

**NORTHERN SIERRA AIR QUALITY
MANAGEMENT DISTRICT**

Financial Statements, Management Discussion and Analysis,
and Independent Auditor's Report

AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT
Audited Financial Statements
June 30, 2023

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Northern Sierra Air Quality Management District (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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Northern Sierra Air Quality Management District, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the budgetary comparison schedules, the schedule of proportionate share of the net pension liability, the schedule of pension contributions, the schedule of the District's proportionate share of the net OPEB liability, the schedule of the District's OPEB contributions, and schedule of changes in the District's OPEB liability and related ratios be presented to supplement the basic financial statements. Such information, although not a basic part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operation, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,


SingletonAuman, PC

Susanville, California
October 5, 2023

**NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
AS OF JUNE 30, 2023**

INTRODUCTION

Our discussion and analysis of Northern Sierra Air Quality Management District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2023. It should be read in conjunction with the District's financial statements (including notes and supplementary information), which follow this section.

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

Overview of District's Financial Activity

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

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

- State Subvention Funds
- AB 2766 DMV Surcharge Fees
- AB 923 DMV Surcharge Fees
- Stationary Source Fees
- Hearing Board Fees
- Open Burning Fees
- Woodstove Inspection Fees
- Fines Levied for Rule Infractions
- Interest on Reserves
- Subscriptions & Copies
- Contract with EPA to Monitor PM2.5
- Carl Moyer Program (grant pass-through only)
- EPA's 2015 Targeted Airshed Grant for the Plumas PM2.5 Nonattainment Area
- EPA's 2018 Target Airshed Grant for the Plumas PM2.5 Nonattainment Area
- Farmer Grant Funding

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

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

The External AB2766 grant cycle lags behind the fiscal year by 3 months, running from October 1st to September 30th. AB 2766 funding is encumbered in June (for previously approved grants) for use after June 30th. Typically, about half of originally allocated funds are used in these final months. During the first 3 months of the AB 2766 grant cycle, the opposite is true. As grantees gear up and since grant payments are reimbursement-based there is a lag of several months before payments are made to grantees. This irregular, unpredictable cash flow produces confusion to those trying to evaluate the District's reserves and can lead to overly optimistic estimations of the financial health of the District's reserves. In order to make this process easier to understand, the District places the granted portion of AB2766 funds in a separate account (Restricted Account) from the Operating Account. The AB 2766 projects must go through a competitive process and be approved by the District's Board of Directors. During FY 22/23, the District disbursed \$172,300.

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

The District received a \$2.48, \$2.9, and \$2.65 million grant from the Targeted Air Shed Grants for 2015, 2018, and 2020, respectively for a wood stove change-out program. The grants are intended to improve air quality in areas of the U. S. with the highest levels of pollution. During fiscal year 22/23 the District expended \$956,474 on these grants.

Farmer

Funding for the FARMER grant program is provided by the California Air Resources Board. The program is administered by the Placer County Air Pollution Control District. The Placer County APCD chooses which projects get money and how much money those projects get. Those decisions are based on the air quality merits of the individual projects, specifically, how much pollution is reduced for the least amount of money, aka "cost effectiveness", and whether those projects benefit low-income or disadvantaged communities. Placer County APCD distributes the grant awards to the local Air Districts that are under contract with the Placer County APCD.

The contracts for the grant awards are administered by the local Air Districts. The role of the local Air District is to help the applicants fill out their grant applications. That includes help with wording, with choosing high value projects, with technical data and documentation and help with navigating the grant application process. Once a project has been awarded grant

money, the local Air District is responsible for putting that grantee under contract with the District. The local District ensures that the grantee complies with all the conditions in the contract and adheres to all the pre-, post- and dismantling inspection schedules. The Air District holds the grant money in its account until such time that the grantee is ready to purchase their new equipment. Once all the inspections have been performed, the Air District will provide the grantee with their grant award. The Air District also fills out all the reports required by the FARMER program and ensures that the grantees continue to adhere to the terms of their grant contract over the 5-year life of the project. The District disbursed \$903,537 during fiscal year 22/23.

Financial Highlights – Operating Budget

The operating fund reported an excess of expenditures over revenues this year of \$91,770. During the year, the District's non-grant expenses were \$1,211,413, while revenue for the unrestricted fund was \$1,119,643.

Operating Budget - Revenue

Revenues were \$1,119,643 which was more than expected revenue by \$72,266. This was largely due to more than expected intergovernmental revenue.

Operating Budget - Expenditures

During FY 22/23, approximately 71% of expenditures (\$865,500) were utilized for Salaries and Benefits.

Financial Highlights - Restricted Budget

The restricted fund reported an excess expenses over revenues this year of \$59,167. During the year, the District's restricted revenue was \$2,066,964 while expenditures for the restricted fund were \$2,066,964.

Restricted Revenue

Total revenue for FY 22/23 was \$2,066,964. This revenue is from four government grant programs; AB2766, EPA Target Grant, Woodstove change-out and the Farmer's Shared Pool Program.

Restricted Expenditures

Total amount disbursed in FY 22/23 was \$2,079,293. Major disbursements were as follows:

- \$216,636 for the AB2766 program,
- \$40,000 for the Woodsmoke Reduction Program,
- \$898,457 for the EPA Target Grant and
- \$903,537 for the Farmer's Pooled Share program.

FINANCIAL HIGHLIGHTS

- Total net position was \$307,752 at June 30, 2023. This was an increase of \$79,252 from the prior year.

- Overall revenues were \$3,127,440 which is more than expenses of \$3,278,377 by \$150,937.
- The General Fund reported a fund balance this year of \$1,406,057.
- The Restricted Fund reported a fund balance this year of \$574,614.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

Government-Wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's combined net position was \$307,752 at June 30, 2023. See Table 1. Cash increased due to the increase in payables and unearned revenue. Long term debt increased due to the most recent actuarial valuation of the net pension liability.

**Table 1:
Net Position**

	Governmental Activities		Total Percentage
	2023	2022	Change 2023-22
Assets			
Cash	\$ 3,190,342	\$ 2,759,417	15.62%
Accounts Receivable	471,155	324,039	45.40%
Prepaid Expenses	37,624	26,814	40.31%
Security Deposit	1,214	1,214	100.00%
Capital Assets, Net Accumulated Depreciation	168,212	116,521	44.36%
Total Assets	\$ 3,868,547	\$ 3,228,005	
Deferred Outflows			
Pension Plan Contributions	\$ 585,860	\$ 240,033	144.07%
OPEB Contributions	-	-	
Total Deferred Outflows of Resources	\$ 585,860	\$ 240,033	
Liabilities			
Accounts Payable and Other Current	\$ 496,533	\$ 187,838	164.34%
Unearned Revenue	1,217,776	780,283	56.07%
Other Current Liabilities	5,355		
Long-Term Debt	2,323,981	1,659,906	40.01%
Total Liabilities	\$ 4,043,645	\$ 2,628,027	
Deferred Inflows of Resources:			
Deferred Recognition of Pension Plan Earnings	\$ 103,010	\$ 611,511	-83.15%
Deferred Recognition of OPEB Earnings	-	-	
	\$ 103,010	\$ 611,511	
Net Position			
Net Investment In Capital Assets	\$ 168,201	\$ 116,521	44.35%
Restricted	633,781	633,781	0.00%
Unrestricted	(494,230)	(521,802)	-5.28%
TOTAL NET POSITION	\$ 307,752	\$ 228,500	

Changes in Net Position

The District's total revenues were \$3,127,176. A majority of the revenue comes from Federal and State aid for specific programs (94%) of total revenues.

The total cost of all programs and services was \$3,047,914. This reflects an increase of \$1,060,458 in expenditures from the prior year.

**Table 2:
Changes in Net Position**

	Governmental Activities		Total Percentage
	2023	2022	Change 2023-2022
Revenues			
Permits & Fees	\$ 158,298	\$ 121,566	30.22%
Government Funding	2,025,013	1,507,617	34.32%
Grant Income	903,537	158,403	100.00%
Interest/Other Income	40,328	24,611	63.86%
TOTAL REVENUES	3,127,176	1,812,197	
Expenses:			
Air Quality Management	3,047,914	1,987,456	53.36%
TOTAL EXPENSES	3,047,914	1,987,456	
INCREASE/(DECREASE) IN NET POSITION	\$ 79,252	\$ (175,259)	

Governmental Activities

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

The total cost of all governmental activities this year was \$3,047,914.

**Table 3
Net Cost of Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2023	2022	2023	2022
Air Quality Management	\$ 3,047,914	\$ 1,987,456	\$ 38,659	\$ (199,870)
TOTAL	\$ 3,047,914	\$ 1,987,456	\$ 38,659	\$ (199,870)

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The overall financial performance of the District, as a whole, is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,980,671 which is below last year's ending fund balance of \$2,153,100, after prior year restatements of \$57,013.

General Fund Budgetary Highlights

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2023, the District had invested \$168,212 in a broad range of capital assets, including furniture, equipment and vehicles. During the year, the District invested in a vehicle and air monitoring equipment. See Table 4.

Table 4
Capital Assets

	Governmental Activities		Total Percentage
	2023	2022	Change 2023-2022
Furniture	\$ 73,455	\$ 73,455	0.00%
Equipment	380,390	337,569	12.69%
Vehicles	116,998	72,662	61.02%
Totals at Historical Cost	570,843	483,686	
Total Accumulated Depreciation	(402,631)	(367,164)	9.66%
NET CAPITAL ASSETS	\$ 168,212	\$ 116,522	

Long-Term Debt

At year end, the District had \$2,323,981 in debt, consisting of compensated absences, other post-employment benefits and net pension liability as shown in Table 5. More detailed information about the District's debt is presented in the notes to the financial statements.

Table 5
Long-Term Debt

	Governmental Activities		Change
	2023	2022	2023-2022
Compensated Absences	\$ 57,097	\$ 68,852	-17.07%
Net OPEB Liability	928,149	928,149	0.00%
Net Pension Liability	1,338,735	662,905	101.95%
TOTAL LONG-TERM DEBT	\$ 2,323,981	\$ 1,659,906	40.01%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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

**NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT
STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023**

	Governmental Activities
Assets	
Cash on Hand and in Banks	\$ 481,564
Cash in County Treasury	2,708,778
Accounts Receivable	471,155
Prepaid Expenses	37,624
Security Deposit	1,214
Capital Assets:	
Furniture, Equipment, and Vehicles, Net	168,212
Total Assets	\$ 3,868,547
 Deferred Outflows of Resources	
Deferred Recognition of Contributions to Pension Plan	\$ 585,860
Total Deferred Outflows of Resources	\$ 585,860
 Liabilities	
Accounts Payable	\$ 496,533
Unearned Revenue	1,217,776
Other Current Liability	5,355
Noncurrent Liabilities:	
Compensated Absences	57,097
Net OPEB Liability	928,149
Net Pension Liability	1,338,735
Total Liabilities	\$ 4,043,645
 Deferred Inflows of Resources	
Deferred Recognition of Pension Plan Earnings	\$ 103,010
Total Deferred Inflows	\$ 103,010
 Net Position	
Net Investment in Capital Assets	\$ 168,212
Restricted	633,781
Unrestricted	(494,241)
Total Net Position	\$ 307,752

The accompanying notes are an integral part of this statement

**NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

<u>Governmental Activities</u>	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Air Quality Management	\$ 3,047,914	\$ 158,298	\$ 2,928,275	\$ 38,659
Total Governmental Activities	<u>\$ 3,047,914</u>	<u>\$ 158,298</u>	<u>\$ 2,928,275</u>	<u>\$ 38,659</u>
General Revenues:				
Interest				36,698
Other Income				3,905
Total General Revenue				<u>40,603</u>
Change in net position				79,252
Net position, beginning				<u>228,500</u>
Net position, ending				<u>\$ 307,752</u>

The accompanying notes are an integral part of this statement

**NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AS OF JUNE 30, 2023**

	<u>General Fund</u>	<u>Restricted Fund</u>	<u>Total</u>
Assets			
Cash on Hand and in Banks	\$ 481,564		\$ 481,564
Cash in County Treasury	906,731	1,802,047	2,708,778
Accounts Receivable	52,140	419,015	471,155
Prepaid Expenses	37,624		37,624
Security Deposit	1,214		1,214
Total Assets	\$ 1,479,273	\$ 2,221,062	\$ 3,700,335
Liabilities and Fund Balance			
Liabilities:			
Accounts Payable	\$ 14,546	\$ 481,987	\$ 496,533
Other Current Liabilities	5,355		5,355
Unearned Revenue	53,315	1,164,461	1,217,776
Total Liabilities	73,216	1,646,448	1,719,664
Fund Balance:			
Restricted		574,614	574,614
Committed	1,067,000		1,067,000
Unassigned	339,057		339,057
Total Fund Balance	1,406,057	574,614	1,980,671
Total Liabilities and Fund Balance	\$ 1,479,273	\$ 2,221,062	\$ 3,700,335

The accompanying notes are an integral part of this statement.

**NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION
AS OF JUNE 30, 2023**

Total Fund Balances - Governmental Funds	\$ 1,980,671
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds	168,212
Payables for compensated absences which are not due in the current period are not reported in the funds	(57,097)
Deferred Outflows of resources in governmental activities are reported as expenditures in the funds	585,860
Deferred Inflows of resources in governmental activities are not reported in the funds	(103,010)
Payables for Pension Benefits which are not due in the current period are not reported in the funds	(1,338,735)
Payables for Other Post-Employment Benefits which are not due in the current period are not reported in the funds.	<u>(928,149)</u>
Total Net Position - Governmental Activities	<u><u>\$ 307,752</u></u>

The accompanying notes are an integral part of this statement.

**NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>General Fund</u>	<u>Restricted Fund</u>	<u>Total</u>
Revenue:			
Permits & Fees	\$ 158,298	\$ -	\$ 158,298
Intergovernmental Revenue	920,753	1,104,260	2,025,013
Grant Income		903,537	903,537
Other Income	3,894		3,894
Interest Income	36,698		36,698
Transfer In (Out)			-
	<hr/>	<hr/>	<hr/>
Total Revenue	1,119,643	2,007,797	3,127,440
Expenditures:			
Air Quality Management			
Salaries	590,083	-	590,083
Benefits	275,417		275,417
Air Monitoring	21,430		21,430
AB 2776 Grants		216,636	216,636
Woodsmoke Reduction Program		40,000	40,000
EPA Target Grant - Wood Stoves		898,457	898,457
Farmer's Pooled Share Program		903,537	903,537
Professional Fees	83,147		83,147
Communications	17,896		17,896
Travel	20,873		20,873
Office	58,322		58,322
Rent and Utilities	65,109		65,109
Repairs and Maintenance	12,715		12,715
Dues and Subscriptions	7,647		7,647
Insurance	11,945		11,945
Pass-thru funds	3,551		3,551
Miscellaneous	458	8,334	8,792
Capital Outlay	42,820		42,820
	<hr/>	<hr/>	<hr/>
Total Expenditures	1,211,413	2,066,964	3,278,377
Revenue Over (Under) Expenditures	(91,770)	(59,167)	(150,937)
Fund Balance, July 1	1,497,827	633,781	2,131,608
	<hr/>	<hr/>	<hr/>
Fund Balance, June 30	<u>\$ 1,406,057</u>	<u>\$ 574,614</u>	<u>\$ 1,980,671</u>

The accompanying notes are in integral part of this statement

**NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUE AND EXPENDITURES
TO THE STATEMENT OF ACTIVITIES
AS OF JUNE 30, 2023**

Net Changes in fund balances - total governmental funds	\$ (150,937)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
The purchase of Fixed assets is recorded as an expense in the governmental funds, but capitalized in the government activities.	44,336
Other Post Employment Benefits is recognized as a liability in governmental activities but not reported in the funds.	178,500
The depreciation of capital assets used in governmental activities is not reported in the funds.	(35,467)
Capital Outlays are not reported as expenses in the SOA	<u>42,820</u>
Changes in net position of governmental activities - statement of activities	<u><u>\$ 79,252</u></u>

The accompanying notes are an integral part of this statement

**NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

1. Reporting Entity

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

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

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

**NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

The District reports the following major governmental funds:

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

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

**NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

b. Measurement Focus, Basis of Accounting

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

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

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

3. Assets, Liabilities, and Equity

a. Deposits & Investments

Cash is composed of the following amounts as of June 30, 2023:

	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
Cash on hand and in banks	\$ -	\$ 481,564	\$ 481,564
Cash in Nevada County Treasury	1,802,047	906,731	2,708,778
Total Cash and Investments	<u>\$ 1,802,047</u>	<u>\$ 1,388,295</u>	<u>\$ 3,190,342</u>

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

NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Nearly all cash at June 30, 2023 is pooled for investment purposes and held by Nevada County. Interest is apportioned quarterly to the District based on the average daily balances on deposit with the County of Nevada. The Nevada County Treasury is an external investment pool for the District and the District is considered an involuntary participant. The investments made by the Treasurer are regulated by the California Government Code and by the County's investment policy, however, the County's investment pool is not rated by a nationally recognized rating agency. By limiting its investments to the Nevada County Treasurers' investment pool, managed in accordance with the California Government Code, the District minimizes its exposure to custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

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

b. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

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

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

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

c. Receivable and Payable Balances

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

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

NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

d. Deferred Outflows/Inflows of Resources

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

Deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two types of items that qualifies for reporting in this category, unavailable amounts from the District portion of PERS pension earnings and unavailable amounts from OPEB earnings.

e. Compensated Absences

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

f. Budgetary Accounting

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

g. Use of Estimates

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

NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

h. Components of Net Position

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

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

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

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

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

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

i. Equity Classifications

Fund balances of the governmental funds are classified as follows:

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

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

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

**NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

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

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

j. Subsequent Event Evaluation

Management has evaluated subsequent events through October 5, 2023 the date the financial statements were available to be issued.

NOTE 2 – COMPLIANCE AND ACCOUNTABILITY

1. Finance-Related Legal and Contractual Provisions

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

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

2. Deficit Fund Net Assets of Individual Funds

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

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None	None	Not Applicable

**NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 3 – CAPITAL ASSETS

A summary of changes in fixed assets follows:

	<u>Balance</u> <u>6/30/2022</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance</u> <u>6/30/2023</u>
Furniture	\$ 73,455			\$ 73,455
Equipment	337,569	42,821		380,390
Vehicles	72,662	44,336		116,998
Total Capital Assets	<u>483,686</u>	<u>87,157</u>	<u>-</u>	<u>570,843</u>
Accumulated Depreciation	<u>(367,164)</u>	<u>(35,467)</u>		<u>(402,631)</u>
Property, Plant and Equipment, Net	<u>\$ 116,522</u>	<u>\$ 51,690</u>	<u>\$ -</u>	<u>\$ 168,212</u>

Depreciation was charged to functions as follows:

Air Quality Management \$35,467

NOTE 4 – LONG TERM DEBT

Long Term Debt is summarized as follows:

	<u>Balance</u> <u>06/30/22</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/2023</u>
Other Post Employment Benefits	\$ 859,554	\$ 68,595	-	\$ 928,149
Compensated Absences	68,852		11,755	57,097
Net Pension Liability	662,905	675,830		1,338,735
Total Debt Payable	<u>\$ 1,591,311</u>	<u>\$ 744,425</u>	<u>\$ 11,755</u>	<u>2,323,981</u>
Less Current Portion				-
Long Term Portion of Debt Payable				<u>\$ 2,323,981</u>

**NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 5 – EXCESS OF EXPENSES OVER APPROPRIATIONS

Actual Expenses exceeded the budget in the following accounts:

<u>Appropriations Category</u>	<u>Amount</u>
General Fund:	
Air Monitoring	\$ 7,930
Professional Fees	\$ 27,591
Office	\$ 23,272
Rents and Utilities	\$ 1,109
Repairs and Maintenance	\$ 9,215
Dues and Suscriptions	\$ 2,347

Professional fees and office expenses exceeded budget due to larger expenses on EPA Target Grant. All other categories were unanticipated cost overruns.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

Litigation

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

State and Federal Allowances, Awards, and Grants

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

NOTE 7 – RISK MANAGEMENT AND LITIGATION

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and customers; and natural disasters. The District has managed these risks by obtaining coverage from commercial insurance companies as well as providing employee education and prevention programs. All risk management activities are accounted for in the General Fund. Expenses and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be

**NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

reasonably estimated. In determining claims, events that might create claims, but for which none have been reported are considered.

The District's attorney estimates that the amount of actual or potential claims against the District as of June 30, 2023 will not materially affect the financial condition of the District. Therefore, the funds contain no provision for estimated claims. Information relating to an analysis of claims activities for the year was not available.

NOTE 8 – PENSION PLAN

Plan Description

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

Contributions

The contribution requirements of the Plan are established by Section 20814(c) of the California Public Employees' Retirement Law, which requires that employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. For the measurement period ended June 30, 2023 the active employee contribution rate was 7% of annual pay, and the Districts contribution rate was 10.152%. Contributions to the pension plan from the District were \$174,123 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a net pension liability of \$1,338,735 for its proportionate share of the total net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022. The District's proportion of the net pension liability was based on the District's contributions received by the pension plan relative to the total contributions received by the pension plan for all participating employers as of June 30, 2023. Based upon this information, the District's proportion was .02861%.

For the year ended June 30, 2023, the District recognized pension expense of \$174,123. At June

**NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

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
Change in Assumptions	\$ 137,181	\$ -
Differences between Expected and Actual Experience	\$ 26,884	18,006
Differences between Projected and Actual Investment Earnings	245,221	-
Differences between Employer's Contributions and Proportionate Share of Contributions		36,721
Change in Employer's Proportion	2,451	48,283
Pension Contributions made Subsequent to Measurement Date	174,123	
Total	\$ 585,860	\$ 103,010

\$174,123 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Period Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	67,242
2024	59,063
2025	32,436
2026	149,986
2027	-
Total	\$ 308,727

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2022 using the following actuarial assumptions, applied to all prior periods included in the measurement:

**NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

Discount Rate:	6.90%
Inflation:	2.75%
Salary Increases:	Varies by Entry Age and Service
Investment Rate of Return:	7.50% net of Pension Plan Investment and Administrative Expenses
Mortality Rate Table:	Derived using CalPERS Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

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

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

¹An expected inflation of 2.5% used for this period

²An expected inflation of 3.0% used for this period

NOTE 9-- POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

The District provides certain postretirement healthcare benefits, as established by board policy, to eligible employees through a single-employer plan governed by the Public Employees' medical & Hospital Care Act (PEMHCA) and administered by the District. The Plan is a single-employer defined benefit OPEB plan. Employees may receive this benefit until they reach Medicare age.

**NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

Employees are eligible for this benefits after attaining the age of 55 with at least 10 years of service to the District. Benefits are provided by CalPERS in exchange for premiums paid by the District up to \$9,600 per year. Employees hired after July 1, 2014 are not eligible for District paid premiums. The plan does not issue a standalone report.

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

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

a. Funding Policy

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

At June 30, 2023, the following retirees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	3
Active Employees	3
Total Number of Participants	<u>6</u>

b. Total OPEB Liability

The District's total OPEB liability of \$928,149 was measured as of June 30, 2021, and was determined by an actuarial valuation as of that date.

Actuarial Assumption and Other Inputs

The total OPEB liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumption and other inputs, applied to all periods including in the measurement unless otherwise specified.

**NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

Percent Married	Actual Data
Salary Increases	3.00%
Discount Rate	1.92%
Healthcare Cost Trend Rates	5.20%
Age Adjustment Factor	3.00%

Discount Rate

GASB 75 requires a discount rate that reflects the following:

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

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

Long--Term Expected Return of Plan Investments	4.00 %
Municipal Bond 20- Year High Grade Rate Index	2.45 %

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

NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Schedule of changes in Net OPEB Liability

Total OPEB Liability	
Service Cost	\$ 19,615
Interest	21,241
Changes of benefit terms	-
Difference between expected and actual experience	14,491
Changes of assumptions	37,785
Benefit Payments	<u>(24,537)</u>
Net Change in total OPEB liability	<u>68,595</u>
Total OPEB liability- beginning (a)	<u>859,554</u>
Total OPEB liability- ending (b)	<u><u>\$ 928,149</u></u>
Plan Fiduciary Net Position	
Contributions- employer*	\$ 24,537
Net Investment income	-
Benefit Payments	(24,537)
Administrative expenses	<u>-</u>
Net Change in plan fiduciary net positions	<u>\$ -</u>
Plan fiduciary net position- Beginning (c)	<u>-</u>
Plan fiduciary net position- Beginning (d)	<u><u>\$ -</u></u>
Net OPEB liability- beginning (c) - (a)	<u>\$ 859,554</u>
Net OPEB liability- ending (d) - (b)	<u><u>\$ 928,149</u></u>

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (0.92 percent) or 1 percentage-point higher (2.92 percent) than the current discount rate:

	1% Decrease (0.92%)	Discount Rate (1.92%)	1% Increase (2.92%)
Net OPEB Liability (asset)	\$ 1,055,695	\$ 928,149	\$ 823,325

Sensitivity of the net OPEB liability to change in the healthcare cost trend rates. The following presents the net OPEB liability, as well as what net OPEB liability would be if it were calculated using healthcare cost trend that are 1- percentage-point lower

**NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

(4.200 percent decreasing to 4.0 percent) or 1- percentage- point higher (7.00 percent decreasing to 6.2 percent) than the current healthcare cost trend rates:

	1% Decrease <u>(4.2%)</u>	Trend Rate <u>(5.2 %)</u>	1% Increase <u>(6.2 %)</u>
Net OPEB liability (assets)	\$ 819,711	\$ 928,149	\$ 1,058,717

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

For the year ended June 30, 2023, the District recognized OPEB expense of \$83,190.

Net OPEB Expense

Change in Net OPEB Liability	\$ 68,595
Change in Deferred Inflows	2,387
Change in Deferred Outflows	(12,329)
Employer Contributions	24,537
Net OPEB Expense	<u><u>\$ 83,190</u></u>

At June 30, 2023 the District report deferred outflows of resources related to the following sources:

Changes in Assumptions or Other Inputs	<u>Deferred Outflow of Resources</u> \$ 0
Difference between expected and actual experience	<u>Deferred Inflow of Resources</u> \$ 0

NOTE 10 – COMMITTED FUND BALANCE

As of June 30, 2023, the District through action by its board of Directors has internally committed portions of the unrestricted fund balance as follows:

Other Post-Employment Benefits	\$ 500,000
Equipment Replacements / Depreciation	150,000
Leave Liability	90,000
Air Monitoring Program	50,000
Public Education Program	10,000
Leasehold Improvements	77,000
Emergency Fund	110,000
Litigation	80,000
Total	<u><u>\$ 1,067,000</u></u>

NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 11 – RELATED PARTY TRANSACTIONS

The District's Board is made up of members of the Board of Supervisors of Nevada, Plumas, and Sierra Counties. During the fiscal year ended June 30, 2023, Nevada County contributed \$51,622 Plumas County contributed \$10,457 and Sierra County contributed \$1,694 to support the District's operations.

NOTE 12 – JOINT POWERS AGREEMENT

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

**NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT
GENERAL FUND BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
	<u>Budget</u>	<u>Budget</u>		<u>Positive / (Negative)</u>
Revenue:				
Permits & Fees	\$ 149,500	\$ 149,500	\$ 158,298	\$ 8,798
Intergovernmental Revenue	872,877	872,877	920,753	47,876
Interest Income	25,000	25,000	36,698	11,698
Other Income			3,894	3,894
Total Revenue	<u>1,047,377</u>	<u>1,047,377</u>	<u>1,119,643</u>	<u>72,266</u>
Expenditures:				
Air Quality Management				
Salaries	593,296	593,296	590,083	3,213
Benefits	302,984	302,984	275,417	27,567
Air Monitoring	13,500	13,500	21,430	(7,930)
Professional Fees	55,556	55,556	83,147	(27,591)
Communications	22,000	22,000	17,896	4,104
Travel	22,000	22,000	20,873	1,127
Office	35,050	35,050	58,322	(23,272)
Rent and Utilities	64,000	64,000	65,109	(1,109)
Repairs and Maintenance	3,500	3,500	12,715	(9,215)
Dues and Subscriptions	5,300	5,300	7,647	(2,347)
Insurance	14,000	14,000	11,945	2,055
Capital Outlay	59,000	59,000	42,820	16,180
Miscellaneous	13,650	13,650	4,009	9,641
Total Expenditures	<u>1,203,836</u>	<u>1,203,836</u>	<u>1,211,413</u>	<u>(7,577)</u>
Revenue Over (Under) Expenditures	<u>\$ (156,459)</u>	<u>\$ (156,459)</u>	<u>\$ (91,770)</u>	<u>\$ 79,843</u>

**NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT
RESTRICTED FUND BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget Positive / (Negative)
	Original Budget	Final Budget		
Revenue:				
Intergovernmental Revenue	\$ 1,398,580	\$ 1,440,580	\$ 1,104,260	\$ (336,320)
Grant Income	-	908,698	903,537	(5,161)
Interest Income	1,000	1,000	-	(1,000)
Total Revenue	1,399,580	2,350,278	2,007,797	(342,481)
Expenditures:				
Air Quality Management				
AB 2766 Grants	532,457	532,457	216,636	315,821
Carl Moyer Diesel	250,907	250,907		250,907
Woodsmoke Reduction Program	64,137	64,137	40,000	24,137
AB 923	407,552	407,552		407,552
EPA Target Grant- Woodstove	940,000	1,007,000	898,457	108,543
Farmers Pooled Share Program	5,154	913,852	903,537	10,315
Nox Reduction Measure	53,375	53,375	-	53,375
Miscellaneous			8,334	(8,334)
AB 617	88,343	88,343	-	88,343
Total Expenditures	2,341,925	3,317,623	2,066,964	1,250,659
Revenue Over (Under) Expenditures	\$ (942,345)	\$ (967,345)	\$ (59,167)	\$ (1,593,140)

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

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's Proportion of the Net Pension Liability/(Asset)	0.02861%	0.012260%	0.010730%	0.107000%	0.010720%	0.010662%	0.010697%	0.010831%	0.01162%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 1,338,735	\$ 662,905	\$ 1,167,979	\$ 1,096,472	\$ 1,023,724	\$ 1,057,372	\$ 925,584	\$ 751,272	\$ 722,829
District's Covered-Employee Payroll	\$ 534,321	\$ 507,193	\$ 368,395	\$ 419,635	\$ 419,635	\$ 364,341	\$ 390,896	\$ 369,089	\$ 396,315
District's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Employee Payroll	250.55%	130.70%	317.05%	261.29%	243.96%	290.21%	236.79%	203.55%	182.39%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's total Net Pension Liability	83.08%	72.67%	73.44%	72.87%	74.03%	71.71%	75.87%	78.00%	76.79%
Plan's Proportionate Share of Aggregate Employer Contributions	\$ 174,123	\$ 158,730	\$ 147,036	\$ 129,379	\$ 112,679	\$ 73,545	\$ 84,594	\$ 77,441	\$ 64,684

Notes to Schedule:

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

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

	Fiscal Year 2022-23	Fiscal Year 2021-22	Year 2020- 21	Fiscal Year 2019-20	Fiscal Year 2018-19	Fiscal Year 2017-18	Fiscal Year 2016-17	Fiscal Year 2015-16	Fiscal Year 2014-15
Actuarially Determined Contribution	\$ 174,123	\$ 158,730	\$ 147,036	\$ 129,379	\$ 126,059	\$ 106,950	\$ 95,065	\$ 60,900	\$ 65,837
Contributions in Relation to the Actuarially Determined Contribution	(174,123)	(158,730)	(147,036)	(129,379)	(126,059)	(94,835)	(88,034)	(84,594)	(77,441)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,115	\$ 7,031	\$ (23,694)	\$ (11,604)
Covered Employee Payroll	\$ 534,321	\$ 507,193	\$ 368,395	\$ 419,635	\$ 419,635	\$ 364,341	\$ 390,896	\$ 369,089	\$ 396,315
Contributions as a Percentage of Covered-employee Payroll	32.59%	31.30%	39.91%	30.83%	30.04%	26.03%	22.52%	22.92%	19.54%

Notes to Schedule:
Only the nine fiscal years are presented because 10-year data is not yet available.

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

	Measurement Years Ended			
	2023	2022	2021	2018
District's proportion of the collective net OPEB liability	100%	100%	100%	100%
District's proportionate share of the collective net OPEB liability	\$ 928,149	\$ 928,149	\$ 859,554	\$ 884,064
Total	<u>\$ 928,149</u>	<u>\$ 928,149</u>	<u>\$ 859,554</u>	<u>\$ 884,064</u>
District's covered-employee payroll	\$ 534,321	\$ 291,242	\$ 247,108	\$ 348,849
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	173.71%	318.69%	347.85%	242.65%
Plan fiduciary net position as a percentage of the total OPEB liability	N/A	N/A	N/A	N/A

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

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

	Measurement Years Ended					
	2023	2022	2021	2020	2019	2018
Statutorily or contractually required District contribution	\$ 83,190	\$ 83,190	\$ 36,147	\$ 25,945	\$ 28,743	\$ 54,587
Contributions recognized by OPEB in relation to statutorily or contractually required contribution	24,537	24,637	24,225	20,650	23,586	23,776
Contribution deficiency (excess)	<u>\$ 58,653</u>	<u>\$ 58,553</u>	<u>\$ 11,922</u>	<u>\$ 5,295</u>	<u>\$ 5,157</u>	<u>\$ 30,811</u>
District's covered-employee payroll	\$ 233,238	\$ 291,242	\$ 247,108	\$ 294,360	\$ 348,849	\$ 364,341
Contributions as a percentage of covered-employee payroll	35.67%	28.56%	14.63%	8.81%	8.24%	14.98%

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

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

	Fiscal Years Ended				
	2023	2022	2021	2020	2018
Service Cost	\$ 19,615	\$ 19,615	\$ 19,455	\$ 16,893	\$ 28,250
Interest	21,241	21,241	26,634	31,630	26,337
Changes of Benefit Terms	-	-	-	-	-
Difference Between Expected and Actual Experience	14,491	14,491	-	(77,752)	-
Changes of Assumptions	37,785	37,785	(5,787)	26,262	-
Benefit Payments	<u>(24,537)</u>	<u>(24,537)</u>	<u>(24,225)</u>	<u>(20,650)</u>	<u>(23,776)</u>
Net Change in OPEB Liability	68,595	68,595	16,077	(23,617)	30,811
OPEB Liability - Beginning	<u>859,554</u>	<u>859,554</u>	<u>843,477</u>	<u>867,094</u>	<u>853,253</u>
OPEB Liability - Ending	<u>\$ 928,149</u>	<u>\$ 928,149</u>	<u>\$ 859,554</u>	<u>\$ 843,477</u>	<u>\$ 884,064</u>

There were no changes in benefit terms in 2023.

The following are the discount rates used in each period:

2023	1.92%
2022	1.92%
2021	2.45%
2020	3.13%
2019	3.62%
2018	3.13%

OTHER SUPPLEMENTARY INFORMATION

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major funds of the Northern Sierra Air Quality Management District as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 5, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control

Our consideration of internal control was for the limited purpose described in the proceeding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal controls that we consider to be material weaknesses and significant deficiencies.

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies. See finding 2023-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

District's Response to Findings

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

Purpose of the Report

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,



SingletonAuman PC

Susanville, CA

October 5, 2023

**NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT
COMBINED SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2023**

EXECUTIVE SUMMARY

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

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

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

**NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT
COMBINED SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023**

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

Finding 2023-001: Financial Statement Preparation

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

The District is responsible for preparing complete and accurate financial statements, footnote disclosures, and management's discussion and analysis in accordance with Generally Accepted Accounting Principles (GAAP).

Finding (Condition):

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

Amount of Questioned Cost, How Computed and Prevalence:

None

Effect:

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

Cause:

This condition has always existed at the District and is being reported in accordance with AU-C Section 265, Communicating Internal Control Matters Identified in an Audit.

Recommendation:

We recommend that the District be aware of this control deficiency, despite reliance upon the audit to record this information.

District's Response:

The District concurs with this finding.

**NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
(FINDINGS FROM THE JUNE 30, 2022 AUDIT REPORT)
JUNE 30, 2023**

Finding 2022-001

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

Status

Not Implemented. See the current year finding 2023-001.

**NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT
CORRECTIVE ACTION PLAN
JUNE 30, 2023**

Person Monitoring Corrective Action Plan

Julie Hunter

Air Pollution Control Officer

Finding 2023-001: Financial Statement Preparation

Finding (Condition)

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

Corrective Action Planned

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

Expected Completion Date

Ongoing.