

**BUTTE COUNTY AIR QUALITY
MANAGEMENT DISTRICT,
CALIFORNIA**

**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
JUNE 30, 2025**

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BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT
Annual Financial Report
For the Year Ended June 30, 2025

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INTRODUCTORY SECTION

- **List of Officials**

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BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT

List of Officials

For the Year Ended June 30, 2025

Board of Directors

Tami Ritter	County of Butte – Chair
Addison Winslow	City of Chico
Bill Connelly	County of Butte
Peter Durfee	County of Butte
Tod Kimmelshue	County of Butte
Doug Teeter	County of Butte
Chuck Nuchols	City of Biggs
Angel Calderon	City of Gridley
Eric Smith	City of Oroville
Rose Tryon	Town of Paradise

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FINANCIAL SECTION

- **Independent Auditor's Report**
- **Management's Discussion and Analysis**
- **Basic Financial Statements**
- **Required Supplementary Information**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Butte County Air Quality Management District
Chico, California

Report on the Audit of the Financial Statements**Opinions**

We have audited the accompanying financial statements of the governmental activities and the major fund of Butte County Air Quality Management District, California (District), as of and for the year ended June 30, 2025, 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 and the major fund of the District as of June 30, 2025, 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 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.

To the Board of Directors
Butte County Air Quality Management District
Chico, California

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.

To the Board of Directors
Butte County Air Quality Management District
Chico, California

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, District Pension Plan information, District OPEB plan information, and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

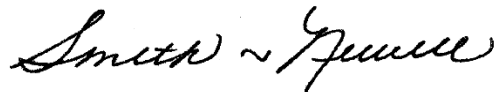
Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 6, 2026, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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.



Smith & Newell CPAs
Yuba City, California
April 6, 2026

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**Management's Discussion and Analysis
(Unaudited)**

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**BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2025**

The Butte County Air Quality Management District (District) was created in 1967 by the California State Legislature through the “Mulford-Carrell Air Resources Act”, which provided local air districts with the primary responsibility for the control of non-vehicular sources of air pollution. The District’s Governing Board of Directors consists of ten members: the five members of the Butte County Board of Supervisors and five representatives appointed by each of the cities. The District is a special district, operating separate and apart from Butte County.

The District’s mission is to protect the people and environment of Butte County from the harmful effects of air pollution. The District is committed to achieving and maintaining healthful air quality throughout Butte County. This is accomplished through a comprehensive program of planning, regulation, enforcement, technical innovation, incentives to promote the reduction of air pollution, and promotion of the understanding of air quality issues.

As management of the District, we offer readers of our financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2025.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District’s basic financial statements. The District’s basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

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 like a private sector business.

The *Statement of Net Position* presents information on all the District’s assets and liabilities, with the difference between the two reported as *net position*.

The *Statement of Activities* presents information showing how the District’s net position changed during the most recent fiscal year (FY). All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave). The statements of Net Position and Activities can be found on pages 9 and 10 of this report.

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 District, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. 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 FY.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented. 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 the governmental fund and government-wide statements. The fund financial statements and reconciliation can be found on pages 11 to 14 of this report.

**BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2025**

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 15 to 35 of this report.

Government-Wide Financial Analysis

The District presents its financial statements under the reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), *Basic Financial Statements – and Management’s Discussion and Analysis (MD&A) – for State and Local Governments*. A comparative analysis of government-wide data is included with the prior FY.

Net position may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets exceed liabilities by \$1,494,416 at the close of the most recent FY due to GASB 68 reporting requirements. The most significant portion of the District’s assets is the *Cash and Investment* account in the amount of \$5,019,130. This account represents cash in the District’s bank accounts, including Carl Moyer funds, CAP funds, FARMER funds, other grant funds, unearned and reserves. Most of the funds in these accounts are restricted funds.

Another major District asset is accounts receivable with a total of \$294,290. This account represents primarily amounts due from the state but not received by June 30, 2025. These include a combination of restricted revenues and pass through grant funds.

The District also reports accounts payable of \$1,273,575. With the majority representing Grants that are contracted but had not been expended at year-end.

The District’s Net Position decreased by \$960,042 to \$1,494,416 during the current FY, compared to the prior year net position of \$2,454,458 and is explained further in the Financial Analysis of the District’s Governmental Fund, which follows. This decrease is most significantly related to a decrease in grant liabilities tied to restricted funds that support emission reduction grant projects. We expect this to remain lower moving forward as a number of past grant programs have lost their funding.

Comparing the original FY 24/25 budget to the final budget shows the most significant variance in *Intergovernmental (grant) revenue* and *Contributions to other Agencies (grant) expenses*. These funds are generally pass-through grants and were approved and restricted in the fund balance. A significant portion of these funds were re-appropriated to the subsequent budget year because they were not expended in the same year as initially appropriated. Overall the District exceeded budgeted revenues and expenses were below budgeted as well showing strong fiscal management. See the Budget Comparison Schedule on page 42 for detail.

**BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2025**

Condensed Statement of Net Position

	FY 24/25	FY 23/24
Assets:		
Current assets	\$ 5,313,420	\$ 5,856,129
Non-current assets:		
Lease Deposit	4,100	4,100
Capital assets, net	376,554	384,073
Total Assets	5,694,074	6,244,302
Deferred Outflows of Resources:		
Deferred outflows related to pension and OPEB	877,591	1,117,993
Liabilities:		
Current liabilities	2,222,427	1,937,663
Non-current liabilities:		
Due within one year	197,030	132,840
Due in more than one year	2,555,441	2,689,175
Total Liabilities	4,974,898	4,759,678
Deferred Outflows of Resources:		
Deferred inflows related to pension and OPEB	102,351	148,159
Net Position:		
Net investment in capital assets	52,071	6,194
Restricted	3,588,841	2,761,169
Unrestricted	(2,146,496)	(312,905)
Total Net Position	\$ 1,494,416	\$ 2,454,458

**BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2025**

Condensed Statement of Activities

	FY 24/25	FY 23/24
Revenues:		
Program revenues:		
Licenses and permits	\$ 800,833	\$ 716,426
Fines, forfeitures and penalties	53,980	46,090
Operating grants and contributions	2,516,957	3,114,648
General revenues:		
Investment income	53,365	58,676
Miscellaneous revenue	306,852	345,246
Gain on sale of asset	10,500	-
Total Revenues	3,742,487	4,281,086
Expenses:		
Health and sanitation	4,700,126	4,260,314
Interest on long-term debt	2,403	2,765
Change in net position	(960,042)	18,007
Net Position - Beginning	2,454,458	2,436,451
Net Position - Ending	\$ 1,494,416	\$ 2,454,458

Financial Analysis of the District's Governmental Fund

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

For the year ended June 30, 2025, the District reported an ending fund balance of \$3,090,993, a decrease of \$827,473 compared to the \$3,918,466 fund balance from the prior year. This decrease represents the amount of revenue received less expenditures.

**Butte County Air Quality Management District
Comparison**

	FY 24/25	FY 23/24
Total revenues	\$ 3,742,487	\$ 4,564,620
Total expenditures	4,569,960	4,112,767
Revenues less expenditures	\$ (827,473)	\$ 451,853

Total revenue (see above) consists of State subvention (2%), local permit fees (21%), civil penalties (1%), DMV Surcharges (20%), direct grants such as 105, AB617, GHG (7%), pass through grants such as Carl Moyer, CAP, FARMER (39%), Implementation Funds of (8%) and Other (8%). Total revenues decreased by \$822,133 compared to FY 23/24. This is primarily related to grant timing not operations revenue and expenses.

**BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2025**

Total expenditures were \$4,569,960, an increase of \$457,193 from the prior year. This expenditure increase was primarily due to the timing of grant disbursements in the amount of \$2,584,829. Wage and benefit costs also increased by \$140,729. Other expenditures changes were less significant and varied in the amount they increased or decreased.

Capital Assets and Debt Administration

Capital Assets

At the end of the current FY, the District had net capital assets, comprised of vehicles totaling \$62,223 and the right to use building of \$314,332.

Debt Administration

At the end of the current FY year, the District had no bonded debt outstanding.

Economic Factors and 24/25 FY’s Budget

The District is committed to pursuing grant opportunities as financial incentives to public and private entities to reduce air pollution. Approximately 30% of the proposed budgeted expenditure is for pass-through grants, with 6% of the proposed operating budget being funded by grant implementation funds. The District adopted a program cost recovery policy and is implementing targeted fee increases to reduce operation reliance on grant revenues.

The following economic factors were considered in preparing the District’s financial plan for FY 24/25:

- Continuing grants such as the Carl Moyer, CAP, AB617, the EPA 105 Grant and FARMER programs.
- Increase in grant implementation revenue.
- Filling all staff positions to address increasing State requirements.
- The effects of inflation on current and future expenditures.

Emission Reduction Credits (ERCs)

In accordance with District Rule 431-*Emission Reduction Credits and Banking*, the District maintains and controls a Community Bank of emission reduction credits available for loan at no cost to essential public services for compliance with the offset requirements specified in Rule 430- *State New Source Review (SNSR)*. While the District is not compensated for the use of these ERCs, they do have value in the open market.

In a previous fiscal audit, the District reported a potential ERC market value of \$2,700,000 for these credits. There has been insufficient recent activity to provide a new cost basis for all pollutants in the ERC register. Given that it is impossible to predict when or if the credits might be awarded, sold, or leased and at what price, management believes it would be misleading to record them in the financial statements at any value at this time.

Management, however, would like financial statement readers to be aware that the District is in possession of these credits and that they may be awarded, sold, or leased at some point in the future subject to the direction and approval of the Governing Board.

Requests for Information

This financial report is designed to provide a general overview of the District’s finances for all those interested. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Aleah Ing, Administrative Services Officer, Butte County Air Quality Management District, 629 Entler Avenue, Suite 15, Chico, California, 95928.

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Basic Financial Statements

- **Government-Wide Financial Statements**

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BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT
Statement of Net Position
June 30, 2025

	<u>Total Governmental Activities</u>
ASSETS	
Cash and investments	\$ 5,019,130
Receivables:	
Accounts	15,320
Interest	14,593
Intergovernmental	264,377
Lease deposit	4,100
Capital assets:	
Depreciable, net	376,554
Total capital assets	<u>376,554</u>
Total Assets	<u>5,694,074</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pension adjustments	633,228
Deferred OPEB adjustments	<u>244,363</u>
Total Deferred Outflows of Resources	<u>877,591</u>
LIABILITIES	
Accounts payable	1,273,575
Salaries and benefits payable	26,575
Unearned revenues	922,277
Long-term liabilities:	
Due within one year	197,030
Due in more than one year	279,604
Net pension liability	2,028,462
Net OPEB liability	<u>247,375</u>
Total Liabilities	<u>4,974,898</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred pension adjustments	92,048
Deferred OPEB adjustments	<u>10,303</u>
Total Deferred Inflows of Resources	<u>102,351</u>
NET POSITION	
Net investment in capital assets	52,071
Restricted for:	
Health and sanitation	3,588,841
Unrestricted	<u>(2,146,496)</u>
Total Net Position	<u><u>\$ 1,494,416</u></u>

The notes to the basic financial statements are an integral part of this statement.

BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT

Statement of Activities

For the Year Ended June 30, 2025

<u>Functions/Programs:</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		
Governmental activities:					
Health and sanitation	\$ 4,700,126	\$ 854,813	\$ 2,516,957	\$ -	\$ (1,328,356)
Interest on long-term debt	2,403	-	-	-	(2,403)
Total Governmental Activities	<u>4,702,529</u>	<u>854,813</u>	<u>2,516,957</u>	<u>-</u>	<u>(1,330,759)</u>
Total	<u>\$ 4,702,529</u>	<u>\$ 854,813</u>	<u>\$ 2,516,957</u>	<u>\$ -</u>	<u>(1,330,759)</u>
General revenues:					
Interest and investment earnings					53,365
Miscellaneous revenues					306,852
Gain on sale of capital assets					10,500
Total General Revenues					<u>370,717</u>
Change in Net Position					<u>(960,042)</u>
Net Position - Beginning					<u>2,454,458</u>
Net Position - Ending					<u>\$ 1,494,416</u>

The notes to the basic financial statements are an integral part of this statement.

Basic Financial Statements

- **Fund Financial Statements**

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BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT
Balance Sheet
Governmental Fund
June 30, 2025

	<u>Operating Fund</u>
ASSETS	
Cash and investments	\$ 5,019,130
Receivables:	
Accounts	15,320
Interest	14,593
Intergovernmental	<u>264,377</u>
Total Assets	<u><u>\$ 5,313,420</u></u>
LIABILITIES	
Accounts payable	\$ 1,273,575
Salaries and benefits payable	26,575
Unearned revenues	<u>922,277</u>
Total Liabilities	<u>2,222,427</u>
FUND BALANCE	
Restricted	1,708,713
Assigned	329,626
Unassigned	<u>1,052,654</u>
Total Fund Balance	<u>3,090,993</u>
Total Liabilities and Fund Balance	<u><u>\$ 5,313,420</u></u>

The notes to the basic financial statements are an integral part of this statement.

BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT
Reconciliation of the Governmental Fund Balance Sheet to the
Government-Wide Statement of Net Position - Governmental Activities
June 30, 2025

Total Fund Balance - Total Governmental Fund	\$ 3,090,993
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 governmental fund Balance Sheet.	376,554
Other long-term assets are not available to pay for current period expenditures and therefore are not reported in the governmental fund.	
Lease deposit	4,100
Deferred outflows of resources related to pension and OPEB are not reported in the governmental fund.	877,591
Deferred inflows of resources related to pension and OPEB are not reported in the governmental fund.	(102,351)
Certain liabilities are not due and payable in the current period and therefore are not reported in the governmental fund.	
Leases on right-to-use assets	(324,483)
Compensated absences	(152,151)
Net pension liability	(2,028,462)
Net OPEB liability	(247,375)
Net Position of Governmental Activities	<u><u>\$ 1,494,416</u></u>

The notes to the basic financial statements are an integral part of this statement.

BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT
Statement of Revenues, Expenditures and
Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2025

	<u>Operating Fund</u>
REVENUES	
Licenses and permits	\$ 800,833
Fines, forfeitures and penalties	53,980
Use of money and property	53,365
Intergovernmental revenue	2,516,957
Other revenues	<u>306,852</u>
Total Revenues	<u>3,731,987</u>
EXPENDITURES	
Current health and sanitation:	
Salaries and benefits	1,649,464
Communication	17,878
Household	12,213
Insurance	15,025
Maintenance	45,972
Membership dues and subscriptions	9,295
Office	10,132
Professional services	45,687
Public awareness	6,149
Publications and legal notices	606
Rents and leases	31,056
Training	8,706
Travel and transportation	12,374
Fuel	3,678
Utilities	8,320
Contributions to other agencies	2,584,829
Debt service:	
Principal	53,397
Interest and other charges	2,403
Capital outlay	<u>52,776</u>
Total Expenditures	<u>4,569,960</u>
Excess of Revenues Over (Under) Expenditures	<u>(837,973)</u>
OTHER FINANCING SOURCES (USES)	
Proceeds from sale of assets	<u>10,500</u>
Total Other Financing Sources (Uses)	<u>10,500</u>
Net Change in Fund Balance	(827,473)
Fund Balance - Beginning	<u>3,918,466</u>
Fund Balance - Ending	<u><u>\$ 3,090,993</u></u>

The notes to the basic financial statements are an integral part of this statement.

BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance of the Governmental Fund to the
Government-Wide Statement of Activities - Governmental Activities
For the Year Ended June 30, 2025

Net Change in Fund Balance - Total Governmental Fund \$ (827,473)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for capital outlay	52,776
Less current year depreciation	(60,295)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Principal retirements	53,397
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Certain changes in deferred outflows and deferred inflows of resources reported in the Statement of Activities relate to long-term liabilities and are not reported in the governmental fund.

Change in deferred outflows of resources related to pension	(207,648)
Change in deferred outflows of resources related to OPEB	(32,754)
Change in deferred inflows of resources related to pension	44,469
Change in deferred inflows of resources related to OPEB	1,339

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 the governmental fund.

Change in compensated absences	(63,881)
Change in net pension liability	13,006
Change in net OPEB liability	67,022

Change in Net Position of Governmental Activities \$ (960,042)

The notes to the basic financial statements are an integral part of this statement.

Basic Financial Statements

- **Notes to Basic Financial Statements**

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BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The District is one of the 35 local air pollution control agencies established pursuant to Section 40002 of the California Health and Safety Code (HSC). The District has primary responsibility for the control of air pollution from all local sources, other than the emissions from motor vehicles, which is the responsibility of the California Air Resources Board (ARB).

The District's objective is to maintain and improve Butte County's air quality for an aesthetically pleasing and healthful environment. Program activities include administration, enforcement, engineering, ambient air quality monitoring, and planning as related to air quality. This program is mandated by State and Federal laws and grant conditions to provide an active and effective air pollution control program.

The District, which became a separate legal entity July 1, 1994, has a governing board composed of 10 members. Five members are on the Butte County Board of Supervisors and five elected members are appointed by the City Councils of each of the cities incorporated within Butte County.

Component Units

Generally accepted accounting principles require government financial statements to include the primary government and its component units. Component units of a governmental entity are legally separate entities for which the primary government is considered to be financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the combined financial statements to be misleading. The primary government is considered to be financially accountable if it appoints a majority of an organization's governing body and is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government.

Based on the application of the criteria set forth by the Governmental Accounting Standards Board, management has determined that there are no component units of the District.

Joint Agencies

The District is a member of the Special District Risk Management Authority (SDRMA). SDRMA is a joint powers authority organized for the purpose of providing coverage protection, risk management services, claims management as well as safety and loss prevention programs for its members. SDRMA is composed of member agencies and is governed by a board of directors appointed by the members. Complete audited financial statements can be obtained from SDRMA's office at 1112 I Street, Suite 300, Sacramento, CA 95814. The District is not financially accountable for this organization and therefore it is not a component unit under Statement Nos. 14, 39 and 61 of the Governmental Accounting Standards Board.

Related Organizations

The County of Butte appoints five members to the Board of Directors. However, the County is not financially accountable for this organization and therefore it is not a component unit under Statement Nos. 14, 39 and 61 of the Governmental Accounting Standards Board.

BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information on all of the activities of the District. These statements include the financial activities of the overall District. These statements report on the governmental activities of the District, which are normally supported by charges for services and intergovernmental revenues. The District had no business-type activities at June 30, 2025.

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. Program revenues include 1) charges paid by the recipients of goods and services offered by the program, 2) operating grants and contributions and 3) capital grants and contributions. Revenues not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

Fund financial statements of the District are organized into one fund, which is considered to be a separate accounting entity. The fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures. The fund of the District is organized into the governmental category and is treated as a major fund.

The District reports the following major governmental fund:

- The Operating fund is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the District.

C. Basis of Accounting and Measurement Focus

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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 grants, entitlements and donations. Under the accrual basis, revenue from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

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. Interest and certain state and federal grants are considered susceptible to accrual and are accrued when their receipt occurs within sixty days after the end of the fiscal year. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in the governmental fund. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as other financing sources.

BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Non-Current Governmental Assets/Liabilities

Non-current governmental assets and liabilities, such as capital assets and long-term liabilities, are reported in the governmental activities column in the government-wide Statement of Net Position.

E. Cash and Investments

Cash consists of cash held in checking and savings accounts, the State of California Local Agency Investment Fund (LAIF), and cash on hand. State statutes authorize the District to invest its cash surplus in obligations of the U.S. Treasury agencies and instrumentalities, corporate bonds, medium-term notes, bankers' acceptances, certificates of deposit, commercial paper, repurchase agreements and LAIF.

F. Receivables

Receivables consist mainly of accounts and intergovernmental revenues. Management believes its receivables are fully collectible and, accordingly, no allowance for doubtful accounts is required.

G. Other Assets

Inventory

Inventories are recorded as expenditures at the time the inventory is purchased rather than when consumed. Records are not maintained of inventory and supplies on hand, although these amounts are not considered material.

Prepaid Costs

Prepayments made for services that will benefit periods beyond June 30, 2025, are recorded as prepaid costs in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

H. Capital Assets

Capital assets are defined by the District as assets with a cost of \$25,000 or more and includes all vehicles regardless of cost. Capital assets are recorded at historical cost or estimated historical cost if actual historical cost is unavailable. Contributed capital assets are recorded at their acquisition value at the date of donation.

Capital assets used in operations are depreciated or amortized using the straight-line method over the assets' estimated useful lives in the government-wide financial statements. The range of estimated useful lives by type of asset is as follows:

<u>Depreciable Asset</u>	<u>Estimated Lives</u>
Equipment	3 to 7 years

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Unearned Revenues

Under the accrual and modified accrual basis of accounting, revenue may be recognized only when it is earned. When assets are recognized in connection with a transaction before the earnings process is complete, those assets are offset by a corresponding liability for unearned revenues.

J. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick leave. Sick leave benefits do not vest with the employee. In accordance with GASB Statement No. 101, Compensated Absences, leave is recognized when it is attributable to services already rendered, the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Management evaluates sick leave for other District employees to determine the amount that is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. In the government-wide financial statements the accrued compensated absences are recorded as an expense and related liability, with the current portion estimated based on historical trends. In the governmental fund financial statements, the expenditures and liabilities related to those obligations are recognized only when they mature.

K. Pension

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pension, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plan (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.

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, 2023
Measurement Date	June 30, 2024
Measurement Period	July 1, 2023, to June 30, 2024

L. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District'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	July 1, 2023
Measurement Date	June 30, 2024
Measurement Period	July 1, 2023, to June 30, 2024

BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. These items relate to the outflows from changes in the net pension liability and net OPEB liability and are reportable on the Statement of Net Position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has two types of items which qualify for reporting in this category. These items relate to the inflows from changes in the net pension liability and net OPEB liability and are reportable on the Statement of Net Position.

N. Estimates

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

O. Implementation of Governmental Accounting Standards Board (GASB) Statements

The following Governmental Accounting Standards Board (GASB) Statements have been implemented, if applicable, in the current financial statements.

Statement No. 101, Compensated Absences. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

Statement No. 102, Certain Risk Disclosures. The objective of this statement is to provide users of government financial statements with essential information about its risks related to a government's vulnerabilities due to certain concentrations or constraints.

P. Future Accounting Pronouncements

The following GASB Statements will be implemented, if applicable, in future financial statements:

Statement No. 103 "Financial Reporting Model Improvements" The requirements of this statement are effective for fiscal years beginning after June 15, 2025. (FY 25/26)

Statement No. 104 "Disclosure of Certain Capital Assets" The requirements of this statement are effective for fiscal years beginning after June 15, 2025. (FY 25/26)

BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 2: CASH AND INVESTMENTS

A. Financial Statement Presentation

As of June 30, 2025, the District's cash and investments consisted of the following:

Cash:	
Cash on hand	\$ 200
Deposits (less outstanding checks)	<u>3,686,929</u>
Total Cash	<u>3,687,129</u>
Investments:	
Local Agency Investment Fund (LAIF)	<u>1,332,001</u>
Total Investments	<u>1,332,001</u>
Total Cash and Investments	<u>\$ 5,019,130</u>

B. Cash

At year-end, the carrying amount of the District's cash deposits (including amounts in checking and savings accounts) was \$3,686,929 and the bank balance was \$3,059,999. The difference between the bank balance and the carrying amount represents outstanding checks and deposits in transit. In addition, the District had cash on hand of \$200.

Custodial Credit Risk for Deposits - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or collateral securities that are in the possession of an outside party. The District complies with the requirements of the California Government Code. Under this code, deposits of more than \$250,000 must be collateralized at 105 percent to 150 percent of the value of the deposit to guarantee the safety of the public funds. The first \$250,000 of the District's deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Deposits of more than the \$250,000 insured amount are collateralized.

C. Investments

Investments are selected based on safety, liquidity, and yield. The District's investment policy is more restrictive than the California Government Code. Under the provisions of the District's investment policy and the California Government Code, the District may invest or deposit in the following:

- Bankers' Acceptances
- Commercial Paper
- LAIF
- Mutual Funds
- Medium-Term Corporate Notes
- Money Market Funds
- Negotiable Certificates of Deposit
- Repurchase Agreements/Reverse Repurchase Agreements
- Securities of the Federal Government or its Agencies

BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

C. Investments (Continued)

Fair Value of Investments - The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs

The District's position in external investment pools is in itself regarded as a type of investment and looking through to the underlying investments of the pool is not appropriate. Therefore, the District's investments in external investment pools are not recognized in the three-tiered fair value hierarchy described above.

At June 30, 2025, the District had the following recurring fair value measurements:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by Fair Value Level				
None	\$ -	\$ -	\$ -	\$ -
Total Investments Measured at Fair Value	-	<u>-</u>	<u>-</u>	<u>-</u>
Investments in External Investment Pool				
LAIF	<u>1,332,001</u>			
Total Investments	<u>\$ 1,332,001</u>			

Interest Rate Risk - Interest rate risk is the risk of loss due to the fair value of an investment falling due to interest rates rising. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. To limit exposure to fair value losses from increases in interest rates, the District's investment policy limits investment maturities to a term appropriate to the need for funds so as to permit the District to meet all projected obligations.

Credit Risk - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment policy sets specific parameters by type of investment to be met at the time of purchase. As of June 30, 2025, the District's investments were held in LAIF which is not recognized by a nationally recognized statistical rating organization.

Custodial Credit Risk - Custodial credit risk for investments is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or collateral securities that are in the possession of an outside party. Custodial credit risk does not apply to a local government's indirect investments in securities through the use of mutual funds or government investment pools.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer of securities. When investments are concentrated in one issuer, this concentration presents a heightened risk of potential loss. The District's investment policy contains limitations on the amount that can be invested in any one issuer. At June 30, 2025, all investments of the District are in LAIF which contains a diversification of investments.

BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

D. Investments in External Pool

The District maintains an investment in the State of California Local Agency Investment Fund (LAIF), managed by the State Treasurer. This fund is not registered with the Securities and Exchange Commission as an investment company but is required to invest according to California State Code. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State statute. At June 30, 2025, the District's investment in LAIF valued at amortized cost was \$1,332,001 and is the same as the value of the pool shares. There are no restrictions on withdrawal of funds. The total amount invested by all public agencies in LAIF on that day was \$178.1 billion. Of that amount, 96.19 percent is invested in non-derivative financial products and 3.81 percent in structured notes and asset-backed securities.

NOTE 3: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2025, was as follows:

	Balance July 1, 2024	Additions	Retirements	Balance June 30, 2025
Capital Assets, Being Depreciated/Amortized:				
Equipment	\$ 97,163	\$ 52,776	(\$ 23,994)	\$ 125,945
Right-to-use building	536,212	-	-	536,212
Total Capital Assets, Being Depreciated/Amortized	<u>633,375</u>	<u>52,776</u>	<u>(23,994)</u>	<u>662,157</u>
Less Accumulated Depreciation/Amortization For:				
Equipment	(82,892)	(4,825)	23,994	(63,722)
Right-to-use building	(166,410)	(55,470)	-	(221,880)
Total Accumulated Depreciation/Amortization	<u>(249,302)</u>	<u>(60,295)</u>	<u>23,994</u>	<u>(285,602)</u>
Total Capital Assets, Being Depreciated/Amortized, Net	<u>\$ 384,073</u>	<u>(\$ 7,519)</u>	<u>\$ -</u>	<u>\$ 376,554</u>

Depreciation/Amortization

Depreciation/amortization expense was charged to governmental activities as follows:

Health and Sanitation	\$ <u>60,295</u>
Total Depreciation/Amortization Expense	\$ <u>60,295</u>

NOTE 4: ACCOUNTS PAYABLE

Accounts payable consists primary of amounts due to applicants of the Carl Moyer, FARMER Program, and Community (CAP) Grant. Approximately \$1,268,903 of the balance is related to these programs.

BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 5: UNEARNED REVENUES

At June 30, 2025, components of unearned revenues were as follows:

Operating fund		
FARMER	\$	284,804
Carl Moyer		20,230
Community (CAP)		371,743
AB 617		94,976
Prescribed fire grant		46,880
Monitoring grant		<u>103,644</u>
Total	\$	<u>922,277</u>

NOTE 6: LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2025:

<u>Type of Indebtedness</u>	<u>Balance</u> <u>July 1, 2024</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2025</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Right-to-use lease	\$ 377,879	\$ -	(\$ 53,397)	\$ 324,483	\$ 54,742
Compensated absences*	<u>88,271</u>	<u>63,880</u>	<u>-</u>	<u>152,151</u>	<u>142,288</u>
Total	<u>\$ 466,150</u>	<u>\$ 63,880</u>	<u>(\$ 53,397)</u>	<u>\$ 476,634</u>	<u>\$ 197,030</u>

*The compensated absences activity shown in the table above is presented on a net increase basis as permitted by GASB Statement No. 101.

NOTE 7: LEASES

Right-to-Use Lease

The District is the lessee under one building lease agreement, which meets the criteria as defined by GASB Statement No. 87, Leases.

The lease agreement for the office building expires in February 2031. As of June 30, 2025, the District's lease liability was \$324,483. The value of the right-to-use asset and accumulated amortization as of June 30, 2025, were \$536,212 and \$221,880, respectively.

<u>Year Ended</u> <u>June 30</u>	<u>Payments</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 54,742	\$ 2,038	\$ 56,780
2027	57,083	1,657	58,740
2028	57,473	1,267	58,740
2029	57,865	875	58,740
2030	58,260	480	58,740
2031	<u>39,060</u>	<u>100</u>	<u>39,160</u>
Total	<u>\$ 324,483</u>	<u>\$ 6,417</u>	<u>\$ 330,900</u>

BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 8: NET POSITION

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- **Net investment in capital assets** - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- **Restricted net position** - consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - all other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

Net Position Flow Assumption

When a government funds outlays for a particular purpose from both restricted and unrestricted resources, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted net position are available, it is considered that restricted resources are used first, followed by the unrestricted resources.

NOTE 9: FUND BALANCE

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balances for governmental funds can be made up of the following:

- **Nonspendable fund balance** - amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories and prepaid amounts.
- **Restricted fund balance** - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- **Committed fund balance** - amounts that can only be used for the specific purposes determined by formal action of the District’s highest level of decision-making authority. The Board of Directors is the highest level of decision-making authority for the District that can, by Board action, commit fund balance. Once adopted, the limitation imposed remains in place until a similar action is taken to remove or revise the limitation. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- **Assigned fund balance** - amounts that are constrained by the District’s intent to be used for specific purposes. The intent can be established at either the highest level of decision-making authority, or by a body or an official designated for that purpose.

BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 9: FUND BALANCE (CONTINUED)

- **Unassigned fund balance** - the residual classification for the District's Operating fund that includes all amounts not contained in the other classifications.

The fund balance for the governmental fund as of June 30, 2025, was distributed as follows:

	<u>Operating</u>
Restricted for:	
Carl Moyer	\$ 479,685
CAP	1,210,549
FARMER	18,479
Subtotal	1,708,713
Assigned for:	
Reserves	329,626
Subtotal	329,626
Unassigned	1,052,654
Total	\$ 3,090,993

Fund Balance Flow Assumption

When a government funds outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance), a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted fund balance are available, it is considered that restricted fund balance is depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policy

The District follows the requirements of GASB Statement No. 54 in establishing procedures for reporting fund balance classifications and establishing a hierarchy for fund balance expenditures.

NOTE 10: PENSION PLAN

A. General Information about the Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Employee Pension Plan (Plan), a cost-sharing multiple employer-defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). 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.

BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 10: PENSION PLAN (CONTINUED)

A. General Information about the Pension Plan (Continued)

Plan Description (Continued)

Effective January 1, 2013, the District added retirement tiers for both the Miscellaneous and Safety Benefit Plan for new employees as required under the Public Employee Pension Reform Act (PEPRA). Classic employees are generally defined as employees who have been a member of any public retirement system who have had less than a six-month break in service. Applicable new hires to the District defined as classic employees as determined by PERS will be subject to the appropriate non-PEPRA benefit tier (i.e., Safety or Miscellaneous). New non-classic employees hired on or after January 1, 2013, will be subject to new, lower pension formulas, caps on pensionable income levels and new definitions of pensionable income. In addition, new non-classic employees will be required to contribute half of the total normal cost of the pension benefit unless impaired by an existing Memorandum of Understanding. The cumulative effect of these PEPRA changes will ultimately reduce the District's retirement costs.

Summary of Rate Tiers and Eligible Participants

Open for New Enrollment Miscellaneous PEPRA	Miscellaneous members hired on or after January 1, 2013
Closed to New Enrollment Miscellaneous	Miscellaneous members hired before January 1, 2013

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 (age 52 for Miscellaneous Plan members if membership date is on or after January 1, 2013) with statutorily reduced benefits. Retirement benefits are paid monthly for life. 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 the plan are applied as specified by the Public Employees' Retirement Law.

Each Rate Tier's specific provisions and benefits in effect at June 30, 2025, are summarized as follows:

	<u>Benefit Formula</u>	<u>Retirement Age</u>	<u>Monthly Benefits as a % of Eligible Compensation</u>
Miscellaneous	2.5% @ 55	50-62	2.000% to 2.700%
Miscellaneous PEPRA	2.0% @ 62	52-67	1.000% to 2.500%

BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 10: PENSION PLAN (CONTINUED)

A. General Information about the Pension Plan (Continued)

Contributions

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 all Plans are 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.

	<u>Employer Contribution Rates</u>	<u>Employee Contribution Rates</u>	<u>Employer Paid Member Contribution Rates</u>
Miscellaneous	12.520%	7.000%	0.000%
Miscellaneous PEPRA	7.870%	7.750%	0.000%

For the year ended June 30, 2025, the contributions recognized as part of pension expense were as follows:

	<u>Contributions-Employer</u>	<u>Contributions-Employee (Paid by Employer)</u>
Miscellaneous	\$ 210,901	\$ -

B. Pension Liability, Pension Expense and Deferred Outflows/Inflows of Resources Related to Pension

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, 2024, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023, rolled forward to June 30, 2024, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2024, and 2025, was as follows:

	<u>Proportion June 30, 2024</u>	<u>Proportion June 30, 2025</u>	<u>Change – Increase (Decrease)</u>
Miscellaneous	0.04083%	0.04194%	0.00111%

As of June 30, 2025, the District reported a net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous	\$ 2,028,462
Total Net Pension Liability	<u>\$ 2,028,462</u>

BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 10: PENSION PLAN (CONTINUED)

B. Pension Liability, Pension Expense and Deferred Outflows/Inflows of Resources Related to Pension (Continued)

For the year ended June 30, 2025, the District recognized pension expense of \$401,516. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to the measurement date	\$ 251,344	\$ -
Change of assumptions	52,136	-
Differences between expected and actual experience	175,379	(6,843)
Differences between projected and actual earnings on pension plan investments	116,776	-
Difference between District contributions and proportionate share of contributions	-	(85,205)
Adjustments due to differences in proportions	<u>37,593</u>	<u>-</u>
Total	<u>\$ 633,228</u>	<u>(\$ 92,048)</u>

\$251,344 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, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows:

Fiscal Year Ended <u>June 30</u>	
2026	\$ 92,500
2027	242,307
2028	(4,953)
2029	(40,018)
Thereafter	<u>-</u>
Total	<u>\$ 289,836</u>

Actuarial Assumptions

The total pension liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Investment rate of return	6.90%
Inflation	2.30%
Projected Salary Increase	Varies by entry-age and service
Mortality Rate Table	Derived using CalPERS' membership data for all funds
Post-Retirement Benefit Increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 10: PENSION PLAN (CONTINUED)

B. Pension Liability, Pension Expense and Deferred Outflows/Inflows of Resources Related to Pension (Continued)

Actuarial Assumptions (Continued)

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

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

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:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1-10 (1, 2)</u>
Global Equity – Cap-Weighted	30.0%	4.54%
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	<u>100.0%</u>	

(1) An expected price inflation of 2.30% used for this period

(2) Figures are based on the 2021-22 Asset Liability Management Study

BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 10: PENSION PLAN (CONTINUED)

B. Pension Liability, Pension Expense and Deferred Outflows/Inflows of Resources Related to Pension (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.90 percent. 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.

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 as of the measurement date, 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%	Discount Rate 6.90%	1% Increase 7.90%
Miscellaneous	\$ 3,211,452	\$ 2,028,462	\$ 1,054,687

Pension Plan Fiduciary Net Position

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

NOTE 11: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. General Information about the OPEB Plan

Plan Description

The District sponsors a defined benefit OPEB plan (the Plan) that provides healthcare coverage under the California Public Employees Medical and Hospital Care Act (“PEMHCA”), commonly referred to as PERS Health. PEMHCA provides health insurance through a variety of Health Maintenance Organization (HMO) and Preferred Provider Organization (PPO) options. The Plan is a multiple-employer plan administered by the California Public Employees’ Retirement System (CalPERS).

Benefits Provided

Eligible employees may retire and receive District-paid healthcare benefits in the amount of the PEMHCA minimum employer contribution for their lifetime.

BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 11: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

A. General Information about the OPEB Plan (Continued)

Benefits Provided (Continued)

Employees hired before October 1, 2018, are eligible to receive an additional benefit. Eligible employees retire with at least ten years of service and obtain age 55 or 62, depending on their CalPERS pension eligibility. The additional benefit is equal to one year of District-paid health premiums (medical, dental, and vision). Employees who have an unused sick leave balance at retirement can receive, in addition to the one year, one month of premium for every eight hours of unused sick leave. As an alternative option, retirees can receive an additional one month of premium for every 20 hours of unused sick leave for themselves and their spouse or domestic partner.

The additional benefit is paid until the earlier of when the balance is exhausted or age 65. After the unused sick leave balance is exhausted (or age 65), the retiree receives the PEMHCA minimum for life.

For the purposes of the valuation, it is assumed all employees have a year's worth of unused sick leave at retirement, and therefore receive paid health premiums for a total of two years.

Employees Covered by Benefit Terms

At July 1, 2023, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	6
Active plan members	11
	17

Contributions

The District has assets accumulated in a trust that meets the criteria in Paragraph 4 of GASB Statement No. 75. For the fiscal year ending June 30, 2024, the District made a contribution of \$33,188 to the CERBT trust.

B. Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2023. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

Actuarial Assumptions

The total OPEB liability in the July 1, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	2.80%
Discount rate	5.50%
Inflation rate	2.30%
Investment rate of return	5.50%, net of OPEB plan investment expense
Healthcare cost trend rate	5.50% for 2024 through 2034; 4.50% from 2035 through 2074; 4.00% for 2075 and later years.

BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 11: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

B. Net OPEB Liability (Continued)

Actuarial Assumptions (Continued)

Mortality rates were based on the most recent expenses study for CalPERS members.

Actuarial assumptions used in the July 1, 2023 valuation were based on a review of plan experience during the period July 1, 2021 to June 30, 2023.

Discount Rate

GASB 75 requires the use of a discount rate that considers the availability of the OPEB plan’s fiduciary net position associated with the OPEB of current active and inactive employees and the investment horizon of those resources.

OPEB plans with irrevocable trust accounts can utilize a discount rate equal to the long-term expected rate of return to the extent that the OPEB plan’s fiduciary net position is projected to be sufficient to make projected benefit payments and the OPEB plan assets are expected to be invested using a strategy to achieve that return.

To determine if the OPEB plan assets are sufficient, a calculation of the projected fiduciary net position and the amount of projected benefit payments is compared in each period. When OPEB plan assets are determined to not be sufficient, a blended rate is calculated.

For OPEB plans that do not have irrevocable trust accounts, GASB 75 requires a discount rate equal to the yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

The District has an irrevocable trust account for prefunding OPEB liabilities. Plan assets are expected to be sufficient. The discount rate used to measure the total OPEB liability is equal to the long-term expected rate of return.

Long-Term Expected Rate of Return

The long-term expected rate of return on OPEB 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 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. The assumed asset allocation and best estimates of real rates of return for each major asset class are summarized below:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Rate of Return</u>
Global Equity	34.0%	5.9%
U.S. Fixed	41.0%	0.9%
Real Estate	17.0%	3.3%
TIPS	5.0%	0.4%
Commodities	3.0%	0.4%

BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 11: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

C. Changes in the Net OPEB Liability

The table below shows the changes in the total OPEB liability, the Plan Fiduciary Net Position (i.e. Fair value of the Plan assets), and the net OPEB liability during the measurement period ending on June 30, 2024, for the District's proportionate share.

	Increases (Decreases)		
	Total	Plan Fiduciary	Net OPEB
	OPEB Liability	Net Position	Liability (Asset)
	(a)	(b)	(a) – (b)
Balance at fiscal year ended June 30, 2024	\$ 493,493	\$ 179,096	\$ 314,397
Changes for the year:			
Service cost	21,076	-	21,076
Interest	26,501	-	26,501
Contributions - employer	-	99,533	(99,533)
Net investment income	-	15,126	(15,126)
Benefit payments	(66,345)	(66,345)	-
Administrative expense	-	(60)	60
Net changes	(18,768)	48,254	(67,022)
Balance at fiscal year ended June 30, 2025	\$ 474,725	\$ 227,350	\$ 247,375

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

The following presents the net OPEB liability of the District, as well as what the District's net OPEB 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 discount rate:

	1% Decrease 4.50%	Discount Rate 5.50%	1% Increase 6.50%
Net OPEB liability	\$ 296,768	\$ 247,375	\$ 204,566

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates:

	1% Decrease (4.50%)	Trend Rate (5.50%)	1% Increase (6.50%)
Net OPEB Liability	\$ 193,106	\$ 247,375	\$ 312,036

BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 11: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2025, the District recognized OPEB expense of \$76,032. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	\$ 99,533	\$ -
Net difference between expected and actual experience	105,836	-
Changes in assumptions and other inputs	24,591	(5,512)
Net difference between projected and actual return on investments	14,403	(4,791)
Total	\$ 244,363	(\$ 10,303)

\$99,533 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

Year Ended June 30	
2026	\$ 39,005
2027	32,471
2028	27,525
2029	14,201
2030	9,699
Thereafter	11,626
	\$ 134,527

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in separately issued CalPERS financial reports and can be found on their website.

NOTE 12: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District is a member of the Special District Risk Management Authority (SDRMA). The SDRMA's members have pooled funds to be self-insured for workers' compensation, general liability, public officials' errors and omissions, employment practices liability, auto, property, boiler and machinery and crime and fidelity. The District participates in the property/liability and workers' compensation programs.

There are no significant reductions in insurance coverage from prior years and there have been no settlements exceeding the insurance coverages for each of the past three years.

BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT
Notes to Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 13: OTHER INFORMATION

A. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time. No additional liability has been accrued at June 30, 2025, based on the requirements of GASB Code Section C50.110, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

B. Subsequent Events

Management has evaluated events subsequent to June 30, 2025, through April 6, 2026, the date on which the financial statements were available for issuance. Management has determined no subsequent events requiring disclosure have occurred.

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**Required Supplementary Information
(Unaudited)**

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BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT
Required Supplementary Information
District Pension Plan
Schedule of Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2025
Last 10 Years

Measurement Date	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
Miscellaneous					
Proportion of the net pension liability	0.03297%	0.03384%	0.03449%	0.03459%	0.03542%
Proportionate share of the net pension liability	\$ 904,499	\$ 1,175,440	\$ 1,359,556	\$ 1,303,675	\$ 1,418,320
Covered payroll	944,106	799,894	853,055	821,458	787,343
Proportionate share of the net pension liability as a percentage of covered payroll	95.80%	146.95%	159.37%	158.70%	180.14%
Plan fiduciary net position as a percentage of the total pension liability	80.56%	76.67%	76.11%	78.53%	78.48%

<u>2019/2020</u>	<u>2020/2021</u>	<u>2021/2022</u>	<u>2022/2023</u>	<u>2023/2024</u>
0.03629%	0.04004%	0.04007%	0.04083%	0.04194%
\$ 1,530,633	\$ 760,188	\$ 1,875,032	\$ 2,041,468	\$ 2,028,462
746,422	670,299	737,760	835,703	862,149
205.06%	113.41%	254.15%	244.28%	235.28%
78.06%	89.60%	76.53%	75.71%	76.86%

BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT
Required Supplementary Information
District Pension Plan
Schedule of Contributions
For the Year Ended June 30, 2025
Last 10 Years

Fiscal Year	<u>2015/2016</u>	<u>2016/2017</u>	<u>2017/2018</u>	<u>2018/2019</u>	<u>2019/2020</u>
Miscellaneous					
Contractually required contribution (actually determined)	\$ 67,288	\$ 74,106	\$ 62,640	\$ 59,458	\$ 57,028
Contributions in relation to the actuarially determined contributions	<u>(128,428)</u>	<u>(143,025)</u>	<u>(140,058)</u>	<u>(59,931)</u>	<u>(121,392)</u>
Contribution deficiency (excess)	<u>\$ (61,140)</u>	<u>\$ (68,919)</u>	<u>\$ (77,418)</u>	<u>\$ (473)</u>	<u>\$ (64,364)</u>
Covered payroll	\$ 799,894	\$ 853,055	\$ 821,458	\$ 787,343	\$ 746,422
Contributions as a percentage of covered payroll	16.06%	16.77%	17.05%	7.61%	16.26%

<u>2020/2021</u>	<u>2021/2022</u>	<u>2022/2023</u>	<u>2023/2024</u>	<u>2024/2025</u>
\$ 66,068	\$ 71,659	\$ 79,272	\$ 63,443	\$ 98,993
<u>(158,376)</u>	<u>(183,272)</u>	<u>(210,158)</u>	<u>(210,901)</u>	<u>(251,344)</u>
<u>\$ (92,308)</u>	<u>\$ (111,613)</u>	<u>\$ (130,886)</u>	<u>\$ (147,458)</u>	<u>\$ (152,351)</u>
\$ 670,299 23.63%	\$ 737,760 24.84%	\$ 835,703 25.15%	\$ 862,149 24.46%	\$ 951,355 26.42%

BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT
Required Supplementary Information
District Pension Plan
Notes to District Pension Plan
For the Year Ended June 30, 2025

NOTE 1: SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Summary of Changes of Benefits or Assumptions

Benefit Changes: None

Changes of Assumptions: None

NOTE 2: SCHEDULE OF CONTRIBUTIONS

Methods and assumptions used to determine the contribution rates were as follows:

Valuation Date	June 30, 2024
Actuarial cost method	Entry Age Actuarial Cost Method
Amortization method	Level Percentage of Payroll and Direct Rate Smoothing
Remaining amortization period	Differs by employer rate plan but no more than 30 years
Asset valuation method	Market Value of Assets
Discount rate	6.80%
Payroll Growth	2.80%
Inflation	2.30%
Salary increases	Varies based on entry age and service
Investment rate of return	6.80%

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BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT
Required Supplementary Information
District OPEB Plan
Schedule of Changes in the Net OPEB Liability and Related Ratios
For the Year Ended June 30, 2025
Last 10 Years*

Measurement Date	2016/2017	2017/2018	2018/2019
Total OPEB Liability			
Service cost	\$ 13,352	\$ 13,753	\$ 18,620
Interest	15,779	16,696	17,916
Changes in assumptions	-	5,043	12,083
Differences between expected and actual experience	-	-	60,854
Benefit payments	<u>(3,511)</u>	<u>(21,989)</u>	<u>(23,285)</u>
Net Change in Total OPEB Liability	25,620	13,503	86,188
Total OPEB Liability - Beginning	<u>285,516</u>	<u>311,136</u>	<u>324,639</u>
Total OPEB Liability - Ending (a)	<u>\$ 311,136</u>	<u>\$ 324,639</u>	<u>\$ 410,827</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 11,811	\$ 32,561	\$ 23,285
Investment income	-	542	1,362
Trustee fees	-	(4)	-
Administrative expenses	-	(11)	(4)
Benefit payments	<u>(3,511)</u>	<u>(21,989)</u>	<u>(23,285)</u>
Net Change in Plan Fiduciary Net Position	8,300	11,099	1,358
Plan Fiduciary Net Position - Beginning	<u>-</u>	<u>8,300</u>	<u>19,399</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 8,300</u>	<u>\$ 19,399</u>	<u>\$ 20,757</u>
Net OPEB Liability - Ending (a) - (b)	<u>\$ 302,836</u>	<u>\$ 305,240</u>	<u>\$ 390,070</u>
Plan fiduciary net position as a percentage of the total OPEB liability	2.67%	5.98%	5.05%
Covered payroll	\$ 813,249	\$ 746,937	\$ 790,181
Net OPEB liability as a percentage of covered payroll	37.24%	40.87%	49.36%

* The District implemented GASB 75 for the fiscal year June 30, 2018, therefore only eight years are shown.

<u>2019/2020</u>	<u>2020/2021</u>	<u>2021/2022</u>	<u>2022/2023</u>	<u>2023/2024</u>
\$ 20,135	\$ 15,799	\$ 16,296	\$ 18,713	\$ 21,076
21,819	21,374	27,955	26,458	26,501
(22,727)	12,556	-	22,544	-
-	117,979	-	56,975	-
<u>(43,770)</u>	<u>(88,192)</u>	<u>(70,691)</u>	<u>(70,557)</u>	<u>(66,345)</u>
(24,543)	79,516	(26,440)	54,133	(18,768)
410,827	386,284	465,800	439,360	493,493
<u>\$ 386,284</u>	<u>\$ 465,800</u>	<u>\$ 439,360</u>	<u>\$ 493,493</u>	<u>\$ 474,725</u>
\$ 63,770	\$ 188,192	\$ 90,485	\$ 90,352	\$ 99,533
1,709	10,708	(19,724)	6,175	15,126
-	-	-	-	-
(15)	(19)	(39)	(45)	(60)
<u>(43,770)</u>	<u>(88,192)</u>	<u>(70,691)</u>	<u>(70,557)</u>	<u>(66,345)</u>
21,694	110,689	31	25,925	48,254
20,757	42,451	153,140	153,171	179,096
<u>\$ 42,451</u>	<u>\$ 153,140</u>	<u>\$ 153,171</u>	<u>\$ 179,096</u>	<u>\$ 227,350</u>
<u>\$ 343,833</u>	<u>\$ 312,660</u>	<u>\$ 286,189</u>	<u>\$ 314,397</u>	<u>\$ 247,375</u>
10.99%	32.88%	34.86%	36.29%	47.89%
\$ 746,422	\$ 658,133	\$ 737,760	\$ 835,703	\$ 862,149
46.06%	47.51%	38.79%	37.62%	28.69%

BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT
Required Supplementary Information
District OPEB Plan
Schedule of Contributions
For the Year Ended June 30, 2025
Last 10 Years*

Fiscal Year	<u>2017/2018</u>	<u>2018/2019</u>	<u>2019/2020</u>	<u>2020/2021</u>
Actuarially determined contribution	\$ 29,190	\$ 37,881	\$ 39,018	\$ 34,592
Contributions in relation to the actuarially determined contribution	<u>(32,561)</u>	<u>(23,285)</u>	<u>(63,770)</u>	<u>(188,192)</u>
Contribution deficiency (excess)	<u>\$ (3,371)</u>	<u>\$ 14,596</u>	<u>\$ (24,752)</u>	<u>\$ (153,600)</u>
Covered payroll	\$ 746,937	\$ 790,181	\$ 746,422	\$ 658,133
Contributions as a percentage of covered payroll	4.36%	2.95%	8.54%	28.59%

* The District implemented GASB 75 for the fiscal year June 30, 2018, therefore only eight years are shown.

<u>2021/2022</u>	<u>2022/2023</u>	<u>2023/2024</u>	<u>2024/2025</u>
\$ 35,630 (90,478)	\$ 38,364 (90,352)	\$ 51,797 (87,427)	\$ 39,438 (99,533)
<u>\$ (54,848)</u>	<u>\$ (51,988)</u>	<u>\$ (35,630)</u>	<u>\$ (60,095)</u>
\$ 737,760 12.26%	\$ 835,703 10.81%	\$ 862,149 10.14%	\$ 951,355 10.46%

BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT
Required Supplementary Information
District OPEB Plan
Notes to District OPEB Plan
For the Year Ended June 30, 2025

NOTE 1: SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

None.

NOTE 2: SCHEDULE OF CONTRIBUTIONS

Valuation date	July 1, 2023
Reporting period	July 1, 2024, to June 30, 2025
Measurement period	July 1, 2023, to June 30, 2024
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Amortization period	30 years
Asset valuation method	Market value
Inflation	2.30 percent
Healthcare cost trend rates	5.50 percent for 2024 through 2034; 4.50 percent for 2035 through 2074; and 4.00 percent for 2075 and later years.
Salary increases	2.80 percent
Investment rate of return	5.50 percent, net of OPEB plan investment expense
Retirement age	25.00 percent at age 59; 50.00 percent at age 60 through 61; 75.00 percent at age 62; and 100.00 percent at age 63.
Mortality	CalPERS Public Agency Miscellaneous Mortality with fully generational mortality improvement using 80% of MP-2020

BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
Operating Fund
For the Year Ended June 30, 2025

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
REVENUES				
Licenses and permits	\$ 708,467	\$ 709,617	\$ 800,833	\$ 91,216
Fines, forfeitures and penalties	45,000	45,000	53,980	8,980
Use of money and property	35,792	35,792	53,365	17,573
Intergovernmental revenue	1,968,458	2,445,140	2,516,957	71,817
Other revenues	225,660	237,908	306,852	68,944
Total Revenues	<u>2,983,376</u>	<u>3,473,458</u>	<u>3,731,987</u>	<u>258,529</u>
EXPENDITURES				
Current health and sanitation:				
Salaries and benefits	1,705,065	1,705,065	1,649,464	55,601
Communication	19,090	19,090	17,878	1,212
Household	6,050	11,900	12,213	(313)
Insurance	15,550	15,550	15,025	525
Maintenance	46,320	46,320	45,972	348
Membership dues and subscriptions	7,500	10,926	9,295	1,631
Office	9,500	9,500	10,132	(632)
Professional services	135,709	84,709	45,687	39,022
Public awareness	19,000	19,000	6,149	12,851
Publications and legal notices	3,740	3,740	606	3,134
Rents and leases	2,245	2,895	31,056	(28,161)
Training	13,950	13,950	8,706	5,244
Travel and transportation	27,410	27,410	12,374	15,036
Fuel	6,900	6,900	3,678	3,222
Utilities	9,577	9,577	8,320	1,257
Contributions to other agencies	3,796,683	4,168,392	2,584,829	1,583,563
Debt service:				
Principal	53,397	53,397	53,397	-
Interest and other charges	2,403	2,403	2,403	-
Capital outlay	-	-	52,776	(52,776)
Total Expenditures	<u>5,880,089</u>	<u>6,210,724</u>	<u>4,569,960</u>	<u>1,640,764</u>
Excess of Revenues Over (Under) Expenditures	<u>(2,896,713)</u>	<u>(2,737,266)</u>	<u>(837,973)</u>	<u>1,899,293</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	-	-	10,500	10,500
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>10,500</u>	<u>10,500</u>
Net Change in Fund Balances	<u>(2,896,713)</u>	<u>(2,737,266)</u>	<u>(827,473)</u>	<u>1,909,793</u>
Fund Balances - Beginning	<u>3,918,466</u>	<u>3,918,466</u>	<u>3,918,466</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 1,021,753</u>	<u>\$ 1,181,200</u>	<u>\$ 3,090,993</u>	<u>\$ 1,909,793</u>

BUTTE COUNTY AIR QUALITY MANAGEMENT DISTRICT
Required Supplementary Information
Note to Budgetary Comparison Schedule
For the Year Ended June 30, 2025

NOTE 1: BUDGETARY BASIS OF ACCOUNTING

Formal budgetary integration is employed as a management control device during the year. The District presents a comparison of annual budget to actual results for the Operating fund. The amounts reported on the budgetary basis are generally on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

The following procedures are performed by the District in establishing the budgetary data reflected in the financial statements:

- (1) The Air Pollution Control Officer submits to the Board of Directors a recommended budget for the fiscal year commencing the following July 1. The budget includes recommended expenditures and the means of financing them.
- (2) The Board of Directors reviews the recommended budget at regularly scheduled meetings, which are open to the public. The Board also conducts a public hearing on the recommended budget to obtain comments from interested persons.
- (3) Prior to July 1, the budget is adopted through the passage of a resolution.
- (4) From the effective date of the budget, the amounts stated therein, as recommended expenditures become appropriations to the District. The Board may amend the budget by motion during the fiscal year.

OTHER REPORT

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

To the Board of Directors
Butte County Air Quality Management District
Chico, California

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 fund of Butte County Air Quality Management District, California (District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 6, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

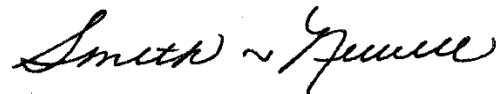
To the Board of Directors
Butte County Air Quality Management District
Chico, California

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Smith & Newell CPAs
Yuba City, California
April 6, 2026