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

Monterey, California

Basic Financial Statements
and Independent Auditors' Reports

For the year ended June 30, 2023

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

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BADAWI & ASSOCIATES
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Monterey Bay Unified Air Pollution Control District, California (District), as of and for the year ended June 30, 2023, 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 and each major fund of the District, as of June 30, 2023, and the respective changes in financial position thereof 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). 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.

Address: 2855 Telegraph Avenue, Suite 312 Berkeley, CA 94705 • Phone: 510.768.8251 • Fax: 510.768.8249

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 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, 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.[5]
- 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 management's discussion and analysis, budgetary comparison information, pension schedules, and other post employment benefits (OPEB) schedules on pages 5-11 and 46-55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Badawi & Associates

Badawi and Associates, CPAs
Berkeley, California
March 18, 2024

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MONTEREY BAY UNIFIED AIR
POLLUTION CONTROL DISTRICT dba
MONTEREY BAY AIR RESOURCES DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

Our discussion and analysis of the Monterey Bay Unified Air Pollution Control District's (the District) financial performance provides an overview of the financial activities for the fiscal year ended June 30, 2023. This report is to be read in conjunction with the basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by $17,353,000 (net position). Of this amount, $14,122,000 (restricted net position) are legally restricted for grant programs and other purposes.
- The District's total net position increased by $4,400,000 from the prior year.
- As of the close of the fiscal year, the District's governmental funds reported combined ending fund balances of approximately $22.3 million, an increase of $2.5 million in comparison to the prior year. The major factors contributing to this increase are described on page 7.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements – The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private sector business.

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

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

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

The District's government-wide financial statements are presented on pages 16 and 17.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The fund financial statements provide detailed information about the most significant funds, not the District as a whole. The District has one fund, the General Fund, which is a governmental fund type. The General Fund includes all of the sub-funds the District maintains, including the individual grant program funds such as AB2766, AB293, Moyer Grant Fund, General Grants, CAPP Grant Fund, FARMER Grant Fund and Clean Air Fund. Fund financial statements report essentially the same functions as those reported in the government-wide financial statements. However, unlike the government-wide financial statements, fund financial statements focus on *near-term inflows* and *outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented in the government-wide financial statements. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance provide a reconciliation to facilitate the comparison between governmental funds and government-wide statements. The fund financial statements can be found on pages 20 through 23 of this report.

Notes to Basic Financial Statements – The notes provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26 to 44 of this report.

GOVERNMENT–WIDE FINANCIAL ANALYSIS

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

	2023	2022	Change
Current and other assets	$ 26,789,000	$ 26,813,000	$ (24,000)
Capital assets	2,938,000	2,639,000	299,000
Total assets	**29,727,000**	**29,452,000**	**275,000**
Deferred outflow of resources	4,571,000	1,894,000	2,677,000
Current and other liabilities	4,628,000	7,201,000	-2,573,000
Long-term liabilities	11,122,000	5,493,000	5,629,000
Total liabilities	**15,750,000**	**12,694,000**	**3,056,000**
Deferred inflow of resources	1,194,000	5,699,000	-4,505,000
Net investment in capital assets	2,938,000	2,639,000	299,000
Restricted	14,122,000	11,707,000	2,415,000
Unrestricted	293,000	-1,393,000	1,686,000
Total net position	**$ 17,353,000**	**$ 12,953,000**	**$ 4,400,000**

Net position may serve over time as a useful indicator of the District's financial position. At the close of the fiscal year ended June 30, 2023, the District's assets exceeded its liabilities by $17.4 million.

GOVERNMENT–WIDE FINANCIAL ANALYSIS (Continued)

Approximately 95% of the District's current and other assets consist of cash and investments.

Approximately $14.1 million (81% of total net position) is restricted for grants and other purposes. The unrestricted portion of the District's net position increased by almost $1.7 million from the previous year. This increase is primarily due to an increase in deferred outflows of resources of $2.6 million and decrease in deferred inflows of resources of $4.5 million offset by an increase in long-term liabilities of $5.6 million.

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

	2023	2022	Change
Revenues:			
Program Revenues:			
Charges for services	$ 4,162,000	$ 4,205,000	$ (43,000)
Operating grants and contributions	2,619,000	1,552,000	1,067,000
General Revenues:			
DMV surcharges	2,758,000	2,745,000	13,000
AB 923	1,379,000	1,373,000	6,000
City/County contributions	383,000	366,000	17,000
Investment income	504,000	30,000	474,000
Other	295,000	408,000	(113,000)
Total Revenues	**12,100,000**	**10,679,000**	**1,421,000**
Expenses:			
Administration	1,594,000	2,068,000	(474,000)
Engineering/Compliance	2,041,000	2,965,000	(924,000)
Air monitoring	499,000	786,000	(287,000)
Planning and grants	3,566,000	5,254,000	(1,688,000)
Total Expenses	**7,700,000**	**11,073,000**	**(3,373,000)**
Change in net position	4,400,000	(394,000)	4,794,000
Net position, beginning of year	12,953,000	13,347,000	(394,000)
Net position, end of year	**$ 17,353,000**	**$ 12,953,000**	**$ 4,400,000**

For Program Revenues, Charges for Services totaled approximately $4.2 million, which is $43,000 lower than the previous year's total. The majority of the decrease was due to lower civil and late penalties assessed. Operating grant revenues in FY 2022-23 increased by about $1.1 million as compared to the previous year primarily due to spending down of grant monies collected in advance.

For General Revenues, DMV and AB923 surcharges increased by less than 1% over the previous year. City and County contributions were up by $17,000 due to a 4.2% CPI increase to the per capita fees. Investment income increased by about $474,000 due to higher interest earnings from the County investment pool.

GOVERNMENT–WIDE FINANCIAL ANALYSIS (Continued)

The last General Revenue category, "Other" revenues, include CARB Subvention, rental income, off-site mitigation fees from the East Garrison housing development in Marina, and miscellaneous income. This category had a decrease of $113,000, primarily due to a decrease to mitigation fees income from East Garrison housing development.

Expenses for the year totaled $7.7 million, a decrease of about $3.4 million as compared to the previous year. The majority of the decrease was attributable to planning division grant programs that decreased by about $1.7 million due to continued supply chain delays, the remaining decrease was a result of lower pension expense.

Administration Division expenses were down in total by about $474,000, due to decrease in pension expense.

Engineering/Compliance Division expenses were down in total by about $924,000 as compared to the previous year, primarily due to increases in pension and OPEB adjustments impacted by the CalPERS investment loss in FY2022 and their reduction in the discount rate. Additional increases include salaries and benefits due to salary increases and professional services expenses due to new software implementation.

Air Monitoring expenses were $287,000 lower than the previous year primarily due to lower pension expense.

Planning and Grant expenses decreased by $1.7 million. The AB2766 grants decreased by $1.5 million due to delays in project completions. The AB923 grants also decreased by $517,000. Most of these projects are completed within 2-3 years. There were decreases in the other grant programs due to delays in grant reimbursements. General Grant reimbursements decreased by $520,000 due to supply chain delays. For the Carl Moyer grant program, grant reimbursements increased by about $564,000 as compared to the prior year. The Community Air Protection (CAPP) grant program had zero grant reimbursements. This was due to changes in the program structure. The Funding Agricultural Replacement Measures (FARMER) grant program has an increase of $892,000, as compared to $0 from the prior year. This was due to funding delays from the California Air Resources Board. Grant program expenditures fluctuate from year to year due to the timing of the completion of grant projects. Supply chain issues have also continued since the beginning of the COVID-19 pandemic.

Overall, the District's net position increased by $4.4 million bringing the net position to $17.4 million as of June 30, 2023.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The book value of the District's investment in capital assets was $2,938,000 (net of accumulated depreciation) as of June 30, 2023. This investment in capital assets includes land, buildings, laboratory equipment, air monitoring stations, computer and office equipment, and vehicles.

In FY 2022-23, there was a $299,000 net increase in capital assets consisting of:

Capital purchases	$	498,000
Depreciation, net of retired assets		(199,000)
Total	**$**	**299,000**

Additional information regarding the capital assets can be found in Note 3 in the "Notes to Basic Financial Statements," pages 31.

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Long Term Liabilities

At June 30, 2023, the District had total long-term liabilities of $11,122,000, consisting of Pension Liability, Compensated Absences (accrued leave) and Other Post-Employment Benefits (OPEB) liabilities.

The District's net pension liability increased by $5,322,000 to $10,440,000 due to increases in the CalPERS aggregate net pension liability for the CalPERS Cost Sharing Multiple Employer Plan. OPEB liabilities increased by about $197,000. The OPEB liability reflects the District's sixth year of implementing GASB 75 *("Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*") which is intended to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The District's other liability, Compensated Absences, increased by $23,000.

Details of the long-term liability balances are found on pages 33-44, Note 4, 6, and 7 of the "Notes to Basic Financial Statements."

FINANCIAL ANALYSIS OF THE GOVERNMENT FUNDS

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

The General Fund balance at June 30, 2023, was $22,323,000, an increase of approximately $2,462,000 from the prior year. The increase was primarily due to the net of the following factors:

- Increase to the General Fund unassigned and committed fund balances of approximately $54,000 as compared to a budgeted deficit of $631,000. Overall revenues were more than budget by about $72,000 with the largest positive variances in Permit Fees and Interest Income. Significant expenditures included: a) $251,000 increase to salaries and benefits, b) $451,000 in fixed assets which included a new roof, air monitoring equipment and vehicles, c) $346,000 in Legal and Professional Services d) $120,000 for deposits to the District's OPEB liability trust accounts.

- The AB2766 Grant program funds paid out of approximately $404,000 of grant project reimbursements, as compared to $1.9 million in the previous year and $395,000 for electric vehicle and electric bike incentives. DMV $4.00 fees received from the State totaled $2,758,000, a decrease of approximately $13,000 from the previous year. Other expenditures were about $5.1 million under budget.

- Increase to the AB923 Grant program funds of approximately $932,000. DMV $2.00 fees received from the State totaled $1,379,000, a decrease of approximately $6,000 from the previous year. AB923 grant expenditures were about $145,000 as compared to the budget of $3.8 million. Delays in projects due to COVID-19 pandemic supply chain delays continued this year. About $363,000 was spent of the $1 million set aside for the District's electric vehicle infrastructure program which is intended to increase the number of charging stations in the Monterey, Santa Cruz, and San Benito counties.

- Increase to the Moyer Grant program funds of approximately $979,000. Funds received for grant projects totaled approximately $944,000 as compared to budget of $3,600,000. Grant expenditures were about $861,000 as compared to the budget of $3.4 million.

- Increase to the General Grant fund of $3,400. There were no revenues from offsite mitigation fees for the

The East Garrison Specific Plan Project in Marina (Monterey County) or for Central Coast Community Power Grant as compared to the budget of $831,000. There were also no grant expenditures due to delays in bus deliveries. The only income was from interest earned.

- The Community Air Protection Program (CAPP) Grant from The California Air Resources Board received $44,000. Expenses of $44,000 were for salaries and benefits. There were no grant expenditures due to changes in the program and timing of the grant receipts. The CAPP grant program is for agricultural equipment used to reduce emissions in disadvantaged and low-income communities.

- The Funding Agricultural Replacement Measures for Emission Reduction (FARMER) Grant recognized grants revenues of $977,000. Expenses of $87,000 were for salaries and benefits. Grant expenditures totaled $892,000. The FARMER grant program is for replacement of agricultural harvesting equipment, heavy-duty trucks, agricultural pump engines, tractors, and other equipment used in agricultural operations to help reduce criteria, toxic and greenhouse gas emissions.

BUDGETARY HIGHLIGHTS

Revenues

The actual revenues total of $12,073,000 compared to a final budget of $17,490,000. The categories with the largest favorable budget variances were:

- Permit fees, about $130,000 higher than budget.
- Asbestos and TV fees are about $83,000 higher than budget.
- Interest Income about $404,000 higher than budget.

The categories with the largest unfavorable budget variances included:

- Grants were about $4.8 million lower than budget.
- Fines and fees were about $126,000 lower than budget.

Expenditures

Actual expenditure for the year totaled $9,680,000 as compared to a budget of $27,236,000. The primary reason for the significant budget variance is a timing difference for grant expenditures. The grant’s expenditures budget is based on the maximum amount to be reimbursed for all outstanding grant commitments. For example, $5.2 million was budgeted for AB2766 expenditures for new grants and unspent grants carried forward from previous years. Out of this total, actual payments to grantees totaled about $404,000, resulting in a budget variance of $4.8 million. Similar timing issues existed for the AB923 Fund with a budget of $3.8 million million but actual payments were only $145,000. Moyer with a budget of $3.4 million and actual expenditures of $861,000, CAPP with a budget of $2.5 million and $0 in actual expenses, and FARMER with a budget of $1.9 million and $892,000 in actual expenses.

Other notable expenditure budget variances included a $517,000 positive variance for salaries and benefits due to vacant positions from retirements and resignations, travel and training has increased since the COVID-19 pandemic, a $902,000 positive variance for Legal and Professional Services due to delays in electric vehicle infrastructure payments.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The FY 2023-24 new budget was prepared with the assumption that operating revenues would decrease about 25% than the previous year, primarily due to grant revenues being deferred until grant projects are completed.

The operating budget includes State revenues of approximately $414,000 for administrative expenses for the Moyer, CAPP and FARMER grants. The budget assumes a staffing level of 32 employees. Salaries and benefit costs are budgeted at $5.5 million, which is an increase of about $70,000, primarily due to combining the Air Monitoring Supervisor position and Planning Supervisor into one position, and a 3% CPI pay increase for all staff. Capital asset purchases of $451,000 are projected for licenses for vehicles, air monitoring equipment, and improvements to the parking lot.

In FY 2023-24, the revised General Fund budget is projected to have a $(388,000) net deficit. The projected budget deficit will be covered by the use of General Fund unreserved balance, which are projected to be $5.5 million.

For non-operating budget revenues (grant program revenues), the FY 2023-24 budget is lower than the previous year budget by about by about $6.6 million. The new budget includes State funded grant programs: Moyer, the Community Air Protection Program (CAPP) and the Funding Agricultural Replacement Measures for Emission Reductions (FARMER). The CAPP grant program is focused on reducing air pollution in disadvantaged and low-income areas. The FARMER grant program is intended to fund agricultural equipment replacements to reduce emissions. The budget also includes $800,000 in funds from Central Coast Community Energy, which was originally budgeted in FY 2020-21 but only partially received due to delays in bus deliveries due to the COVID-19 pandemic.

The District's June 30, 2024, General Fund estimated reserve balance is $8 million with $1.9 million designated for special purposes and $5.5 million as unassigned. This level of reserves will help offset potential revenue losses and/or increased expenditure. Future financial challenges include additional potential loss of permit fee revenues from major sources, possible decreases to EPA grant funding and State grants, and increases to retirement and health benefit costs. To minimize the effect of these factors, the District strives each year to make efficiency improvements to lower costs and seeks to maximize its limited revenue sources to cover expenses.

REQUESTS FOR INFORMATION

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

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

Monterey Bay Unified Air Pollution Control District
dba Monterey Bay Air Resources District
Statement of Net Position
June 30, 2023

ASSETS	
Current assets:	
Cash and investments	$ 24,730,304
Restricted cash and investments	661,158
Receivables:	
Account receivables, net	354,800
Interest receivables	171,245
DMV fees receivable	741,742
Other receivables	67,712
Prepaid expenses	62,303
Total current assets	26,789,264
Noncurrent assets:	
Capital assets:	
Non-depreciable	659,205
Depreciable, net	2,278,348
Total capital assets, net	2,937,553
Total noncurrent assets	2,937,553
Total assets	29,726,817
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pension	4,330,678
Deferred outflows of resources - OPEB	240,082
Total deferred outflows of resources	4,570,760
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	200,017
Unearned revenue	4,266,149
Compensated absences - due in one year	161,942
Total current liabilities	4,628,108
Noncurrent liabilities:	
Compensated absences - due in more than one year	331,070
Net OPEB liability	351,565
Net pension liability	10,439,574
Total noncurrent liabilities	11,122,209
Total liabilities	15,750,317
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pension	800,522
Deferred inflows of resources - OPEB	393,673
Total deferred inflows of resources	1,194,195
NET POSITION	
Investment in capital assets	2,937,553
Restricted	14,122,059
Unrestricted	293,453
Net position	$ 17,353,065

See accompanying Notes to Basic Financial Statements.

Monterey Bay Unified Air Pollution Control District
dba Monterey Bay Air Resources District
Statement of Activities
For the year ended June 30, 2023

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Total	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental activities					
Administration	$ 1,594,332	$ 15	$ -	$ 15	$ (1,594,317)
Engineering/Compliance	2,041,077	4,058,882	407,440	4,466,322	2,425,245
Air monitoring	498,864	103,462	246,725	350,187	(148,677)
Planning and grants	3,566,525	-	1,964,846	1,964,846	(1,601,679)
Total governmental activities	$ 7,700,798	$ 4,162,359	$ 2,619,011	$ 6,781,370	(919,428)

General Revenues:	
DMV surcharges	2,758,335
AB 923	1,379,168
City/County contribution	382,880
Investment Income	503,785
Other	295,163
Total general revenues	5,319,331
Change in net position	4,399,903
Net position - beginning of year	12,953,162
Net position - end of year	$ 17,353,065

See accompanying Notes to Basic Financial Statements.

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FUND FINANCIAL STATEMENTS

Monterey Bay Unified Air Pollution Control District
dba Monterey Bay Air Resources District
Balance Sheet - General Fund
June 30, 2023

		General
ASSETS		
Cash and investments	$	24,730,304
Restricted cash and investments		661,158
Receivables:		
Account receivables, net		354,800
Interest receivables		171,245
DMV fees receivable		741,742
Other receivables		67,712
Prepaid items		62,303
Total assets	$	26,789,264
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	$	92,311
Accrued liabilities		107,706
Unearned revenue		4,266,149
Total liabilities		4,466,166
Fund Balances:		
Nonspendable		62,303
Restricted:		
AB2766		8,015,310
Moyer		333,506
AB923		4,933,132
General grants		178,953
Pension funding		661,158
Committed:		
Economic uncertainty		1,867,133
Building and facilities		100,000
OPEB funding		30,000
Unassigned		6,141,603
Total fund balances		22,323,098
Total liabilities and fund balances	$	26,789,264

See accompanying Notes to Basic Financial Statements.

Monterey Bay Unified Air Pollution Control District
dba Monterey Bay Air Resources District
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
For the year ended June 30, 2023

Fund Balances of General Funds	$	22,323,098
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		2,937,553
In the Government-Wide Financial Statements, certain differences between actuarial amounts and actual results for pension and OPEB are deferred and amortized over a period of time, however these differences do not impact the Governmental Funds Balance Sheet. In addition, employer contributions for pension and OPEB paid after the measurement date and prior to the reporting date were recorded as expenditures in the governmental funds, however, in the Government-Wide Financial Statement these contributions are reported as deferred outflows of resources:		
Deferred outflows of resources - pension		4,330,678
Deferred outflows of resources - OPEB		240,082
Deferred inflows of resources - pension		(800,522)
Deferred inflows of resources - OPEB		(393,673)
Long-term liabilities are not due and payable in the current period and therefore they are not reported in the funds.		
Compensated absences - due within one year		(161,942)
Compensated absences - due in more than one year		(331,070)
Net OPEB liability		(351,565)
Net pension liability		(10,439,574)
Net Position of Governmental Activities	$	17,353,065

See accompanying Notes to Basic Financial Statements.

Monterey Bay Unified Air Pollution Control District
dba Monterey Bay Air Resources District
Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2023

		General
REVENUES:		
DMV surcharges	$	4,137,503
Grants		2,533,845
Licenses and permits		3,659,728
Fines and fees		399,154
Investment earnings		503,785
Other revenues		866,686
Total revenues		12,100,701
EXPENDITURES:		
Current		
Administration		1,804,037
Engineering/Compliance		2,909,583
Air monitoring		635,818
Planning and grants		3,791,993
Capital outlay		497,556
Total expenditures		9,638,987
Net change in fund balances		2,461,714
FUND BALANCES:		
Beginning of year		19,861,384
End of year	$	22,323,098

See accompanying Notes to Basic Financial Statements.

Monterey Bay Unified Air Pollution Control District
dba Monterey Bay Air Resources District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the year ended June 30, 2023

Net Change in Fund Balances	$	2,461,714
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlay as expenditures. In the statement of activities, however, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period these amounts are:		
Capital asset acquisitions		497,595
Current year depreciation		(199,253)
Employer contributions for pension paid after the measurement date and prior to the reporting date were recorded as expenditures in the governmental funds. However, in the Government-Wide Financial Statement these contributions are deferred.		1,052,543
Employer contributions for OPEB paid after the measurement date and prior to the reporting date were recorded as expenditures in the governmental funds. However, in the Government-Wide Financial Statement these contributions are deferred.		102,602
Pension (expense) income is recorded as incurred in the Government-Wide Statement of Activities, however pension expense is not recognized in the governmental funds.		441,509
OPEB (expense) income is recorded as incurred in the Government-Wide Statement of Activities, however OPEB expense is not recognized in the governmental funds.		66,362
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental Funds. In the current period these amounts are:		
Compensated absences		(23,169)
Change in Net Position of Governmental Activities	$	4,399,903

See accompanying Notes to Basic Financial Statements.

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NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Reporting Entity

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

B. Basis of Presentation and Accounting/Measurement Focus

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting/Measurement Focus, Continued

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

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

C. Cash and Investments

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

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

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

D. Receivables and Deferred Inflows of Resources

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

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. The allowance is based on an assessment of the current status of individual accounts. At June 30, 2023, the allowance was estimated to be $29,068.

E. Capital Assets

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Capital Assets, Continued

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

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

F. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

G. Compensated Absences

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

H. Long-Term Obligations

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

I. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For this report, the following timeframes are used:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021 to June 30, 2022

J. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Authority's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021 to June 30, 2022

K. Net Position

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. Fund Balances

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

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

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

M. Use of Estimates

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

N. New Pronouncements

The District adopted the following accounting pronouncements during the year:

GASB Statement No. 91, Conduit Debt Obligations – The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this statement did not apply to the District for the current fiscal year.

GASB Statement 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements – The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP in an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. The requirements of this statement did not apply to the District for the current fiscal year.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

N. New Pronouncements, Continued

GASB Statement No. 96, Subscription-based Information Technology Arrangements – This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement did not apply to the District for the current fiscal year.

2. CASH AND INVESTMENTS

The District maintains cash and investments as summarized below:

Cash on hand	$	500
Deposits with financial institutions		174,853
Total Cash		175,353
Investment with Monterey County Investment Pool		24,554,951
Total Unrestricted Cash and Investments		24,730,304
Restricted cash and investments		661,158
Total District Cash and Investments	$	25,391,462

A. Cash with Banking Institutions

The carrying amount of the District's cash deposit with financial institutions was $174,853. Bank balances before reconciling items were a positive amount of $879,036 at June 30, 2023. The District has waived the collateral requirements for cash deposits, which are fully insured up to $250,000 by the Federal Deposit Insurance Corporation. The remaining amount was collateralized with securities held by the pledging financial institutions in the District's name. The California Government Code (Code) requires California banks and savings and loan associates to secure the District's cash deposit by pledging securities as collateral. The Code states that the collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the District's name.

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

2. CASH AND INVESTMENTS, Continued

B. Investment with Monterey County Investment Pool

$24,554,951 at June 30, 2023 is part of the common investment pool of the Monterey County Investment Pool. It is the policy of the Treasurer-Tax Collector of Monterey County to invest public funds in a manner which provides for the safety of the funds on deposit, the cash flow demands, or liquidity needs of the treasury pool participants, and the highest possible yield after first considering the first two objectives of safety and liquidity. In addition, it is the Treasurer-Tax Collectors' policy to invest all funds in strict conformance with all state statutes governing the investment of public monies.

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

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 was as follows:

	Balance June 30, 2022	Increases	Decreases	Reclassifications	Balance June 30, 2023
Non-depreciable assets:					
Construction in progress	$ -	$ 387,498	$ -	$ -	$ 387,498
Land	271,707	-	-	-	271,707
Total non-depreciable assets	271,707	387,498	-	-	659,205
Depreciable assets:					
Buildings and improvements	6,175,749	-	-	-	6,175,749
Office furniture and equipment	675,760	20,284	-	-	696,044
Equipment	521,758	54,474	-	-	576,232
Vehicle	532,683	35,339	-	-	568,022
Total depreciable assets	7,905,950	110,097	-	-	8,016,047
Less accumulated depreciation:					
Buildings and improvements	4,123,957	120,844	-	-	4,244,801
Office furniture and equipment	489,508	42,327	-	-	531,835
Equipment	451,842	14,600	-	-	466,442
Vehicle	473,139	21,482	-	-	494,621
Total accumulated depreciation	5,538,446	199,253	-	-	5,737,699
Total depreciable assets, net	2,367,504	(89,156)	-	-	2,278,348
Total capital assets	$ 2,639,211	$ 298,342	$ -	$ -	$ 2,937,553

3. CAPITAL ASSETS, Continued

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

Administration	$	129,482
Engineering and Compliance		39,941
Planning/Air Monitoring		29,830
	$	199,253

4. LONG-TERM LIABILITIES

Long-term liability balances and transactions for the year ended June 30, 2023 are as follows:

	Balance June 30, 2022	Additions	Reductions	June 30, 2023	Due Within One Year	Due More Than One Year
Other Liabilities						
Compensated absences	$ 469,843	$ 218,990	$ (195,821)	$ 493,012	$ 161,942	$ 331,070
Total	$ 469,843	$ 218,990	$ (195,821)	$ 493,012	$ 161,942	$ 331,070

5. DEFERRED COMPENSATION PLAN

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

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

The District has complied with the amended Section 457 requirements, Governmental Accounting Standards Board Statement (GASB) No. 97. The District determined that the plan did not meet the definition of a defined contribution pension plan, and also other requirements relating to fiduciary activities. The District accounts for the plan as other employee benefits.

6. PENSION PLAN

A. *Plan Description*

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plans (Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The District sponsors two miscellaneous rate plans. Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

B. *Benefits Provided*

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each rate plan are applied as specified by the Public Employees' Retirement Law.

The rate plan provisions and benefits in effect at June 30, 2023, are summarized as follows:

	Miscellaneous	
Hire Date	Prior to January 1, 2013	On or after January 1, 2013
Benefit vesting schedule	5 years service	5 years service
Benefit payment	Monthly for life	Monthly for life
Retirement age	50-55	52-67
Monthly benefits, as a % of annual salary	2% to 2.7%	1% to 2.5%
Required employee contribution rates	7.000%	6.750%
Required employer contribution rates	10.870%	7.470%
Required unfunded liability payment	$ 757,147	$ 5,600

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

6. PENSION PLAN, Continued

C. Contributions

The District's contributions to the Plan for the measurement period ended June 30, 2022 were $943,680.

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

As of June 30, 2023, the District reported net pension liability for its proportionate share of the net pension liability of the Plan was $10,439,574.

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

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2022, and the total pension liability for the Plan used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2021 rolled forward to June 30, 2022 using standard update procedures. The District's proportionate share of the net pension liability was based on the District's plan liability and asset-related information where available, and proportional allocations of plan amounts as of the valuation date where not available.

The District's proportionate share of the net pension liability for the Plan as of measurement dates June 30, 2021 and 2022 were as follows:

Proportion - June 30, 2021	0.09464%
Proportion - June 30, 2022	0.09038%
Change - Increase (Decrease)	-0.00426%

For the year ended June 30, 2023, the District recognized pension income of $441,509. Pension expense is allocated to the functions based on full time equivalents.

6. PENSION PLAN, Continued

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

At June 30, 2023, 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
Pension contributions subsequent to measurement date	$ 1,052,543	$ -
Differences between expected and actual experience	209,648	140,412
Changes of assumptions	1,069,753	-
Changes in employer's proportion	86,481	53,769
Differences between the employer's contribution and the employer's proportionate share of contributions	-	606,341
Net differences between projected and actual earnings on plan investments	1,912,253	-
Total	$ 4,330,678	$ 800,522

$1,052,543 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30:	
2024	$ 533,175
2025	489,709
2026	285,127
2027	1,169,602

6. PENSION PLAN, Continued

E. Actuarial Assumptions

The total pension liabilities in the June 30, 2021 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Projected Salary Increase	Varies by entry age and service
Investment Rate of Return (1)	6.90%
Mortality	Derived using CalPERS' Membership Data for all Funds

(1) Net of pension plan administrative expenses.

The mortality table was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website.

<u>Change of Assumptions</u>

For measurement period ended June 30, 2023, the discount rate was reduced to 6.90%.

F. Discount Rate

Discount Rate – The discount rate used to measure the total pension liability as of the measurement date of June 30, 2022 for the Plan was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. A detailed report testing these projections can be obtained from the CalPERS website.

6. PENSION PLAN, Continued

F. Discount Rate, Continued

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

The expected real rates of return by asset class are as follows:

Asset Class	New Strategic Allocation	Real Return[(1)(2)]
Global Equity - Cap-weighted	30.0%	4.45%
Global Equity Non-Cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	3.21%
Leverage	-5.0%	-0.59%
Total	100%	

(1) An expected inflation of 2.30% used for this period.
(2) Figures are based on the 2021-22 Asset Liability Management study

G. Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

1% Decrease - 5.90%		
Net Pension Liability (Asset)	$	15,586,120
Current Discount Rate - 6.90%		
Net Pension Liability (Asset)	$	10,439,574
1% Increase - 7.90%		
Net Pension Liability (Asset)	$	6,205,243

6. PENSION PLAN, Continued

H. Pension Plan Fiduciary Net Position

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

Payable to the Pension Plan

At June 30, 2023, the District reported a payable of $0 for outstanding amount of contributions to the pension plan required for the year ended June 30, 2023.

7. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description

The District has contracted with the Public Employees Retirement System (PERS) under the PERS Care Health Plan to provide benefits of the Meyers-Geddes State Employees' Medical and Hospital Care Act per Government Code Section 22850. The Plan provides for continuation of medical insurance benefits for certain retirees or annuitants and their dependents. The Plan can be amended by action of the District Board on passing a Resolution. As of June 30, 2022, the Plan had 28 active members, 22 inactive members, and 13 retirees.

B. Employees Covered

Inactive employees or beneficiaries currently receiving benefits	13
Inactive employees entitled to but not yet receiving benefits	22
Active employees	28
Total	63

C. Contributions

The obligations of the plan members and the District are established by action of the District Board pursuant to the passing of a Resolution. The Districts' contribution for each retiree or annuitant is the minimum amount provided under Government Code Section 22825 of the Public Employees Medical and Hospital Care Act. The retiree is responsible for any premium costs in excess of the District's contribution. For the measurement period ended June 30, 2022, the District contributed $97,135. Plan members receiving benefits contributed no amounts of the total premiums.

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

D. Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2022 and the total OPEB liability used to the calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2021, based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	5.65%
Inflation	2.50%
Contribution Policy	Contributes full ADC
Salary Increases	3.00%
Projected Salary Increase	3.00%
Investment Rate of Return	5.65%
Mortality	MacLeod Watts Scale 2020 applied generationally from 2015
Healthcare Trend	5.70% for 2022 decreasing to an ultimate rate of 4.00% for 2076 and later.

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

D. Net OPEB Liability, Continued

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the table below:

Asset Class	Target Allocation	Expected Real Rate of Return
Public Equity	60.00%	
Large Cap Core	32.00%	6.80%
Mid Cap Core	6.00%	7.10%
Small Cap Core	9.00%	7.90%
Real Estate	2.00%	6.60%
International	7.00%	7.30%
Emerging Markets	4.00%	7.30%
Fixed Income	35.00%	
Short Term Bond	6.75%	3.30%
Intermediate Term Bond	27.00%	3.90%
High Yield	1.25%	6.10%
Cash	5.00%	2.40%
Assumed Long-Term Rate of Inflation		2.50%
Assumed Long-Term Investment Expenses		0.57%
Expected Long-Term Net Rate of Return		5.65%
Discount Rate*		5.65%

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

E. Discount Rate

The discount rate used to measure the total OPEB liability was 5.65 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

F. Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
Balance at June 30, 2021	$ 1,393,635	$ 1,239,366	$ 154,269
Changes in the year:			
Service cost	39,089	-	39,089
Interest on the total OPEB liability	79,476	-	79,476
Contribution - employer	-	97,135	(97,135)
Net investment income	-	(175,866)	175,866
Benefit payments , including refunds of employee contributions	(52,135)	(52,135)	-
Net changes	66,430	(130,866)	197,296
Balance at June 30, 2022	$ 1,460,065	$ 1,108,500	$ 351,565

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

The following presents the net OPEB liability (asset) of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2022:

	1% Decrease (4.65%)	Current Discount (5.65%)	1% Increase (6.65%)
Net OPEB Liability	$ 550,131	$ 351,565	$ 187,213

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

The following presents the net OPEB liability (asset) of the District if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2022:

	1% Decrease (4.7% - 3.0%)	Current Healthcare Trend Rate (5.7% - 4.0%)	1% Increase (6.7% to 5.0%)
Net OPEB Liability	$ 171,222	$ 351,565	$ 571,049

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

I. Recognition of Deferred Outflow and Deferred Inflows of Resources

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

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

For the fiscal year ended June 30, 2023, the District recognized OPEB income of $66,362. For the fiscal year ended June 30, 2023, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 102,602	$ -
Changes of assumptions	-	35,715
Differences between expected and actual experience	40,562	357,958
Net differences between projected and actual earnings on plan investments	96,918	-
Total	$ 240,082	$ 393,673

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

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

$102,602 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred inflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ending June 30:	
2024	$ (111,644)
2025	(112,121)
2026	(90,752)
2027	55,400
2028	2,924
Thereafter	-

8. RISK FINANCING

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

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

10. COMMITMENTS AND CONTINGENCIES

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

REQUIRED SUPPLEMENTARY INFORMATION

1. BUDGETARY DATA

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

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

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

A. Budgetary Comparison Schedule

The following are the budget comparison schedules for the General Fund.

Budgetary Comparison Schedule, General Fund

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
REVENUES:				
DMV surcharges	$ 4,099,500	$ 4,099,500	$ 4,137,503	$ 38,003
Grants - EPA,CEC, Moyer	8,130,208	8,170,208	2,533,845	(5,636,363)
Licenses and permits	3,465,166	3,465,166	3,659,728	194,562
Fines and fees	503,972	503,972	399,154	(104,818)
Investment earnings	72,650	72,650	503,785	431,135
Other revenue	1,178,634	1,178,634	866,686	(311,948)
Total revenues	17,450,130	17,490,130	12,100,701	(5,389,429)
EXPENDITURES:				
Current:				
Administration	1,951,411	1,924,411	1,804,037	120,374
Engineering/Compliance	3,307,997	3,307,997	2,909,583	398,414
Air Monitoring	659,399	659,399	635,818	23,581
Planning & Grants	20,658,221	20,658,221	3,791,993	16,866,228
Capital outlay	434,506	633,406	497,556	135,850
Total expenditures	27,011,534	27,183,434	9,638,987	17,544,447
Net change in fund balance	$ (9,561,404)	$ (9,693,304)	2,461,714	$ 12,155,018
FUND BALANCE:				
Beginning of year			19,861,384	
End of year			$ 22,323,098	

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2. SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS - LAST TEN FISCAL YEARS*

	2023	2022	2021	2020
Measurement Date	6/30/2022	6/30/2021	6/30/2020	6/30/2019
Total OPEB Liability				
Service Cost	$ 39,089	$ 41,845	$ 40,626	$ 51,722
Interest on the total OPEB liability	79,476	80,358	75,873	128,672
Differences between expected and actual experience	-	58,630	-	(869,330)
Changes of assumptions	-	(19,904)	-	(53,293)
Benefit payments, including refunds of employee contributions	(52,135)	(43,091)	(47,663)	(83,003)
Net change in total OPEB liability	66,430	117,838	68,836	(825,232)
Total OPEB Liability - beginning	1,393,635	1,275,797	1,206,961	2,032,193
Total OPEB Liability - ending (a)	$ 1,460,065	$ 1,393,635	$ 1,275,797	$ 1,206,961
Plan Fiduciary Net Position				
Contributions - employer	$ 97,135	$ 88,091	$ 147,663	$ 183,003
Net investment income	(175,866)	248,107	25,299	43,753
Benefit payments, including refunds of employee contributions	(52,135)	(43,091)	(47,663)	(83,003)
Administrative expense	-	-	(4,408)	(1,782)
Net change in plan fiduciary net position	(130,866)	293,107	120,891	141,971
Plan fiduciary net position - beginning	1,239,366	946,259	825,368	683,397
Plan fiduciary net position - ending (b)	$ 1,108,500	$ 1,239,366	$ 946,259	$ 825,368
Net OPEB liability/(asset) - ending (a) - (b)	$ 351,565	$ 154,269	$ 329,538	$ 381,593
Plan fiduciary net position as a percentage of the total OPEB liability	75.9%	88.9%	74.2%	68.4%
Covered-employee payroll**	$ 3,187,402	$ 3,311,147	$ 3,360,644	$ 3,408,327
Net OPEB liability as a percentage of covered-employee payroll	11.03%	4.66%	9.81%	11.20%

Notes to Schedule

* Fiscal year 2018 was the first year of implementation.

2019	2018
6/30/2018	6/30/2017
$ 50,094	$ 48,517
122,471	115,227
-	-
-	-
(68,516)	(32,161)
104,049	131,583
1,928,144	1,796,561
$ 2,032,193	$ 1,928,144
$ 163,516	$ 127,161
49,090	56,997
(68,516)	(32,161)
(2,056)	-
142,034	151,997
541,363	389,366
$ 683,397	$ 541,363
$ 1,348,796	$ 1,386,781
33.6%	28.1%
$ 3,135,430	$ 3,100,000
43.02%	44.73%

3. SCHEDULE OF CONTRIBUTIONS LAST TEN FISCAL YEARS *

Fiscal Year Ended June 30,	2023	2022	2021	2020
Actuarially Determined Contribution (ADC)	$ 53,344	$ 67,672	$ 65,852	$ 69,825
Contributions in relation to the ADC	(102,602)	(97,135)	(88,091)	(147,663)
Contribution deficiency (excess)	$ (49,258)	$ (29,463)	$ (22,239)	$ (77,838)
Covered-employee payroll**	$ 3,151,521	$ 3,187,402	$ 3,311,147	$ 3,360,644
Contributions as a percentage of covered-employee payroll	3.26%	3.05%	2.66%	4.39%

Notes to Schedule

* Fiscal year 2018 was the first year of implementation.

** Covered-employee payroll is used as contributions are not based on employee earnings.

Methods and assumptions used to determine contribution rates:

Valuation date	6/30/2021	6/30/2019		
Actuarial cost method	Entry Age Normal	Entry Age Normal		
Amortization method	Level % of Pay; closed 30 years	Level % of Pay; closed 30 years		
Amortization period	18 years	18 years	19 years	20 years
Asset valuation method	Market Value	Market Value		
Inflation	2.50%	2.50%		
Healthcare cost trend rates	4% to 5.6%	4% to 6.5%		
Salary increases	3.00%	3.00%		
Investment rate of return	5.65%	6.20%		
Retirement age	From 50 to 75	From 50 to 75		
Mortality	CalPERS 2021 Experience Study; Projected with MW Scale 2022	CalPERS 2017 Experience Study; Projected with MW Scale 2018		

2019		2018	
$	147,850	$	144,718
	(183,003)		(163,516)
$	-	$	(18,798)
$	3,408,327	$	3,135,430
	5.37%		5.22%

7/1/2017	
Entry Age Normal	
Level % of Pay; closed 30 years	
21 years	22 years
Market Value	
2.75%	
5% to 7.50%	
3.25%	
6.30%	
From 50 to 75	
CalPERS 2014 Experience Study; Projected with MW Scale 2017	

4. SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - LAST 10 YEARS*

	2023	2022	2021	2020
Measurement date	6/30/2022	6/30/2021	6/30/2020	6/30/2019
Proportionate share of the net pension liability	$ 10,439,574	$ 5,118,465	$ 8,760,809	$ 8,006,580
Proportion of the net pension liability	0.09038%	0.09464%	0.08052%	0.07814%
Covered payroll	$ 2,984,036	$ 3,111,111	$ 3,408,327	$ 3,147,611
Proportionate share of the net pension liability as percentage of covered payroll	349.85%	164.52%	257.04%	254.37%
Plan fiduciary net position as a percentage of the total pension liability	76.68%	88.29%	75.10%	75.26%

Notes to Schedule

*Fiscal year 2015 was the 1st year of implementation, therefore only nine years are shown.

The CalPERS discount rate was increased from 7.5% to 7.65% in fiscal year 2016, and then decreased from 7.65% to 7.15% in fiscal year 2018. The discount rate was reduced to 6.90% in fiscal year 2023.

The CalPERS mortality assumptions were adjusted in fiscal year 2019.

	2019	2018	2017	2016	2015
	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
	$ 7,253,692	$ 7,377,972	$ 6,249,868	$ 4,536,128	$ 4,387,756
	0.07527%	0.07440%	0.07223%	0.06609%	0.07051%
	$ 3,055,933	$ 3,040,605	$ 3,076,988	$ 3,103,566	$ 3,109,115
	237.36%	242.65%	203.12%	146.16%	141.13%
	75.26%	73.31%	74.06%	78.40%	79.82%

Monterey Bay Unified Air Pollution Control District
dba Monterey Bay Air Resources District
Required Supplementary Information
For the year ended June 30, 2023

5. SCHEDULE OF CONTRIBUTIONS - LAST 10 YEARS*

	2023	2022	2021	2020
Contractually required contribution (actuarially determined)	$ 1,052,543	$ 943,680	$849,785	$756,724
Contribution in relation to the actuarially determined contributions	(1,052,543)	(943,680)	(849,785)	(756,724)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 3,079,052	$ 2,984,036	$ 3,111,111	$ 3,408,327
Contributions as a percentage of covered payroll	34.18%	31.62%	27.31%	22.20%

Notes to Schedule

*Fiscal year 2015 was the 1st year of implementation, therefore only seven years are shown.

Methods and assumptions used to determine contribution rates:

Valuation date :	6/30/2020	6/30/2019	6/30/2018	6/30/2017
Actuarial cost method:	Entry Age	Entry Age	Entry Age	Entry Age
Amortization method:	(1)	(1)	(1)	(1)
Assets valuation method:	Market Value	Market Value	Market Value	Market Value
Inflation:	2.50%	2.50%	2.50%	2.63%
Salary increases:	(2)	(2)	(2)	(2)
Investment rate of return:	7.00%	7.00%	7.00%	7.25%
Retirement age:	(3)	(3)	(3)	(3)
Mortality:	(4)	(4)	(4)	(4)

(1) Level percentage of payroll, closed

(2) Depending on age, service, and type of employment

(3) 50 for all plans, with the exception of 52 for Miscellaneous PEPRA 2%@62

(4) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

2019	2018	2017	2016	2015
$657,439	$541,836	$471,224	$440,564	$496,951
(657,439)	(541,836)	(471,224)	(440,564)	(496,951)
$ -	$ -	$ -	$ -	$ -
$ 3,147,611	$ 3,055,933	$ 3,040,605	$ 3,076,988	$ 3,103,566
20.89%	17.73%	15.50%	14.32%	16.01%

6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
(1)	(1)	(1)	(1)	(1)
Market Value	Market Value	Market Value	Market Value	15 Year Smoothed Market Method
2.75%	2.75%	2.75%	2.75%	2.75%
(2)	(2)	(2)	(2)	(2)
7.375%	7.50%	7.50%	7.50%	7.50%
(3)	(3)	(3)	(3)	(3)
(4)	(4)	(4)	(4)	(4)