



South Coast Air Quality Management District
Diamond Bar, California

POPULAR ANNUAL FINANCIAL REPORT

Year Ended June 30, 2010



SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

GOVERNING BOARD

June 30, 2010

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SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

A NOTE FROM THE CFO

June 30, 2010

We are pleased to present the South Coast Air Quality Management District's (SCAQMD) Popular Annual Financial Report (PAFR) for the fiscal year ending June 30, 2010. This report makes our District's finances easier to understand, and is intended to communicate our financial situation in an open and accountable manner.

The PAFR is intended to summarize the financial activities of the AQMD and was drawn from the financial information appearing in the 2010 Comprehensive Annual Financial Report (CAFR). The PAFR is unaudited; however, the financial data presented in the PAFR is derived from the CAFR and is consistent with generally accepted accounting principles. The PAFR can also be reviewed on AQMD's website at www.aqmd.gov/finn/PDF/PAFR2010.pdf.

For more detailed financial information, or information on the AQMD's component unit (SCAQMD Building Corporation which is not included in this document) a copy of the Comprehensive Annual Financial Report is available for interested users from Finance at 21865 Copley Drive, Diamond Bar, CA 91765. It can also be viewed on the AQMD's website at www.aqmd.gov/finn/PDF/CAFR2010FINAL.pdf.

Questions, comments and feedback regarding this report are encouraged, so please do not hesitate to contact the Chief Financial Officer at (909) 396-2828 or at mokelly@aqmd.gov.

Respectfully submitted,



Michael B. O'Kelly, CPA
Chief Financial Officer

ABOUT THE DISTRICT

The South Coast Air Quality Management District began operation on February 1, 1977 as a regional governmental agency established by the California Legislature pursuant to the Lewis Air Quality Management Act. The AQMD encompasses all of Orange County and parts of Los Angeles, San Bernardino and Riverside Counties, representing over 16 million residents. It succeeded the Southern California Air Pollution Control District and its predecessor four county air pollution control districts, of which the Los Angeles County Air Pollution Control District was the oldest in the nation, having been formed in 1947.

The AQMD Governing Board is composed of 13 members, including four members appointed by the Boards of Supervisors of the four counties in AQMD's jurisdiction, six members appointed by cities in the AQMD's jurisdiction and three members appointed by the Governor, the Speaker of the State Assembly and the Rules Committee of the State Senate, respectively. The members appointed by the various Boards of Supervisors and cities consist of one member of the Board of Supervisors of Los Angeles, Orange, Riverside, and San Bernardino Counties, respectively, and a mayor or member of the city council of a city within Orange, Riverside and San Bernardino Counties. Los Angeles County cities have three representatives, one from the city of Los Angeles and one each from the western and eastern portions of the county.

South Coast Air Quality Management District

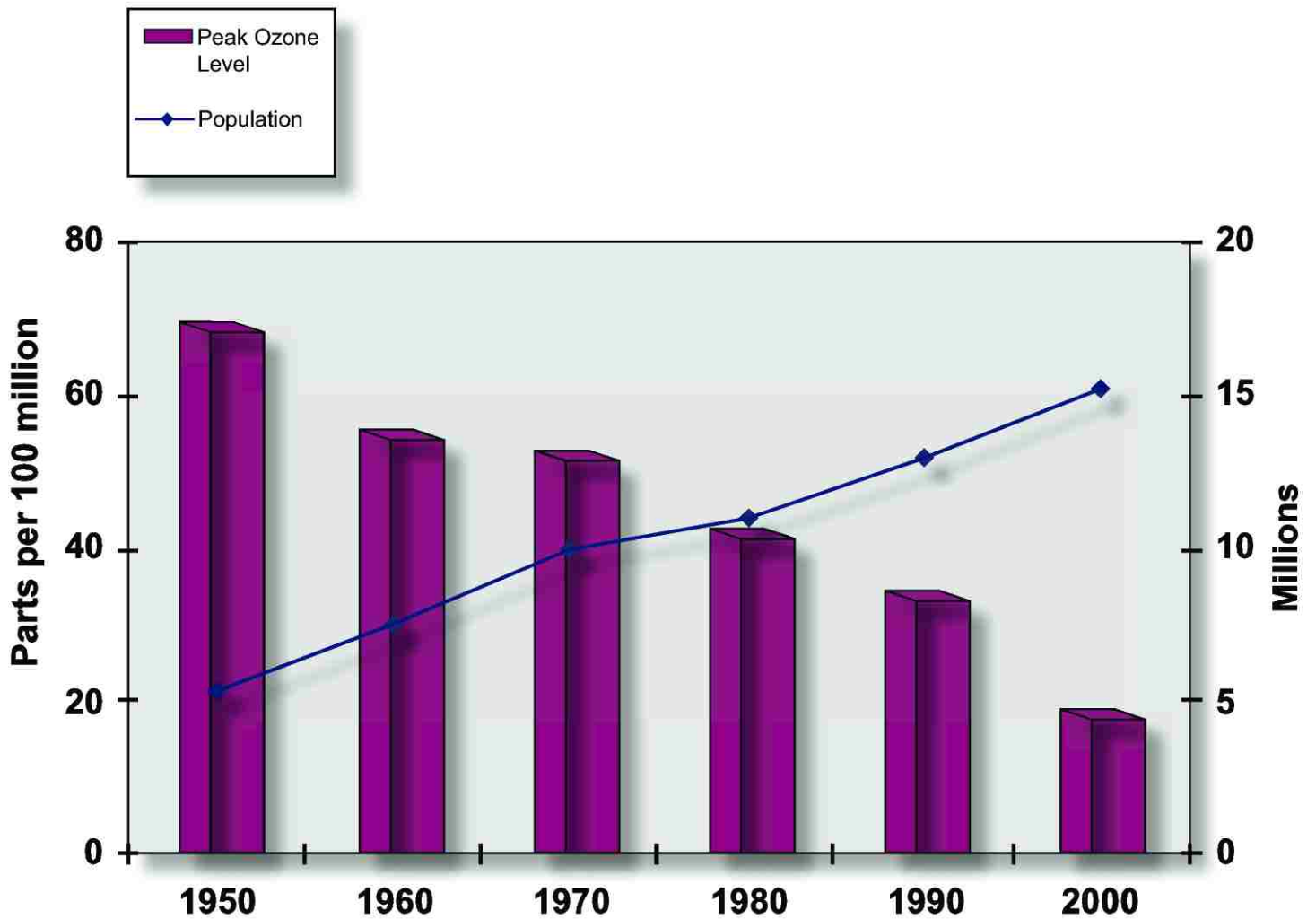
Demographic and Miscellaneous Statistics

<u>Established:</u>	February 1, 1977
<u>Area Covered:</u>	10,743 Square Miles
<u>Counties Included in District:</u>	All of Orange County and parts of Los Angeles, Riverside, and San Bernardino Counties
<u>Population:</u>	16,906,456 (In 2009)
<u>Transportation:</u>	Two transcontinental railroads – Burlington Northern Santa Fe and the Union Pacific Six Commercial Airports – Los Angeles International, Burbank, Long Beach, Ontario International, Orange County, and Palm Springs Freeways – Three major interstate freeways including four bypass routes, U.S. 101, and nine State freeway routes Two major adjoining ports – Port of Long Beach and Port of Los Angeles
<u>Visitor Destinations:</u>	Disneyland, Knott’s Berry Farm, Magic Mountain, motion picture and television studios and the Rose Bowl
<u>Number of Registered Vehicles Within AQMD Jurisdiction:</u>	12,132,041 (In 2009)
<u>Average Daily Miles Traveled Per Vehicle:</u>	32 (CY 2009 data)
<u>Examples of Stationary Sources of Air Pollution Regulated:</u>	Oil Refineries, power plants, paint spray booths, incinerators, manufacturing facilities, dry cleaners, and service stations.
<u>Number of Sources:</u>	27,936 operating locations with approximately 77,337 permits.
<u>Number of Air Monitoring Stations:</u>	43
<u>Full-time Authorized Positions:</u>	832
<u>Key Federal, State, and Local Air Agencies:</u>	EPA Region IX (Environmental Protection Agency), CARB (California Air Resources Board), CAPCOA (California Air Pollution Control Officer’s Association), NACAA (National Association of Clean Air Agencies), ALAPCO (Association of Local Air Pollution Control Officials). There are 35 local air pollution control districts in California.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

50 YEARS OF PROGRESS IN REDUCING OZONE LEVELS

June 30, 2010



Since the late 1940s when the war on smog began, the region's population has tripled from 4.8 million to over 16 million; the number of motor vehicles more than quadrupled from 2.3 million to 12.2 million; and the area has grown into one of the most prosperous regions of the world. This phenomenal economic growth illustrates that pollution control and strong economic growth can coincide.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

PROGRAM HIGHLIGHTS

June 30, 2010

AIR QUALITY

- *“A World We Can Change” Clean Air Conference and Expo*

The AQMD hosted a Clean Air Conference & Expo at the Los Angeles Convention Center for High School Students to help to increase students' awareness of clean air. 8,000 students attended the conference and learned what they can do to improve air quality and lessen climate change.

- *Reductions in NOx Emissions*

The AQMD amended Rule 1111 to reduce NOx emissions from Natural-Gas-Fired, Fan-Type Central Furnaces for residential use. The rule also set the NOx limit on new furnaces installed in mobile homes beginning in 2012. The agency offered up to \$3 million in financial incentives for manufacturers to comply with the rule prior to the 2018 deadline. The NOx emissions are estimated to reduce by 2.5 tons per day in 2023.

- *Reductions in Dust and Particulate Emissions*

Rule 1155 implements a measure in the 2007 Air Quality Plan to further reduce fine particulate emissions. Numerous studies have linked particulate matter to a wide range of health effects from increased hospital visits to exacerbation of respiratory diseases. Industries covered by the rule include concrete and asphalt plants, wood and textile manufacturing, and the making and packaging of food products.

- *Enhancement of Odor Identification Capabilities*

The AQMD is working with a UCLA team of olfactory experts to enhance the agency's ability to better identify odor sources and potential

mitigating factor in resolving odor complaints. Odors are the single largest source of complaints received annually by residents of the South Coast Air Basin.

- *Re-designation of SCAB and Coachella Valley*

South Coast Air Basin and the Coachella Valley portion of the Salton Sea Air basin have met the PM10 standard for three consecutive years. AQMD will submit to the California Air Resources Board plans to maintain this attainment.

EMISSIONS REDUCTION

- *Plug-In Hybrid Electric Vehicle (PHEV)*

A \$90 million project to produce the PHEV system for medium-duty utility and delivery trucks and shuttle buses was granted and funded from several sources.

- *First Natural Gas-Powered Concrete Mixer*

Funding was approved to demonstrate a prototype natural gas-powered concrete mixer truck to help reduce smog-forming pollutants in the South Coast Air Basin. There are about 4,700 concrete mixer trucks operating in the basin. These trucks represent 4% of the total vehicular PM emissions in the region.

EMISSIONS REDUCTION INCENTIVE PROGRAMS

- *Replacement of Dirty Diesel School Buses*

The AQMD awarded \$43 million to replace diesel school buses with compressed natural gas and propane buses. Since 2000, the agency has approved to replace over 930 older diesel school

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

PROGRAM HIGHLIGHTS

June 30, 2010

buses with cleaner models and retrofit 2,991 newer diesel buses with particular traps.

- *Leaf Blower Exchange Program*

For the fourth year in a row, AQMD offered a financial incentive to exchange up to 1,500 old leaf blowers for a low-polluting and lower-noise model. The new STIHL BR 500 model is four times cleaner than the CARB's standard for new blowers and is 40 times quieter than most models.

- *Replacement of Dirty Diesel Trucks Operating at Ports*

Through the Proposition 1B funds, the AQMD approved to replace up to 1,500 oldest and highest-emitting "drayage" trucks operating at ports of Los Angeles and Long Beach with low-emission models. Approved truckers will receive up to \$50,000 to replace a pre-2004 diesel truck with a 2007 diesel model and up to \$100,000 to replace a pre-2004 diesel truck with an alternative-fuel, less polluting model.

- *Tree Planting Projects*

The AQMD has established the Tree Planting Partnership, a match funding opportunity for cities and counties within AQMD's jurisdiction. A total of \$1.5 million will be available to co-sponsor tree planting projects. This program will help remove greenhouse gases which contribute to global warming.

- *AQMD's 8th Annual Lawn Mower Exchange Program*

Through matching funds provided by the California Air Resources Board (CARB), the AQMD offered Southland residents an opportunity to exchange a gasoline-powered lawn mower for a new zero-emission model. The AQMD will have scrapped more than 37,500 highly polluting gasoline mowers, removing about 76 tons of smog-forming volatile organic compound emissions from the Southland's air.

ECONOMY

- *Rebate of Fee Increases for fiscal year 2010-11*

AQMD's Governing Board granted a one-time rebate of the fee increase to ease the burden on businesses in the economic downturn.

- *"Permit Application Penalty Holiday"*

AQMD's Governing Board also announced a temporary initiative to assist businesses to comply with clean air standards. Some facilities, especially small businesses, may be unaware of requirements for air pollution permits for their operations. The AQMD's "Permit Application Penalty Holiday" is a temporary opportunity for businesses to get needed air quality permits without incurring late filing fees.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

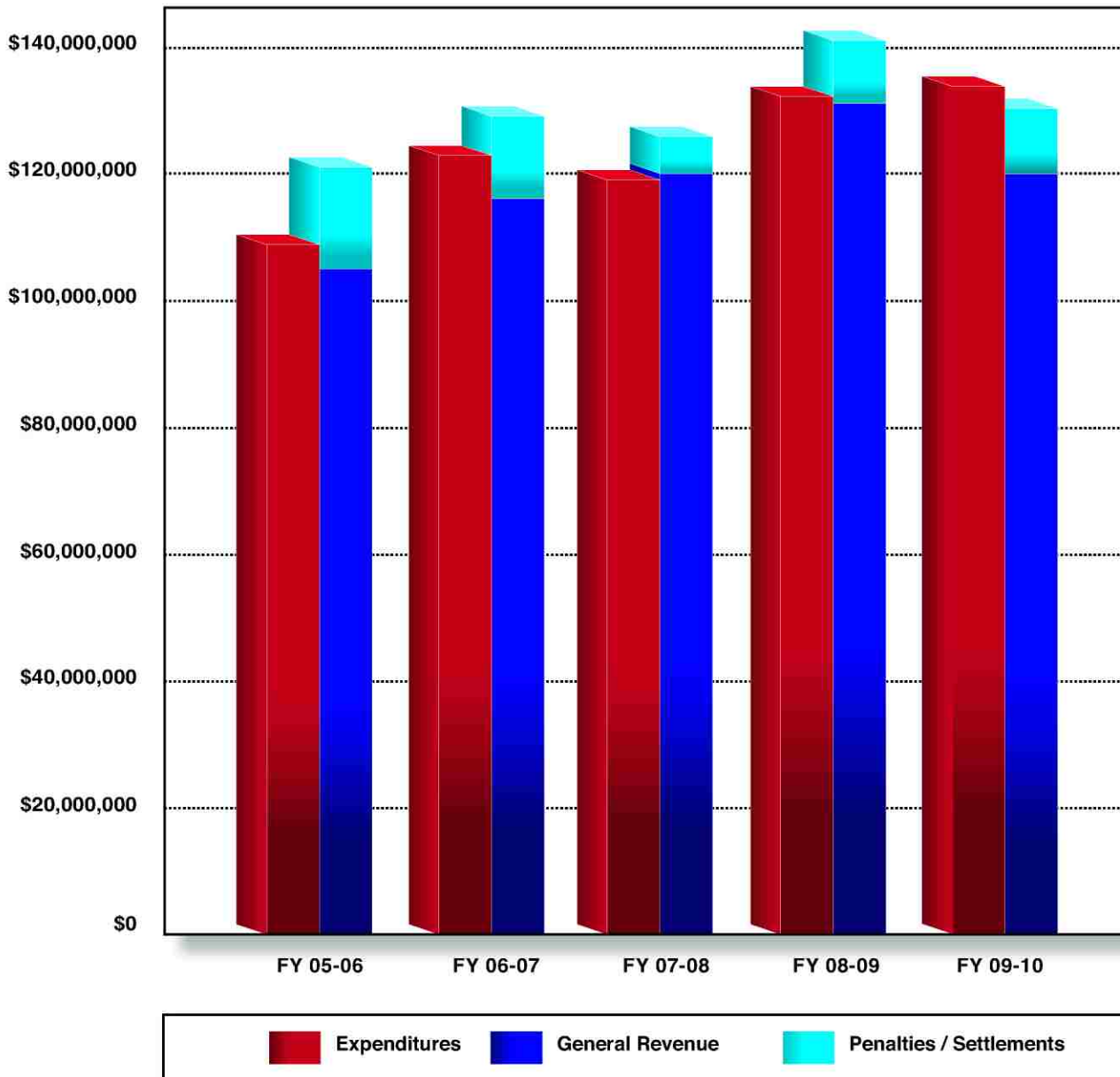
FINANCIAL PERFORMANCE

June 30, 2010

Budget Surplus/Deficit – 5 Year History

Non-GAAP Budgetary Basis

(Excludes Special Revenues/Expenditures)

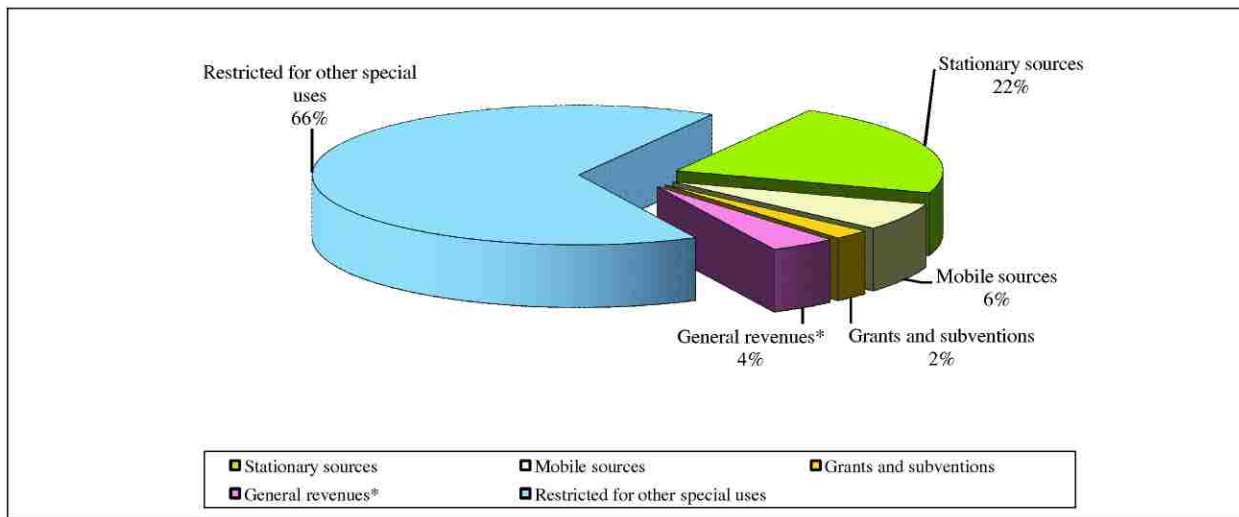


Total revenues were less than expenditures in the current year due to a decline in revenues associated with permit processing fees, annual operating fees, and emission fees.

Where the Money Came From Our Revenues & Resources

The AQMD is a fee-supported agency and does not receive proceeds from taxes. Excluding special funds revenues, which are restricted in their use, the major revenue source for Governmental Activities is stationary sources, which account for approximately 63 percent of the District's General Fund revenue for the year ended June 30, 2010. Stationary sources of air pollution consist of refineries, power plants, manufacturing facilities and small businesses. The decrease in revenue for stationary sources in fiscal year 2009-10 as compared to fiscal year 2008-09 is due to a 13 percent decrease in revenue of emission fees, annual operating fees and permit processing fees. Special revenues increased due to the receipt of Prop IB funds to implement programs that reduce emissions from the movement of freight or "goods" along California's trade corridors and an increase in Carl Moyer funding due to the receipt catch-up funding for fiscal years 2006-07 and 2007-08. In fiscal year 2009-10, \$66 million was received for Prop IB Lower Emission School Bus funds to replace and retrofit all public school buses.

FY 2009-10 Revenues by Major Source



Source	FY 09-10	FY 08-09	FY 07-08	FY 06-07	FY 05-06	FY 04-05
Stationary sources	\$ 81,097,647	\$ 92,703,725	\$ 82,825,774	\$ 75,200,253	\$ 68,792,294	\$ 64,925,373
Mobile sources	23,728,238	24,128,436	22,170,323	23,966,240	20,991,833	14,716,865
Grants and subventions	8,379,757	8,782,322	8,858,458	8,946,833	8,035,387	8,100,573
General revenues*	14,929,145	14,796,424	12,579,473	21,421,637	22,853,273	25,178,600
Restricted for other special uses	243,802,246	133,185,494	105,383,067	92,925,386	94,223,386	87,747,227
Total	\$ 371,937,033	\$ 273,596,401	\$ 231,817,095	\$ 222,460,349	\$ 214,896,173	\$ 200,668,638

* General Revenues include Penalties/Settlements, Interest, and Grants and Subvention dollars that are not restricted to specific programs.

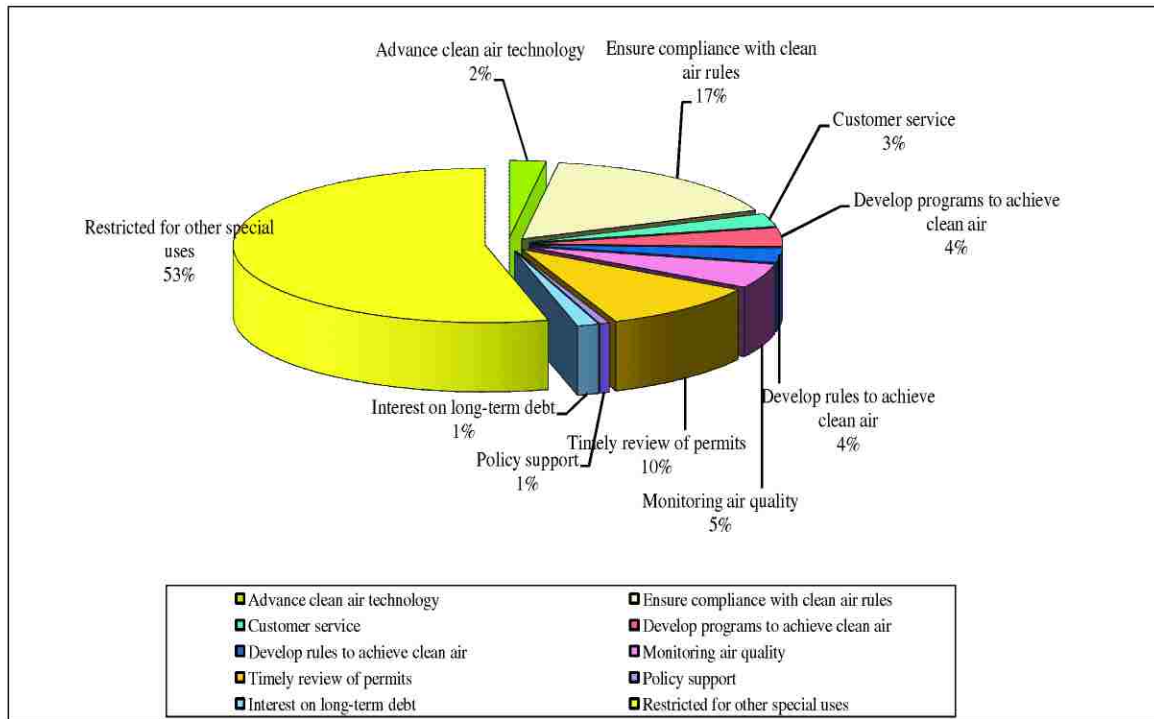
Source: FY 2009-10 CAFR Statement of Activities

Where the Money Went

Our Expenses & Services

Excluding the special funds expenses, which are restricted in their use, the three major expense functions for Governmental Activities are Compliance, Permitting, and Air Monitoring. Combined, these accounts for nearly 69 percent of the District's total General Fund Expenses for the year ended June 30, 2010. In fiscal year 2009-10 the expenses increased as compared to fiscal year 2008-09 due to higher spending in the special revenue funds. Many of the contracts in the special revenue funds are multi-year and the projects are long-term and expenditures can vary significantly from year to year. Contract expenses are paid in the year services are delivered and could fluctuate from year to year.

FY 2009-10 Expenses by Program Category



Activity	FY 09-10	FY 08-09	FY 07-08	FY 06-07	FY 05-06	FY 04-05
Advance clean air technology	\$ 6,512,144	\$ 7,111,931	\$ 7,113,642	\$ 7,067,528	\$ 5,808,530	\$ 5,011,874
Ensure compliance with clean air rules	46,154,574	43,823,112	39,463,040	42,699,519	36,727,226	37,666,189
Customer service	7,682,897	7,441,806	6,696,664	8,687,842	11,592,984	10,532,066
Develop programs to achieve clean air	10,861,040	10,216,378	7,969,413	8,721,816	7,811,791	7,106,133
Develop rules to achieve clean air	8,436,415	8,433,410	8,390,762	7,350,795	8,046,177	8,130,305
Monitoring air quality	14,239,509	14,067,041	12,866,270	12,229,451	11,794,227	11,591,430
Timely review of permits	28,530,507	26,205,282	24,580,945	24,508,757	23,191,423	21,403,924
Policy support	1,760,038	4,782,531	3,630,367	3,442,207	2,948,274	2,954,538
Interest on long-term debt	3,871,465	4,325,460	4,614,842	-	-	-
Restricted for other special uses	150,362,508	104,277,915	93,109,973	62,831,313	64,308,902	59,525,817
Total	\$ 278,411,097	\$ 230,684,866	\$ 208,435,918	\$ 177,539,228	\$ 172,229,534	\$ 163,922,276

Source: FY 2009-10 CAFR Statement of Activities

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

June 30, 2010

FINANCIAL ACTIVITY STATEMENT FOR THE YEARS ENDED JUNE 30, 2010 and 2009

(In Thousands)

	<u>FY 2009-10</u>	<u>FY 2008-09</u>
RESOURCES:		
Fees and Charges - Stationary Sources	\$81,098	\$92,704
Fees and Charges - Mobile Sources	23,728	24,128
Operating Grants and Subventions	8,380	8,782
Restricted Special Revenue Sources	243,802	133,185
Grants and Subventions not Restricted for Specific Programs	2,926	2,935
Penalties and Settlements	10,346	9,470
Interest	976	1,962
Other Revenues	681	430
Total Resources	<u>371,937</u>	<u>273,596</u>
USES:		
Advance Clean Air Technology	6,512	7,112
Ensure Compliance with Clean Air Rules	46,155	43,823
Customer Service	7,683	7,442
Develop Programs to Achieve Clean Air	10,861	10,216
Develop Rules to Achieve Clean Air	8,436	8,433
Monitoring Air Quality	14,240	14,067
Timely Review of Permits	28,531	26,205
Policy Support	1,760	4,783
Interest on Long-Term Debt	3,871	4,325
Special Funds Activities	150,363	104,278
Total Uses	<u>278,411</u>	<u>230,684</u>
RESOURCES OVER USES	<u>\$93,526</u>	<u>\$42,912</u>

FINANCIAL POSITION STATEMENT FOR THE YEARS ENDING JUNE 30, 2010 and 2009

(In Thousands)

	<u>FY 2009-10</u>	<u>FY 2008-09</u>
ASSETS		
Current and other assets	\$528,726	\$433,194
Investment	-	-
Prepaid pension assets	45,469	46,072
Capital assets	45,440	47,167
Total Assets	<u>619,635</u>	<u>526,433</u>
LIABILITIES		
Long-term liabilities	91,888	101,570
Short term liabilities	46,375	37,018
Total Liabilities	<u>138,263</u>	<u>138,588</u>
ASSETS OVER LIABILITIES	<u>\$ 481,372</u>	<u>\$ 387,845</u>

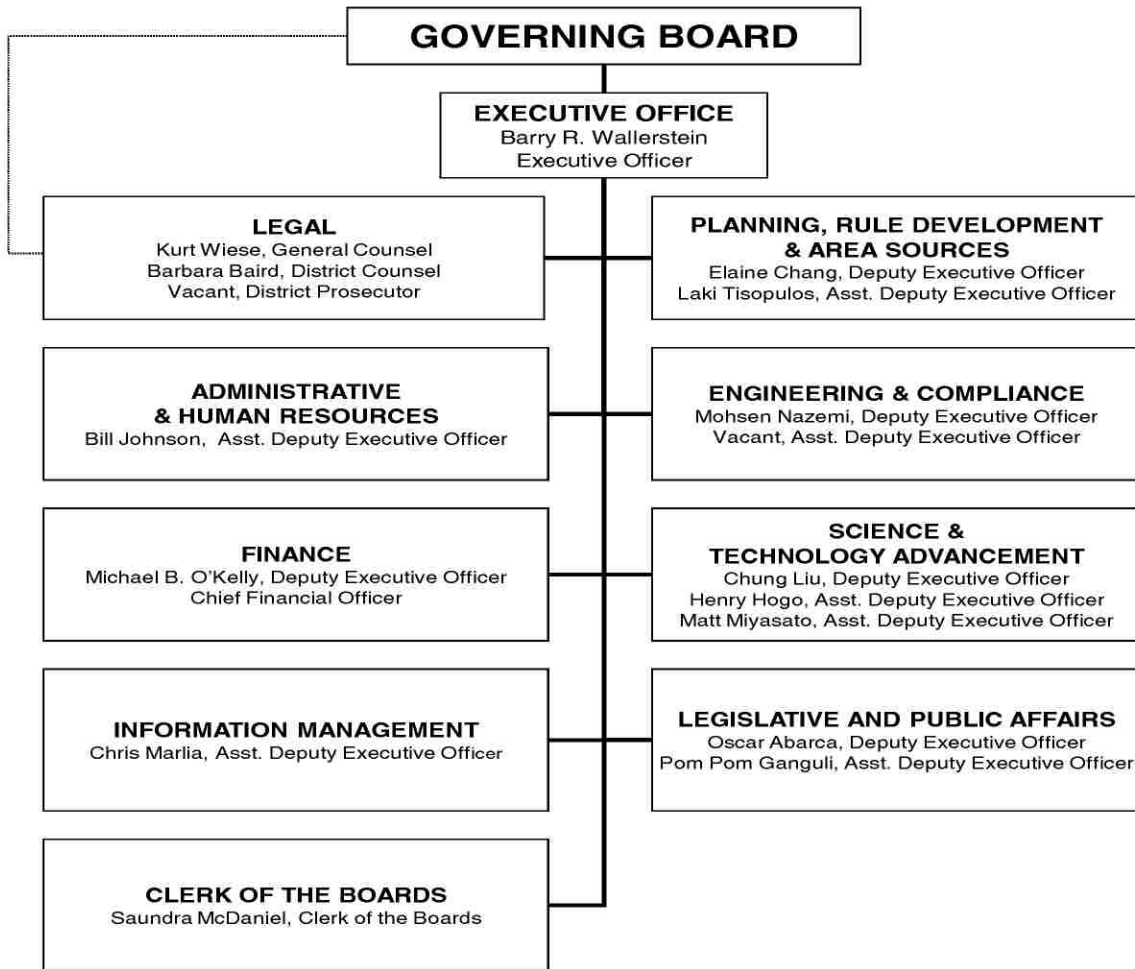
The Financial Activity Statement, known in Accounting terms as the "Income Statement," provides the sources (revenues) and uses (expenses) of providing services for the South Coast Air Quality Management District.

The Financial Position Statement, known in Accounting terms as the "Balance Sheet," provides the financial benefits (assets) available to the AQMD to provide services, while liabilities describes the amount the AQMD owes in providing those services.

Assets over Liabilities provides for the difference between financial benefits and liabilities, ultimately showing the net worth of the South Coast Air Quality Management District.



**South Coast Air Quality Management District, California
Organizational Chart
June 30, 2010**



AWARDS

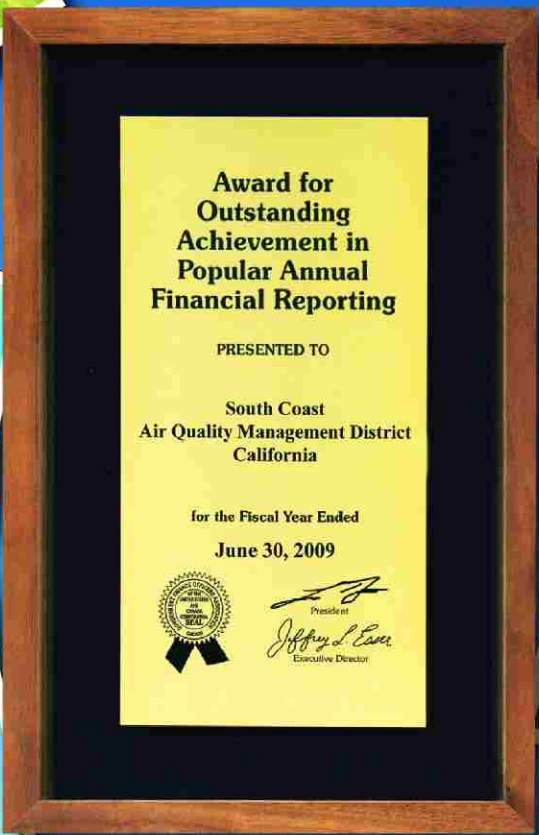
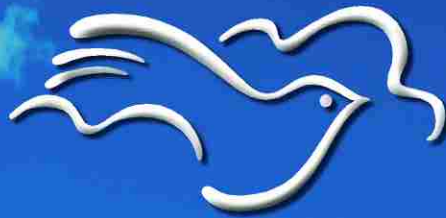
The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to South Coast Air Quality Management District (SCAQMD) for its Popular Annual Financial Report for the fiscal year ended June 30, 2009. The award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting Program, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. SCAQMD has received a Popular Award for the fiscal year ended June 30, 2009. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA.

Further, SCAQMD's Comprehensive Annual Financial Report for the year ended June 30, 2009, from which information on pages 8 through 10 have been drawn, was awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada (GFOA). The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

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MISSION STATEMENT

“The South Coast AQMD believes all residents have a right to live and work in an environment of clean air and is committed to undertaking all necessary steps to protect public health from air pollution with sensitivity to the impacts of its actions on the community and businesses.”

GOALS

- I. *Ensure expeditious progress toward meeting clean air standards and protecting public health.*
- II. *Ensure equitable treatment for all communities.*
- III. *Operate efficiently and in a manner sensitive to businesses and the public.*