory		284,458
Noncurrent assets:		
Nondepreciable capital assets		2,613,335
Depreciable capital assets, net of accumulated depreciation		7,200,488
Capital assets, net of accumulated depreciation		9,813,823
Total assets		110,642,851
Deferred Outflows of Resources		
Deferred outflows of resources related to pensions		7,767,569
Deferred outflows of resources related to OPEB		158,572
Total deferred outflows of resources		7,926,141
Liabilities		
Current liabilities:		
Accounts payable		806,029
Deposits from others		2,100,629
Due to other governments		391,826
Unearned revenue		73,053,253
Compensated absences		393,668
Noncurrent liabilities:		
Compensated absences		590,501
Net pension liability		17,601,152
Net OPEB liability		625,745
Total liabilities		95,562,803
Deferred Inflows of Resources		
Deferred outflows of resources related to pensions		11,604,720
Deferred outflows of resources related to OPEB		23,489
Total deferred outflows of resources		11,628,209
Net Position		
Net investment in capital assets		9,813,823
Unrestricted (deficit)		1,564,157
Total net position	$	11,377,980

See Accompanying Notes to the Basic Financial Statements.

SAN DIEGO COUNTY AIR POLLUTION CONTROL DISTRICT
Statement of Activities
For the Year Ended June 30, 2022

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Change in Net Position
Primary government:				
Governmental activities:				
Public protection	$ 35,664,912	$ 11,441,514	$ 28,297,832	$ 4,074,434
Total governmental activities	$ 35,664,912	$ 11,441,514	$ 28,297,832	4,074,434
General revenue:				
Investment income				625,078
Other				333,391
Total general revenues				958,469
Change in net position				5,032,903
Net position, beginning				6,345,077
Net position, ending				$ 11,377,980

See Accompanying Notes to the Basic Financial Statements.

SAN DIEGO COUNTY AIR POLLUTION CONTROL DISTRICT

Balance Sheet

Governmental Funds

June 30, 2022

	General Fund	Special Revenue Funds: Carl Moyer Program	Special Revenue Funds: Community Air Protection Program (AB 617) Fund	Special Revenue Funds: GMERP Fund	Special Revenue Funds: Other Governmental Fund - FARMER Fund	Elimination	Total Governmental Funds
Assets							
Cash and investments	$ 20,705,177	$ 31,338,903	$ 35,332,394	$ 7,607,196	$ 1,709,374	$ -	$ 96,693,044
Accounts receivable, net	99,409	-	-	-	-	-	99,409
Interest receivable	56,643	37,102	83,321	17,166	2,249	-	196,481
Due from other funds	511,340	-	-	-	-	(511,340)	-
Due from other governments	3,555,636	-	-	-	-	-	3,555,636
Inventory	284,458	-	-	-	-	-	284,458
Total assets	$ 25,212,663	$ 31,376,005	$ 35,415,715	$ 7,624,362	$ 1,711,623	$ (511,340)	$ 100,829,028
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	$ 296,764	$ 278,000	$ 31,265	$ 200,000	$ -	$ -	$ 806,029
Deposits from others	2,100,629	-	-	-	-	-	2,100,629
Due to other funds	-	86,594	424,746	-	-	(511,340)	-
Due to other governments	391,826	-	-	-	-	-	391,826
Unearned revenue	-	30,429,451	34,434,230	6,520,309	1,669,263	-	73,053,253
Total liabilities	2,789,219	30,794,045	34,890,241	6,720,309	1,669,263	(511,340)	76,351,737
Deferred Inflow of Resources							
Unavailable Revenues - Grants	26,953	-	-	-	-	-	26,953
Fund balances:							
Nonspendable	284,458	-	-	-	-	-	284,458
Restricted	-	581,960	525,474	904,053	42,360	-	2,053,847
Committed	4,500,000	-	-	-	-	-	4,500,000
Unassigned	17,612,033	-	-	-	-	-	17,612,033
Total fund balances	$ 22,396,491	$ 581,960	$ 525,474	$ 904,053	$ 42,360	$ -	$ 24,450,338

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.	$ 9,813,823
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds and recognized as revenue in the statement of activities.	26,953
Deferred outflows of resources related to pensions	7,767,569
Deferred outflows of resources related to OPEB	158,572
Unavailable revenues are not financial resources, and therefore, are not reported at the fund level are not reported as fund liabilities in governmental funds:	
Compensated absences	(984,169)
Net pension liability	(17,601,152)
Net OPEB liability	(625,745)
Deferred inflows of resources related to pensions	(11,604,720)
Deferred inflows of resources related to OPEB	(23,489)
Net position of governmental activities	$ 11,377,980

SAN DIEGO COUNTY AIR POLLUTION CONTROL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2022

	General Fund	Special Revenue Funds: Carl Moyer Program	Special Revenue Funds: Community Air Protection Program (AB 617) Fund	Special Revenue Funds: GMERP Fund	Special Revenue Funds: Other Governmental Fund - FARMER Fund	Total Governmental Funds
Revenues:						
Licenses and permits	$ 9,566,591	$ -	$ -	$ -	$ -	$ 9,566,591
Forfeitures and penalties	1,078,394	-	-	-	-	1,078,394
Asbestos fees	796,529	-	-	-	-	796,529
Intergovernmental	14,935,276	3,625,153	4,382,251	4,000,000	1,178,989	28,121,669
Investment income	196,181	89,320	268,154	63,524	7,899	625,078
Other	333,391	-	-	-	-	333,391
Total revenues	26,906,362	3,714,473	4,650,405	4,063,524	1,186,888	40,521,652
Expenditures:						
Public protection						
Salaries and wages	21,982,929	-	-	-	-	21,982,929
Services and supplies	5,956,974	-	424,772	-	-	6,381,746
Other charges	424,366	3,148,712	1,653,534	4,000,000	1,142,367	10,368,979
Capital outlay	367,733	-	177,273	-	-	545,006
Total expenditures	28,732,002	3,148,712	2,255,579	4,000,000	1,142,367	39,278,660
Excess (deficiency) of revenues over (under) expenditures	(1,825,640)	565,761	2,394,826	63,524	44,521	1,242,992
Other financing sources (uses):						
Transfers in	2,721,078	-	-	-	-	2,721,078
Transfers out	-	(476,441)	(2,199,081)	-	(45,556)	(2,721,078)
Total other financing sources (uses)	2,721,078	(476,441)	(2,199,081)	-	(45,556)	-
Contribution from the County of San Diego	149,210	-	-	-	-	149,210
Net change in fund balances	1,044,648	89,320	195,745	63,524	(1,035)	1,392,202
Fund balances, beginning	21,351,843	492,640	329,729	840,529	43,395	23,058,136
Fund balances, ending	$ 22,396,491	$ 581,960	$ 525,474	$ 904,053	$ 42,360	$ 24,450,338

Net change in fund balances of governmental funds		$ 1,392,202
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	$ 572,703	
Disposition of asset	(27,697)	
Depreciation expense	(656,778)	(111,772)
Unavailable revenues are not current financial sources, therefore are not reported as revenues in a governmental funds		26,953
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	38,975	
Change in pension related amounts	3,519,151	
Change in OPEB related amounts	167,394	3,725,520
Change in net position of governmental activities		$ 5,032,903

See Accompanying Notes to the Basic Financial Statements.

SAN DIEGO COUNTY AIR POLLUTION CONTROL DISTRICT
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2022

		Custodial Fund
Assets:		
Cash and investments	$	226,445
Interest receivable		420
Total assets		226,865
Net position restricted for:		
Hot spots program - air pollution	$	226,865

See Accompanying Notes to the Basic Financial Statements.

SAN DIEGO COUNTY AIR POLLUTION CONTROL DISTRICT
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2022

	Custodial Fund
Additions:	
Interest income	$ 185,102
Change in net position	185,102
Net position, beginning	41,763
Net position, ending	$ 226,865

See Accompanying Notes to the Basic Financial Statements.

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. Governmental activities are normally supported by taxes 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 fund. 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Government-Wide and Fund Financial Statements (Continued)

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 three 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 the 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.
- The Goods Movement Emission Reduction Program (GMERP) is legally restricted for projects that reduce emissions and associated health risk from freight movement, and for program administration under the GMERP.

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 accounted for as a custodial fund.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Accounts Receivable and Due from Other Governments

The District's major receivables are comprised mainly of licenses and permits operations 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, 2022, is $40,489.

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, and structures. 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	$ 0	N/A
Equipment	1,000	1-19 years
Structures	50,000	36 years

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 Revenues

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, there is no liability for unpaid accumulated sick leave since the District does not cash out unused sick leave when employees separate from service with the District. However, 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 for the District may receive up to 50% 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 District's actuarial accrued liability, as part of the annual actuarial valuation which includes assumptions regarding employee terminations, retirement, death, etc.

I. Pension

The District continues to participate in the San Diego County Employees Retirement Association Pension Plan (SDCERA-PP) after the separation from the County on March 1, 2021. 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, 2021. 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. *Pension (Continued)*

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, 2021. 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.

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, 2022, there was no amount reported by the District for 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 $284,458 of nonspendable fund balance as of June 30, 2022.

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 $2,053,847 of restricted fund balance as of June 30, 2022.

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 $4,500,000 of committed fund balance as of June 30, 2022.

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, 2022, 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 specific purpose exceeded the amount restricted, committed, or assigned to those purpose, it may be necessary to report a negative unassigned fund balance. The District has $17,612,033 of unassigned fund balance as of June 30, 2022.

M. Use of Estimates

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. New Governmental Accounting Standards Implemented During the Year Ended June 30, 2022

The following are new GASB Statements implemented by the District during the fiscal year ended June 30, 2022. However, there is no significant impact to the District's financial statements:

- GASB Statement No. 87, *Leases.*
- GASB Statement No. 92, Omnibus 2020.
- GASB Statement No. 93, *Replacement of Interbank Offered Rates (IBOR).*
- GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Service Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No.14 and No. 84 and a Supersession of GASB Statement No.32.*

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. 91, *Conduit Debt Obligations,* effective for the fiscal year ending June 30, 2023.
- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective for the fiscal year ending June 30, 2023.
- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for the fiscal year ending June 30, 2023.
- GASB Statement No. 99, *Omnibus 2022*, effective for the fiscal year ending June 30, 2023 and thereafter.
- GASB Statement No. 100, *Accounting Changes and Errors Corrections*, effective for the fiscal year ending June 30, 2024.
- GASB Statement No. 101, *Compensated Absences,* effective for the fiscal year ending June 30, 2025.

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 generally accepted accounting principles. 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.

NOTE 3 – CASH IN COUNTY TREASURY (Continued)

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, 2022 is as follows:

	Beginning Balance July 1, 2021	Addition	Deletion	Ending Balance June 30, 2022
Non-depreciable Capital Assets:				
Land	$ 1,551,017	$ -	$ -	$ 1,551,017
Construction in progress	1,090,015	-	(27,697)	1,062,318
Total Non-depreciable Capital Assets	2,641,032	-	(27,697)	2,613,335
Depreciable Capital Assets:				
Equipment	3,339,665	517,293	-	3,856,958
Structures	4,101,303	-	-	4,101,303
Software	-	55,410	-	55,410
Total Depreciable Capital Assets	7,440,968	572,703	-	8,013,671
Less Accumulated Depreciation				
Equipment	(127,924)	(536,257)	-	(664,181)
Structures	(28,481)	(113,925)	-	(142,406)
Software	-	(6,596)	-	(6,596)
Total Accumulated Depreciation	(156,405)	(656,778)	-	(813,183)
Total Depreciable Capital Assets, Net	7,284,563	(84,075)	-	7,200,488
Capital Assets, Net	$ 9,925,595	$ (84,075)	$ (27,697)	$ 9,813,823

Depreciation expense for the year ended June 30, 2022 was $656,778 and allocated to the public protection function.

NOTE 5 – PENSION PLAN

Certain District employees were hired by the County and have participated in the San Diego County Employees Retirement Association Pension Plan (SDCERA-PP or the Plan). The membership status has been carried over to the District upon the District's separation from the County effective March 1, 2021. 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".

The 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.

NOTE 5 – PENSION PLAN (Continued)

B. Plan Membership (Continued)

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 I, 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 I	§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) PEPRA limits the amount of compensation that can be used to calculate 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.

NOTE 5 – PENSION PLAN (Continued)

C. Benefits Provided (Continued)

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 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. PEPRA 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, 2020. At that point, the District was a blended component unit of the County. The District carries contribution rates applied after the separation.

NOTE 5 – PENSION PLAN (Continued)

D. Contributions (Continued)

Member contribution rates for fiscal year 2022 ranged from 6.50% to 18.40% 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 2022 was 41.77 % (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 $4,923,125 for the year ended June 30, 2022.

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	44.32%	8.89% - 16.72%
General Tier A	44.32%	10.63% - 18.40%
General Tier B	44.32%	7.66% - 14.62%
General Tier C	37.66%	9.19%
General Tier D	35.02%	6.51%

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.

NOTE 5 – PENSION PLAN (Continued)

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

At June 30, 2022, the District reported a liability of $17,601,152 for its proportionate share of the collective Net Pension Liability (NPL). The NPL was measured as of June 30, 2021 and was determined by rolling forward the Total Pension Liability (TPL) as of the June 30, 2020 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 fiscal year ended June 30, 2021 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 June 30, 2021, the District's proportionate share of employer contributions was approximately 0.735%, which was a decrease of approximately 0.04% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the District recognized pension credit of $1,403,974. At June 30, 2022, 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	$4,923,125	$ -
Changes in proportionate share and differences between employer's contributions and proportionate share of contributions	1,012,991	1,011,413
Changes of assumptions or other inputs	1,460,676	-
Net difference between projected and actual earnings on pension plan investments	-	10,373,536
Difference between expected and actual experience in the total pension liability	370,777	219,771
	$7,767,569	$11,604,720

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.

NOTE 5 – PENSION PLAN (Continued)

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

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.

$4,923,125 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, 2023.

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
2023	$(1,370,220)
2024	(1,074,500)
2025	(2,537,839)
2026	(3,777,717)
Total	$(8,760,276)

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, 2021 (the measurement date) are shown in the following table:

Inflation	2.75%
Salary increases	4.15% to 10.50%, vary by service, including inflation
Discount rate	7.00%, net of pension plan investment and administrative expenses, including inflation
Cost-of-living adjustment	Retiree COLA increase 2.75% per year for Tier I and A, and 2.00% per year for Tier B, C, and D For Tier 1 and A members that have COLA banks, we assume they receive 3.0% COLA increases until their COLA banks are exhausted and 2.75% thereafter.
Date of last experience study	July 1, 2015 through June 30, 2018

NOTE 5 – PENSION PLAN (Continued)

F. Actuarial Assumptions (Continued)

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) times 100% for males and 105% for females, projected generationally with the two-dimensional mortality improvement scale MP-2018.

Mortality rates for General members with a disability retirement are based on Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table (separate tables for males and females) times 75% for males and 75% for females, projected generationally with the two-dimensional mortality improvement scale MP-2018.

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, 2020 actuarial valuation and rolled forward to the June 30, 2021 measurement period:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Equity	18.00%	5.44%
Small Cap Equity	2.00%	6.18%
Developed International Equity	15.00%	6.54%
Global Equity	5.80%	6.45%
Emerging Markets Equity	7.00%	8.73%
High Yield Bonds	6.00%	3.64%
Intermediate Bonds	19.20%	1.25%
Private Real Estate (Core)	7.20%	4.51%
Private Real Estate (Non-Core)	1.80%	5.82%
Private Equity	7.00%	9.00%
Infrastructure	4.50%	5.83%
Hedge Funds	4.00%	4.90%
Private Debt	1.00%	6.50%
Timber	0.75%	4.34%
Farmland	0.75%	5.63%
Total	100%	

NOTE 5 – PENSION PLAN (Continued)

G. Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2021. 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 SDCERAPP 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 June 30, 2021.

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 June 30, 2021, calculated using the discount rate of 7.00%, 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 (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension plan liability	$36,563,089	$17,601,152	$2,091,872

NOTE 6 – OTHER POSTEMPLOYMENT BENEFITS – RETIREE HEALTH PLAN

Certain District employees were hired by the County and have been participated in the SDCERA retiree health plan. The membership status has been carried over to the District upon the District's separation from the County effective March 1, 2021. 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.

NOTE 6 – OTHER POSTEMPLOYMENT BENEFITS – RETIREE HEALTH PLAN (Continued)

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 and Safety 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 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	In addition to the allowance, $93.50 will be reimbursed to use toward the cost of the monthly Medicare Part B premium.
15	300	
16	320	
17	340	
18	360	
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 retiree 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.

NOTE 6 – OTHER POSTEMPLOYMENT BENEFITS – RETIREE HEALTH PLAN (Continued)

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, 2020, established the fiscal year 2022 employer contribution rate of 1.31 percent of covered payroll which amounted to $158,572 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 June 30, 2022, the District reported a liability of $625,745 for its proportionate share of the collective Net OPEB Liability (NOL). The NOL was measured as of June 30, 2021 (measurement date), and determined based upon the results of the actuarial valuation as of June 30, 2020. 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, 2020 through June 30, 2021 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 June 30, 2021 the District’s proportionate share of the NOL was approximately 0.820%. For the year ended June 30, 2022, the District recognized OPEB credit of $8,822. At June 30, 2022, 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	$158,572	-
Net difference between projected and actual earnings on OPEB plan investments	-	$23,489
	$158,572	$23,489

Deferred outflows of resources noted above represent the unamortized portion of changes to 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.

NOTE 6 – OTHER POSTEMPLOYMENT BENEFITS – RETIREE HEALTH PLAN (Continued)

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

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.

$158,572 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, 2023.

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

Year Ending June 30,	Amount
2023	$(5,555)
2024	(5,235)
2025	(5,515)
2026	(7,184)
	$(23,489)

E. Actuarial Assumptions

The TOL in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement, as shown in the table below:

Inflation	2.75%
Salary increase	General: 4.15% to 10.50%, including inflation
Discount rate	7.00%
Health care trend	Non-Medicare: 7.50%, graded to ultimate 4.50% over 12 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) times 100% for males and 105% for females, projected generationally with the two-dimensional mortality improvement scale MP-2018.

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 75% for males and 75% for females, projected generationally with the two-dimensional mortality improvement scale MP-2018.

NOTE 6 – OTHER POSTEMPLOYMENT BENEFITS – RETIREE HEALTH PLAN (Continued)

E. Actuarial Assumptions (Continued)

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) times 100% for males and 100% for females, projected generationally with the two-dimensional mortality improvement scale MP-2018.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an experience study for the period from July 1, 2015 through June 30, 2018. They are the same as the assumptions used in the June 30, 2020 funding actuarial valuation for SDCERA-RHP.

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, 2021 is summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Equity	18.00%	5.44%
Small Cap Equity	2.00%	6.18%
Developed International Equity	15.00%	6.54%
Global Equity	5.80%	6.45%
Emerging Markets Equity	7.00%	8.73%
High Yield Bonds	6.00%	3.64%
Intermediate Bonds	19.20%	1.25%
Private Real Estate (Core)	7.20%	4.51%
Private Real Estate (Non-Core)	1.80%	5.82%
Private Equity	7.00%	9.00%
Infrastructure	4.50%	5.83%
Hedge Funds	4.00%	4.90%
Private Debt	1.00%	6.50%
Timber	0.75%	4.34%
Farmland	0.75%	5.63%
Total	100%	

NOTE 6 – OTHER POSTEMPLOYMENT BENEFITS – RETIREE HEALTH PLAN (Continued)

F. Discount Rate

The discount rate used to measure the TOL was 7.00% as of June 30, 2021. 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, 2021.

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, 2021, calculated using the discount rate of 7.00%, 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 (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net OPEB plan liability	$690,036	$625,745	$569,214

The following table presents the District's proportionate share of the NOL as of June 30, 2021 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* (6.00%)	Current Rate* (7.00%)	1% Increase* (8.00%)
District's proportionate share of the net OPEB plan liability	$628,350	$625,745	$628,350

* 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 provides are reported as receivables, Due to other funds and Due from other funds, respectively.

$511,340 balance is composed of:

	Benefiting Fund (Due to)		
Contributing Fund (Due from)	Carl Moyer Program	Community Air Protection Program (AB 617) Fund	Total
General Fund	$86,594	$424,746	$511,340

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 four months ended June 30, 2022 were as follows:

	Transfers Out			
	Special Revenue Funds			
	Carl Moyer Program Fund	Community Air Protection Program Fund	Funding Agriculture Replacement Measures for Emission Reduction Program Fund	Total
Transfers In				
General Fund	$476,441	$2,199,081	$45,556	$2,721,078

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 attorneys, that any unasserted claims, in the aggregate, will not result in a material adverse financial impact to the District.

Required Supplementary Information (Unaudited)

GASB 68 AND 75 REPORTING

PENSION PLAN

Schedule of the District's Proportionate Share of the Net Pension Liability

	Measurement Date of	
	June 30, 2021	**June 30, 2020**
District's proportion of the net pension liability	0.74%	0.78%
District's proportionate share of the net pension liability	$17,601,152	$37,311,042
District's covered payroll	11,354,177	11,621,060
District's proportionate share of the net pension liability as a percentage of its covered payroll	155.02%	321.06%
Plan fiduciary net position as a percentage of the total pension liability	87.15%	72.77%

Schedule of the District's Contributions – Net Pension Liability

	Fiscal Year Ended 2022	**Fiscal Year Ended 2021**	**Fiscal Year Ended 2020**
Actuarial determined contributions	$4,923,125	$4,551,984	$4,205,632
Contributions in relation to the actuarially determined contribution	4,923,125	4,551,984	4,205,632
Contribution deficiency (excess)	-	-	-
District's covered payroll	$11,212,490	$11,354,177	$11,621,060
Contributions as a percentage of covered payroll	43.91%	40.09%	36.19%

Changes in Actuarial Assumptions

	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

GASB 68 AND 75 REPORTING

OPEB PLAN

Schedule of the District's Proportionate Share of the Net OPEB Liability

	Measurement Date of	
	June 30, 2021	**June 30, 2020**
District's proportion of the net OPEB liability	0.82%	0.83%
District's proportionate share of the net OPEB liability	$625,745	$820,400
District's covered payroll	11,354,177	11,621,060
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	7.06%	5.51%
Plan fiduciary net position as a percentage of the total OPEB liability	19.70%	31.57%

Schedule of the District's Contributions – Net OPEB Liability

	Fiscal Year Ended 2022	**Fiscal Year Ended 2021**	**Fiscal Year Ended 2020**
Actuarial determined contributions	$ 158,572	$ 154,680	$ 167,370
Contributions in relation to the actuarially determined contribution	158,572	154,680	167,370
Contribution deficiency (excess)	-	-	-
District's covered payroll	$11,212,490	$11,354,177	$11,621,060
Contributions as a percentage of covered payroll	1.41%	1.36%	1.44%

Changes in Actuarial Assumptions

	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 treand	Non-Medicare: 6.75% graded to ultimate 4.50% over 9 years; Medicate: 6.25% graded to ultimate 4.50% over 7 years.
	Reporting Period: June 30, 2021
Healthcare treand	Non-Medicare: 6.75% graded to ultimate 4.50% over 9 years; Medicare: 6/25% graded to ultimate 4.50% over 7 years
	Reporting Period: June 30, 2022
Healthcare treand	Non-Medicare: 7.50% graded to ultimate 4.50% over 12 years; Medicare: 6.50% graded to ultimate 4.50% over 8 years.

SAN DIEGO COUNTY AIR POLLUTION CONTROL DISTRICT

Required Supplementary Information (Unaudited) (Continued)
June 30, 2022

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:				
Licenses and permits	$ 8,399,100	$ 8,399,100	$ 9,566,591	$ 1,167,491
Forfeitures and penalties	1,032,000	1,032,000	1,078,394	46,394
Intergovernmental	15,555,800	15,555,800	14,962,229	(593,571)
Investment income	190,000	190,000	196,181	6,181
Charges for current services	967,900	967,900	1,066,786	98,886
Other	42,000	42,000	63,134	21,134
Total revenues	26,186,800	26,186,800	26,933,315	746,515
Expenditures:				
Public protection				
Salaries and wages	23,565,100	23,565,100	21,982,929	(1,582,171)
Services and supplies	11,616,500	11,616,500	5,956,974	(5,659,526)
Other charges	1,523,000	1,523,000	424,366	(1,098,634)
Capital outlay	1,090,400	1,090,400	367,733	(722,667)
Expenditures transfer reimbursement	(3,363,800)	(3,363,800)	-	3,363,800
Fund balance component increase	4,500,000	4,500,000	-	(4,500,000)
Total expenditures	38,931,200	38,931,200	28,732,002	(10,199,198)
Excess (deficiency) of revenues over (under) expenditures	(12,744,400)	(12,744,400)	(1,798,687)	10,945,713
Other financing sources (uses):				
Transfers in	17,048,900	17,048,900	2,721,078	(14,327,822)
Transfers out	(15,354,200)	(15,354,200)	-	15,354,200
Total other financing sources (uses)	1,694,700	1,694,700	2,721,078	1,026,378
Contribution from the County of San Diego	-	-	149,210	149,210
Use of Fund Balance	11,049,700	11,049,700	-	(11,049,700)
Net change in fund balances	$ -	$ -	1,071,601	$ 1,071,601
Fund balances, beginning			21,351,843	
Fund balances, ending			$ 22,423,444	

See Note to the Required Supplementary Information.

SAN DIEGO COUNTY AIR POLLUTION CONTROL DISTRICT
Required Supplementary Information (Unaudited) (Continued)
June 30, 2022

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Carl Moyer Program - Special Revenue
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:				
Licenses and permits	$ -	$ -	$ -	$ -
Forfeitures and penalties	-	-	-	-
Intergovernmental	6,042,700	6,042,700	3,347,153	(2,695,547)
Investment income	50,000	50,000	89,320	39,320
Charges for current services	-	-	-	-
Other	-	-	-	-
Total revenues	6,092,700	6,092,700	3,436,473	(2,656,227)
Expenditures:				
Public protection				
Salaries and wages	-	-	-	-
Services and supplies	-	-	-	-
Other charges	5,715,000	5,715,000	2,870,712	(2,844,288)
Capital outlay	-	-	-	-
Total expenditures	5,715,000	5,715,000	2,870,712	(2,844,288)
Excess (deficiency) of revenues over (under) expenditures	377,700	377,700	565,761	188,061
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	(377,700)	(377,700)	(476,441)	(98,741)
Total other financing sources (uses)	(377,700)	(377,700)	(476,441)	(98,741)
Contribution from the County of San Diego	-	-	-	-
Net change in fund balances	$ -	$ -	89,320	$ 89,320
Fund balances, beginning			492,640	
Fund balances, ending			$ 581,960	

See Note to the Required Supplementary Information.

SAN DIEGO COUNTY AIR POLLUTION CONTROL DISTRICT
Required Supplementary Information (Unaudited) (Continued)
June 30, 2022

Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
Community Air Protection Program (AB 617) - Special Revenue
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:				
Licenses and permits	$ -	$ -	$ -	$ -
Forfeitures and penalties	-	-	-	-
Intergovernmental	18,300,000	18,300,000	4,382,251	(13,917,749)
Investment income	150,000	150,000	268,154	118,154
Charges for current services	-	-	-	-
Other	-	-	-	-
Total revenues	18,450,000	18,450,000	4,650,405	(13,799,595)
Expenditures:				
Public protection				
Salaries and wages	-	-	-	-
Services and supplies	1,071,900	1,071,900	424,772	(647,128)
Other charges	15,150,000	15,150,000	1,653,534	(13,496,466)
Capital outlay	1,084,400	1,084,400	177,273	(907,127)
Total expenditures	17,306,300	17,306,300	2,255,579	(15,050,721)
Excess (deficiency) of revenues over (under) expenditures	1,143,700	1,143,700	2,394,826	1,251,126
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	(1,143,700)	(1,143,700)	(2,199,081)	(1,055,381)
Total other financing sources (uses)	(1,143,700)	(1,143,700)	(2,199,081)	(1,055,381)
Contribution from the County of San Diego	-	-	-	-
Net change in fund balances	$ -	$ -	195,745	$ 195,745.00
Fund balances, beginning			329,729	
Fund balances, ending			$ 525,474	

See Note to the Required Supplementary Information.

SAN DIEGO COUNTY AIR POLLUTION CONTROL DISTRICT
Required Supplementary Information (Unaudited) (Continued)
June 30, 2022

Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
GMERP Program - Special Revenue
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues:				
Licenses and permits	$ -	$ -	$ -	$ -
Forfeitures and penalties	-	-	-	-
Intergovernmental	698,900	698,900	4,000,000	3,301,100
Investment income	75,000	75,000	63,524	(11,476)
Charges for current services	-	-	-	-
Other	-	-	-	-
Total revenues	773,900	773,900	4,063,524	3,289,624
Expenditures:				
Public protection				
Salaries and wages	-	-	-	-
Services and supplies	-	-	-	-
Other charges	740,600	740,600	4,000,000	3,259,400
Capital outlay	-	-	-	-
Total expenditures	740,600	740,600	4,000,000	3,259,400
Excess (deficiency) of revenues over (under) expenditures	33,300	33,300	63,524	30,224
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	(33,300)	(33,300)	-	33,300
Total other financing sources (uses)	(33,300)	(33,300)	-	33,300
Contribution from the County of San Diego	-	-	-	-
Net change in fund balances	$ -	$ -	63,524	$ 63,524.00
Fund balances, beginning			840,529	
Fund balances, ending			$ 904,053	

See Note to the Required Supplementary Information.

SAN DIEGO COUNTY AIR POLLUTION CONTROL DISTRICT
Note to the Required Supplementary Information (Unaudited)
For the Year Ended June 30, 2022

Budgetary Information

The District's recommended budget for fiscal year 2021-22 covers the period July 1, 2021 through June 30, 2022. 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, May 5, 2021, of two public hearings to receive and consider adopting the recommended budget; the two public hearings were scheduled for June 4, 2021 and June 18, 2021. The proposed initial adoption of the fiscal year 2021-22 was approved and finalized in June 2021.

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
    - GMERP 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:

- Asbestos fees revenue in the statement of revenues, expenditures, and changes in fund balance governmental fund is relabeled as charges for current services. Also, certain revenue is reclassified for this purpose.
- Unavailable revenues – grants in the balance sheet governmental fund is reclassified as a revenue for this purpose.
- Expenditure 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.

The following is a reconciliation of the net changes in fund balance for the General Fund prepared on the statement of revenues, expenditures, and changes in fund balance to that prepared for this purpose for the year ended June 30, 2022:

	General Fund
Net changes in Fund Balance in the statement of revenues, expenditures, and changes in fund balance	$ 1,044,648
Add:	
Unavailable Revenues - Grants	26,953
Net changes in Fund Balance for this purpose	$ 1,071,601

SAN DIEGO COUNTY
AIR POLLUTION CONTROL DISTRICT

Federal Single Audit Reports

For the Year Ended June 30, 2022

MGO. Certified Public Accountants

SAN DIEGO COUNTY AIR POLLUTION CONTROL DISTRICT
Federal Single Audit Reports
For the Year Ended June 30, 2022

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MGO. | Certified Public Accountants

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 County 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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated July 28, 2023.

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 procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 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.

Other Reporting

We noted certain other matters that we have reported to management of the District in a separate letter dated July 28, 2023.

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.

Macias Gini & O'Connell LLP

San Diego, California
July 28, 2023

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

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

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the San Diego County Air Pollution Control District's (District) 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 the District's major federal programs for the year ended June 30, 2022. 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 program for the year ended June 30, 2022.

Basis for Opinion on the 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 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 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 Responsibility 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

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.

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 a significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weakness or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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 District, as of and for the year ended June 30, 2022, and have issued our report thereon dated July 28, 2023, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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.

Macias Gini & O'Connell LLP

San Diego, California
July 28, 2023

SAN DIEGO COUNTY AIR POLLUTION CONTROL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Federal Grantor/Federal Program Name	Direct(D) Indirect(I)	Federal Assistance Listing Number	Award Identifying Number	Federal Expenditures	Expenditures to Subrecipients
United States Environmental Protection Agency					
Air Pollution Control Program Support	D	66.001	A09059210	$ 1,473,828	$ -
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	D	66.034	PM-98T046010	114,386	-
National Clean Diesel Funding Assistance Program	D	66.039	98T08201	200,000	-
Total United States Environmental Protection Agency				**1,788,214**	-
United States Department of Homeland Security					
Homeland Security Biowatch Program	D	97.091	06OHBIO00009	767,103	-
Total Expenditures of Federal Awards				**$ 2,555,317**	**$ -**

See Accompanying Notes to the Schedule of Expenditures of Federal Awards.

SAN DIEGO COUNTY AIR POLLUTION CONTROL DISTRICT
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

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, 2022. 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 of the District. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the accompanying Schedule are presented using the modified accrual basis of accounting for grants accounted for in governmental funds. 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.

NOTE 3 – ASSISTANCE LISTING NUMBERS (ALN)

The ALNs included in the accompanying Schedule were determined based on the program name, review of grant contract information, and the U.S. General Services Administration's SAM.gov website.

NOTE 4 – INDIRECT COST RATE

The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance Section 2 CFR 200.414.

SAN DIEGO COUNTY AIR POLLUTION CONTROL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Section I – Summary of Auditor's Results

Financial Statements:

Type of report the auditor issued on whether the financial statements were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
▪ Material weakness(es) identified?	Yes
▪ Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major federal program:	
▪ Material weakness(es) identified?	No
▪ Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major federal program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major federal program:

Assistance Listing Number	Name of Federal Award Program
66.001	Air Pollution Control Program Support
97.091	Homeland Security Biowatch Program

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

A. Internal Control Findings

Reference Number: **2022-001**
Category of Finding: **Financial Statement Control Deficiency**
Type of Finding: **Material Weaknesses**
Accounting Area: **Financial Reporting Process**

Criteria

The District's management is responsible for establishing and maintaining effective internal control, including evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; for the selection and application of accounting principles; and for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). This framework of internal control over is further described in the "Internal Control-Integrated Framework" developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition

The following material misstatement that we identified as a result of our audit procedures was brought to the attention of, and corrected by, District management:

- Understatement of accounts payable and revenue by $278,000 and overstatement of unearned revenue and expenses by $278,000 for the fiscal year.

Cause

The District experienced a significant amount of staff turnover in the past year and did not have a policy in place regarding review of year-end accruals related to liabilities. Although the process has been improved, the misstatement was not detected and corrected during the year-end closing process.

Effect

Without adequate levels of staff sufficiently trained and a formal policy for year-end accruals in place, the District is as higher risk of material misstatements in the financial statements not being detected and corrected on a timely basis.

Recommendation:

Management has the responsibility to ensure each year's financial statements are presented fairly in accordance with GAAP. We recommend that the District continue to evaluate its Finance Department's capacity to ensure that its personnel are technically proficient, adequately trained and have adequate resources to ensure that financial information is accurate and timely available to manage fiscal operations. Additionally, we recommend the District to adopt a formal policy for year-end accruals.

Views of Responsible Officials and Planned Corrective Action:

Management's response is reported in "Management's Response and Corrective Action Plan" included in a separate section at the end of this report.

B. Compliance Findings

No matters reported.

Section III – Federal Award Findings and Questioned Costs

No matters reported.

SAN DIEGO COUNTY AIR POLLUTION CONTROL DISTRICT
Summary of Schedule of Prior Audit Findings
For the Year Ended June 30, 2022

There were no audit findings noted for the four months ended June 30, 2021.

San Diego County Air Pollution Control District

San Diego County Air Pollution Control District
Corrective Action Plan for the Fiscal Year Ended June 30, 2022

Reference Number 2022-001:

Corrective Action Plan: The San Diego County Air Pollution Control District (District) agrees that an understatement of accounts payable and revenue of $278,000 and a corresponding overstatement of unearned revenue and expenses by the same dollar amount occurred for the Fiscal Year ended June 30, 2022, due to the timing of invoice approval and subsequent payment as part of the fiscal year-end closing process. The appropriate adjustments have been made and are reflected in the 2022 Annual Financial Report.

As corrective action to enhance staff training and succession planning the District will prepare a procedure that provides an internal cut-off date for invoice approvals before fiscal year-end; and review, detect, and correct potential misstatements as part of the fiscal year-end process. The procedures will include requirements for all outstanding invoices to be reported to accounts payable by the cut-off period identified to ensure financial reporting accuracy. The procedures will include processes for executive management review of items outside of the deadlines provided. Additionally, as part of the procedure the District will work with all divisions to ensure staff are trained on the procedure and the procedures will also be sent out annually to the department as a reminder of the cut-off procedures.

Anticipated Implementation Date:	June 2024
Contact:	Mike Watt Deputy Director