

**NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT**

**Headquarters**

**200 Litton Drive, Ste. 320**

**Grass Valley, CA 95945**

**(530) 274-9360/ FAX: (530) 274-7546**

**Gretchen G. Bennett, APCO**

**Northern Field Office**

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**Portola, CA 96122**

**(530)832-0102 FAX:(530) 832-0101**

***NORTHERN SIERRA***

***AIR QUALITY MANAGEMENT DISTRICT***

***BOARD OF DIRECTORS***

***REGULAR BOARD MEETING***

***MONDAY***

**March 25, 2019**

**1:00 p.m.**

NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT  
BOARD OF DIRECTORS REGULAR MEETING

March 25, 2019

1:00 p.m.

This meeting will be held by videoconference/teleconference at the  
following locations:

(Site A) VIDEOCONFERENCE/TELEPHONE CONFERENCE

Northern Sierra Air Quality Management District (Headquarters)

200 Litton Drive, Conference Room 316

Grass Valley, California

(Site B) VIDEOCONFERENCE/TELEPHONE CONFERENCE

Northern Sierra Air Quality Management District (Northern Office)

257 E. Sierra Street, Unit E

Portola, California

All items on the agenda may be acted upon by the Board of Directors. No action will be taken nor discussion held at the meeting on business not appearing on the posted agenda.

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I. **Standing Orders:**

Call to Order.

Roll call and determination of quorum.

II. **Public Comment:** For items **NOT** appearing on the agenda and within the jurisdiction of the Board. The public may comment on Agenda items as they are discussed.

III. **Consent Calendar** These Items Are Expected to Be Routine and Noncontroversial. They Will Be Acted on By the Board at One Time Without Discussion. Any Board Member, Staff Member, or Interested Party May Request That an Item Be Removed From the Consent Calendar for Discussion.

A. Approval of regular meeting minutes – January 28, 2019 *Page 5*

IV. **Administrative Report**

A. Financial Audit Ending June 30, 2018 *Page 9*

B. FARMER Resolution and Contract *Page 63*

C. Voluntary NOx Reduction Measure *Page 102*

D. County Contribution *Page 117*

E. Financial Auditor Engagement Letter *Page 120*

F. Agreement with CARB for AB 617 Grant for \$22,659 *Page 127*

V. **Director's Report**

A. Sierra Institute's Biomass Boiler for the Plumas County Annex *Page 146*

- B. Status on Portola PM2.5 Nonattainment Area *Page 147*
- C. California Air Resources Board's 15-Day Draft changes to the Criteria and Toxics Reporting Regulation *Page 148*
- D. Forest Health Issues *Page 154*
- E. FARMER Agricultural Survey *Page 155*

**VI. Concerns of Board** - The Board may at this time bring up matters it wishes to discuss at the next Board Meeting, as long as no discussions are conducted and no actions are taken, in compliance with the Brown Act.

**VII. Schedule next Meeting** – April 22, 2019 – Videoconference/Telephone

**VIII. Adjournment**

**PERSONS DESIRING TO ADDRESS THE BOARD**

Meetings of the Board of Directors shall be conducted by the Chairperson in a manner consistent with the policies of the District. The latest edition of Robert's Rules of Order, Revised shall also be used as a general guideline for meeting protocol. District policies shall prevail whenever they are in conflict with Robert's Rules of Order, Revised.

All Board meetings shall commence at the time stated on the agenda and shall be guided by same.

**PUBLIC COMMENT:**

Provisions for permitting any individual or group to address the Board concerning any item on the agenda of a special meeting, or to address the Board at a regular meeting on any subject that lies within the jurisdiction of the Board of Directors, shall be as follows:

Three (3) minutes may be allotted to each speaker and a maximum of fifteen (15) minutes to each subject matter;

No boisterous conduct shall be permitted at any Board meeting. Persistence in boisterous conduct shall be grounds for summary termination, by the Chairperson, of that person's privilege of address.

No oral presentation shall include charges or complaints against any District employee, regardless of whether or not the employee is identified in the presentation by name or by another reference which tends to identify. All charges or complaints against employees shall be submitted to the Board of Directors under provisions contained in District Policy 1030.

Willful disruption of any of the meetings of the Board of Directors shall not be permitted. If the Chairperson finds that there is in fact willful disruption of any meeting of the Board, he/she may order the room cleared and subsequently conduct the Board's business without the audience present. In such an event, only matters appearing on the agenda may be considered in such a session.

After clearing the room, the Chairperson may permit those persons who, in his/her opinion, were not responsible for the willful disruption to re-enter the meeting room.

Duly accredited representatives of the news media, whom the Chairperson finds not to have participated in the disruption, shall be admitted to the remainder of the meeting.

Members of the public are given the opportunity to address the Board of Directors directly at each teleconference location.

**POSTING AGENDA:**

This agenda was posted at least 72 hours prior to the regular meeting at the following locations: Eric Rood Government Center in Nevada City, The Plumas County Courthouse in Quincy, the Litton Building in Grass Valley, the Plumas County Board of Supervisors Chambers in Quincy, Sierra County Courthouse Square in Downieville. **The agenda and board packet are available on-line prior to the Board Meeting at [www.myairdistrict.com](http://www.myairdistrict.com)**

**To:** Northern Sierra Air Quality Management District Board of Directors

**From:** Gretchen Bennitt, Air Pollution Control Officer

**Date:** March 25, 2019

**Agenda Item: III.A**

**Agenda Description:** Approval of regular meeting minutes – January 28, 2019

**Requested Action:** The minutes are attached for Board comment/approval

**ROLL CALL VOTE REQUESTED**

**Attachments:**

1. January 28, 2019 minutes

DISTRICT HEADQUARTERS  
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**MINUTES**

**NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT  
BOARD OF DIRECTORS REGULAR MEETING**

January 28, 2019

1:00 p.m.

**(Site A) VIDEOCONFERENCE/TELEPHONE CONFERENCE**

Northern Sierra Air Quality Management District (Headquarters)

200 Litton Drive, Conference Room 316

Grass Valley, California

**(Site B) VIDEOCONFERENCE/TELEPHONE CONFERENCE**

Northern Sierra Air Quality Management District (Northern Office)

257 E. Sierra Street, Unit E

Portola, California

**(Site C) TELEPHONE CONFERENCE**

10879A Donner Pass Road, CONFERENCE ROOM

Truckee, California

**Members Present:**

Supervisor Sanchez, Chair  
Supervisor Thrall, Vice Chair  
Supervisor Roen  
Supervisor Huebner  
Supervisor Scofield  
Supervisor Anderson

**Members Absent:**

None

**I. Standing Orders:**

**Call to Order. Roll Call and Determination of Quorum.**

Chair Sanchez called the meeting to order at 1:01 P.M. A quorum was confirmed. Gretchen Bennett, APCO; Julie Ruiz, APCSII, Dawn Lunsford, Accounting Clerk/Administrative Assistant were also in attendance.

**II. Public Comment: For Items NOT Appearing on the Agenda and Within the Jurisdiction of the Board. The Public May Comment on Agenda Items As They**

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**Are Discussed. Both Teleconference Sites are Allowed an Opportunity for Public Comment.**

Chair Sanchez called for public comment. There was no public present at either site.

**III. Administrative Report**

**A. Election of Chair and Vice-Chair for 2019**

There was a motion by Supervisor Anderson to nominate Supervisor Scofield as Chair of the Northern Sierra Air Quality Management District for 2019. Supervisor Huebner seconded it. The motion was approved unanimously with a roll call vote. There was a motion by Supervisor Roen to nominate Supervisor Anderson as Vice Chair for the Northern Sierra Air Quality Management District for 2019. Supervisor Huebner seconded the motion. The motion was unanimously approved with a roll call vote. Supervisor Sanchez handed the gavel over to Supervisor Scofield to Chair the remainder of the meeting.

**B. Calendar for 2019**

Ms. Bennitt pointed out that the date of May 27 was Memorial Day. She offered to replace the date with May 20. Supervisor Roen made a motion to approve the Calendar as amended. Supervisor Huebner seconded the motion. The motion was unanimously approved with a roll call vote.

**C. Approval of regular meeting minutes – October 22, 2018**

Supervisor Huebner made a motion to approve the minutes of the October 22, 2018 minutes. Supervisor Roen seconded the motion. The motion was approved with a roll call vote.

**D. Authorization for Signing Nevada County Auditor Controller's Warrant Request Signatures for 2019**

Supervisor Huebner made a motion to authorize the Chair and APCO to sign the Nevada County's Warrant Request Signatures for 2019. Supervisor Thrall seconded the motion. The motion was approved with a roll call vote.

**E. Solicitation for Application to Receive Funding From the Carl Moyer Memorial Program (Fiscal Year 2018/2019 - Year 21) Funds**

Supervisor Sanchez made a motion to approve the application and authorize the Chair to sign Resolution 2019-01. Supervisor Huebner seconded the motion. The motion was approved with a roll call vote.

**F. Monthly Budget Report – December 2018**

Supervisor Scofield discussed that the accountant line item (Account # 10-5313) be modified in a budget amendment to reflect actual values. Ms. Bennitt assured the Board that this would be included in a one-time, end of year budget amendment that she would ask the Board to approve. Supervisor Huebner made a motion to approve the December 2018 budget report. Supervisor Anderson seconded the motion. The motion was approved with a roll call vote.

**IV. Director's Report**

**A. Status on Portola PM2.5 Nonattainment Area**

Gretchen Bennitt and Julie Ruiz discussed that they submitted a new application for an EPA Target Grant for 3.2 million for the Portola Nonattainment Area.

**B. EPA's Notice of Proposed Rulemaking for Portola PM2.5 Attainment Plan**

Ms. Bennett discussed that the EPA has proposed approval of the Portola PM2.5 Attainment Plan and published it in the Federal Register notice.

**C. Rule 318 – American Valley Burning Restrictions**

Julie Ruiz discussed the background of this rule – it was adopted in the 1990's to avoid a federal nonattainment designation. She discussed that due to some unique issues this year, some residents had informed her that they were displeased with this rule. She wanted the Board to be aware in case they hear from residents about this rule.

**D. The State of California Department of Justice Office of the Attorney General and the Fair Political Practices Commission Ethics Training**

Gretchen Bennett reminded the Board that they should fulfill this requirement.

**E. Conflict of Interest Forms (FPPC) DUE MARCH 15<sup>th</sup>**

Gretchen Bennett reminded the Board that they should fulfill this requirement.

**F. Goals and Objectives – 2019**

Gretchen Bennett went over the Goal and Objectives and answered questions from the Board. Of particular interest was a discussion about Goal # 4, Objective 4B - the Board's support of biomass facilities as a method to reduce impacts from prescribed/residential open burning. The Board discussed that the high cost of transport of green waste to the facilities was the biggest obstacle for using biomass facilities. The Board directed staff to 1. Pursue funding avenues or subsidies to transport fuel to biomass facilities and 2. Update Board on a regular basis about forest health issues and subsidizing transport of green waste to biomass facilities.

**G. District Accomplishments - 2018**

Supervisor Scofield suggested that Gretchen Bennett discuss the District Accomplishments as part of her performance evaluation. Gretchen Bennett went over the District's Accomplishments for the year.

**V. Closed Session**

**A. Closed Session Item - Performance Evaluation of the Air Pollution Control Officer, Gretchen Bennett (Government Code Section 54957).**

Nothing occurred in closed session requiring to be reported by law. Chair Scofield stated that he would meet with Gretchen Bennett at a later date with a letter summarizing comments by the Board for her evaluation.

**VI. Concerns of the Board**

**VII. Schedule next Meeting –** Next meeting was scheduled for February 25, 2018.

**VIII. Adjournment**

The meeting was adjourned at 2:30 P.M.



**To:** Northern Sierra Air Quality Management District Board of Directors

**From:** Gretchen Bennett, Air Pollution Control Officer

**Date:** March 25, 2019

**Agenda Item: IV.A**

**Agenda Description:** Financial Audit Ending June 30, 2018

**Issues:**

The annual audit for FY 2017-2018 was completed by Singleton Auman PC.

Clay Singleton will make a short presentation to the Board to recap the results of the audit and answer any questions from the Board.

**Requested Action:**

1. Approve the District's Financial Audit for the Fiscal Year Ending on June 30, 2018.

**ROLL CALL VOTE REQUESTED**

**Attachments:**

Northern Sierra Air Quality Management District Audit Report June 30, 2018

NORTHERN SIERRA AIR QUALITY  
MANAGEMENT DISTRICT

AUDIT REPORT  
JUNE 30, 2018

NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT  
AUDITED FINANCIAL STATEMENTS  
JUNE 30, 2018

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Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities and the major funds of the Northern Sierra Air Quality Management District (District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

**Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

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 funds of Northern Sierra Air Quality Management District as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, the schedule of Proportionate Share of the Net Pension Liability and the schedule of District Contributions and the schedule of the District's proportionate share of the net OPEB liability and schedule of District OPEB contributions and Schedule of Changes in the District's Total OPEB Liability and Related Ratios as shown in the notes to the financial statements and required supplementary information be presented to supplement the basic financial statements. Such information, although not a basic part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate 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 Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully Submitted,



**Singleton Auman PC**

**Susanville, CA**

January 18, 2019

FINANCIAL SECTION

**NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT**  
**Management's Discussion and Analysis (MD&A)**  
**June 30, 2018**

**INTRODUCTION**

Our discussion and analysis of Northern Sierra Air Quality Management District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2018. It should be read in conjunction with the District's financial statements (including notes and supplementary information), which follow this section.

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

**Overview of District's Financial Activity**

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

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

- State Subvention Funds
- AB 2766 DMV Surcharge Fees
- AB 923 DMV Surcharge Fees
- Stationary Source Fees
- Hearing Board Fees
- Open Burning Fees
- Woodstove Inspection Fees
- AB 2588 Air Toxics Hot Spots Fees
- Fines Levied for Rule Infractions
- Interest on Reserves
- Subscriptions & Copies
- Contract with EPA to Monitor PM2.5
- Carl Moyer Program (grant pass-through only)
- EPA's 2015 Target Grant (for the Plumas PM.2.5 Nonattainment Area)
- H & S Settlement with EPA



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

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

**Carl Moyer Program** pass-through funds come from ARB at a different cycle than the District's Fiscal Year of July 1, and is to be used throughout a three year time period. During FY 17/18, the District disbursed \$179,761.

**The External AB2766** grant cycle lags behind the fiscal year by 3 months, running from October 1<sup>st</sup> to September 30th. AB 2766 funding is encumbered in June (for previously approved grants) for use after June 30th. Typically, about half of originally allocated funds are used in these final months. During the first 3 months of the AB 2766 grant cycle, the opposite is true. As grantees gear up and since grant payments are reimbursement-based there is a lag of several months before payments are made to grantees. This irregular, unpredictable cash flow produces confusion to those trying to evaluate the District's reserves and can lead to overly optimistic estimations of the financial health of the District's reserves. In order to make this process easier to understand, the District places the granted portion of AB2766 funds in a separate account (Restricted Account) from the Operating Account. The AB 2766 projects must go through a competitive process and be approved by the District's Board of Directors. During FY 17/18, the District disbursed \$332,600.

**TIMBER (Truck Improvement Modernization Emission Reduction Program)**

The Carl Moyer Truck Improvement/Modernization Benefitting Emission Reductions (TIMBER) Program provides a streamlined approach for replacing older, high-polluting heavy-duty log trucks earlier than required. The TIMBER program helps reduce some of the costs associated with replacing a log truck with a new (not used) log truck. The District disbursed \$24,720 during FY 17/18.

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

The District received a \$2.48 million grant from the Targeted Air Shed Grant for a wood stove change-out program. The grant is intended to improve air quality in areas of the U. S. with the highest levels of pollution. During fiscal year 17/18 the District expended \$214,337 on this grant.

**H & S Woodstove Mitigation**

The District had a one-time revenue of \$400,000 as a result of a settlement between H & S and the Environmental Protection Agency. These funds are to be used for a woodstove change-out program. The District disbursed \$84,600 during FY 17/18.

### Financial Highlights – Operating Budget

The operating fund reported an excess of revenues over expenditures this year of \$264,799. During the year, the District's non-grant expenses were \$692,786, while revenue for the unrestricted fund was \$957,585.

#### **Operating Budget - Revenue**

Revenues were \$957,585 which exceeded expected revenue by \$86,495. This was largely due to greater than expected permit fees.

For Fiscal Year 18/19, the District expects revenue to be \$931,407.

#### **Operating Budget - Expenditures**

During FY 17-18, approximately 75% of expenditures (\$522,542) were utilized for Salaries and Benefits. During FY 18/19, the District expects \$583,847 (77% of total expenditures) for Salaries and Benefits.

### Financial Highlights - Restricted Budget

The restricted fund reported an excess of expenditures over revenues this year of \$2,287. During the year, the District's restricted revenue was \$833,620 while expenditures for the restricted fund were \$835,907.

#### **Restricted Revenue**

Total revenue for FY 17/18 was \$833,620. This revenue is from five government grant programs; AB2766, AB 923, EPA Target Grant, TIMBER and the Woodstove change-out.

#### **Restricted Expenditures**

Total amount disbursed in FY 17/18 was \$835,907. Major disbursements were as follows: \$332,600 for the AB2766 program, \$179,761 for the Carl Moyer Heavy Duty Diesel program, \$24,720 for the TIMBER Program, \$84,600 for the H & S Mitigation Program and \$214,437 for the EPA Target Grant.

### **FINANCIAL HIGHLIGHTS**

- Total net position was \$69,709 at June 30, 2018. This was an decrease of \$296,663 over the prior year.
- Overall revenues were \$1,791,205, which were more than expenses of \$1,675,281 by \$115,924. In addition, there was a restatement decreasing beginning fund balance by \$412,587 reflecting increased OPEB liability.
- The General Fund reported a fund balance this year of \$1,013,444.
- The Restricted Fund reported a fund balance this year of \$667,553.

## OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

### Government-Wide Statements

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

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

- Over time, increases or decreases in the District’s net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the tax base, and changes in program funding by the Federal and State governments, and the condition of the District’s facilities.

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

## Fund Financial Statements

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

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

## FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

### Net Position

The District's combined net position was \$69,709 at June 30, 2018. See Table 1.

**Table 1:  
Net Position**

	Governmental Activities		Total Percentage
	2018	2017	Change 2018-2017
<b>Assets</b>			
Cash	\$ 2,018,564	\$ 1,653,463	22.08%
Accounts Receivable	172,535	193,431	-10.80%
Prepaid Expenses	9,254		100.00%
Capital Assets, Net of Accumulated Depreciation	119,906	139,173	-13.84%
<b>Total Assets</b>	<b>2,320,259</b>	<b>1,986,067</b>	<b>16.83%</b>
<b>Deferred Outflows</b>			
Pension Plan Contributions	250,083	250,083	100.00%
OPEB Contributions	23,776		100.00%
<b>Total Deferred Outflows</b>	<b>273,859</b>	<b>250,083</b>	
<b>Liabilities</b>			
Accounts Payable	9,651	17,028	-43.32%
Unearned Revenue	509,705	411,381	23.90%
Long-Term Debt	1,997,501	1,398,642	42.82%
<b>Total Liabilities</b>	<b>2,516,857</b>	<b>1,827,051</b>	<b>37.76%</b>
<b>Deferred Inflows</b>			
Pension Plan Income	31,393	42,727	100.00%
<b>Net Position</b>			
Net Investment In Capital Assets	119,906	139,173	-13.84%
Restricted	667,553	669,840	-0.34%
Unrestricted	(717,750)	(442,641)	62.15%
<b>TOTAL NET POSITION</b>	<b>\$ 69,709</b>	<b>\$ 366,372</b>	<b>-80.97%</b>

### Changes in Net Position

The District's total revenues were \$1,791,205. A majority of the revenue comes from Federal and State aid for specific programs (87%) of total revenues.

The total cost of all programs and services was \$1,675,281. This reflects an increase of \$959 in expenditures from the prior year.

**Table 2:**  
**Changes in Net Position**

	Governmental Activities		Total Percentage
	2018	2017	Change 2018-2017
Revenues			
Permits & Fees	\$ 222,067	\$ 129,747	71.15%
Government Funding	1,544,815	1,662,608	-7.08%
Interest Income	24,323	21,953	10.80%
Other Income	-	4,001	-100.00%
<b>TOTAL REVENUES</b>	<u>1,791,205</u>	<u>1,818,309</u>	-1.49%
Expenses:			
Air Quality Management	1,675,281	1,674,372	0.05%
<b>TOTAL EXPENSES</b>	<u>1,675,281</u>	<u>1,674,372</u>	0.05%
<b>INCREASE/(DECREASE) IN NET POSITION</b>	<u>\$ 115,924</u>	<u>\$ 143,937</u>	-19.46%

### Governmental Activities

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

The total cost of all governmental activities this year was \$1,675,281

**Table 3**  
**Net Cost of Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2018	2017	2018	2017
Air Quality Management	\$ 1,675,281	\$ 1,674,322	\$ 91,601	\$ 122,015
<b>TOTAL</b>	<u>\$ 1,675,281</u>	<u>\$ 1,674,322</u>	<u>\$ 91,601</u>	<u>\$ 137,785</u>

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The overall financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,680,997 which is above last year's ending fund balance of \$1,418,485.

### General Fund Budgetary Highlights

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

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2018, the District had invested \$119,906 in a broad range of capital assets, including furniture, equipment and vehicles. See Table 4.

**Table 4**  
**Capital Assets**

	Governmental Activities		Total Percentage
	2018	2017	Change 2018-2017
Furniture	\$ 72,665	\$ 72,665	0.00%
Equipment	271,952	259,349	4.86%
Vehicles	101,662	101,662	0.00%
Totals at Historical Cost	446,279	433,676	2.91%
Total Accumulated Depreciation	(326,373)	(294,503)	10.82%
<b>NET CAPITAL ASSETS</b>	<b>\$ 119,906</b>	<b>\$ 139,173</b>	<b>-13.84%</b>

The District expects to spend \$23,053 in capital expenditures for the 2018/19 fiscal year for office and field equipment.

## Long-Term Debt

At year end, the District had \$1,997,501 in debt, consisting of compensated absences, other post-employment benefits and net pension liability as shown in Table 5. More detailed information about the District's debt is presented in the notes to the financial statements.

**Table 5**  
**Long-Term Debt**

	Governmental Activities		Change
	2018	2017	2018-2017
Compensated Absences	\$ 56,065	\$ 56,065	0.00%
Other Postemployment Benefit Obligation	884,064	416,993	112.01%
Net Pension Liability	1,057,372	925,584	14.24%
<b>TOTAL LONG-TERM DEBT</b>	<b>\$ 1,997,501</b>	<b>\$ 1,398,642</b>	<b>42.82%</b>

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

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

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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



NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2018

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash on Hand and in Banks	\$ 142,191
Cash in County Treasury	1,876,373
Accounts Receivable	172,535
Prepaid Expenses	9,254
Capital Assets:	
Furniture, Equipment, Vehicles, Net	119,906
Total assets	<u><u>\$ 2,320,259</u></u>
 <b>Deferred Outflows of Resources</b>	
Deferred Recognition of Contributions to Pension Plan	\$ 273,924
Deferred Outflows- OPEB Contributions	23,776
Total Deferred Outflows of Resources	<u><u>\$ 297,700</u></u>
 <b>Liabilities</b>	
Accounts Payable	\$ 9,651
Unearned Revenue	509,705
Noncurrent Liabilities	
Due within one year	56,065
Due within more than one year	884,064
Net Pension Liability	1,057,372
Total liabilities	<u><u>\$ 2,516,857</u></u>
 <b>Deferred Inflows of Resources</b>	
Deferred Recognition of Pension Plan Earnings	<u><u>\$ 31,393</u></u>
 <b>Net Position</b>	
Net Investment in Capital Assets	\$ 119,906
Restricted	667,553
Unrestricted	(717,750)
Total Net Position	<u><u>\$ 69,709</u></u>

The accompanying notes are an integral part of this statement.

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NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018

Governmental Activities	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Total Governmental Activities
Air Quality Management	\$ 1,675,281	\$ 222,067	\$ 1,544,815	\$ 91,601
Total Governmental Activities	\$ 1,675,281	\$ 222,067	\$ 1,544,815	\$ 91,601
<b>General Revenues:</b>				
Interest				24,323
Total General Revenue				24,323
Change in net position				115,924
Net position, beginning, as restated (See Note 10)				(46,215)
Net position, ending				69,709

The accompanying notes are an integral part of this statement.

NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT  
BALANCE SHEET  
JUNE 30, 2018

	<u>General Fund</u>	<u>Restricted Fund</u>	<u>Total</u>
<b>Assets</b>			
Cash on Hand and in Banks	\$ 142,191	\$ -	\$ 142,191
Cash in County Treasury	802,055	1,074,318	1,876,373
Accounts receivable	73,587	98,948	172,535
Prepaid Expenses	9,254	-	9,254
	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	<u>\$ 1,027,087</u>	<u>\$ 1,173,266</u>	<u>\$ 2,200,353</u>
<b>Liabilities and Fund Balance</b>			
<b>Liabilities:</b>			
Accounts Payable	\$ 6,976	\$ 2,675	\$ 9,651
Unearned Revenue	6,667	503,038	509,705
Total Liabilities	<u>13,643</u>	<u>505,713</u>	<u>519,356</u>
<b>Fund Balance:</b>			
Restricted		667,553	667,553
Committed	633,000	-	633,000
Unassigned	380,444	-	380,444
Total Fund Balance	<u>1,013,444</u>	<u>667,553</u>	<u>1,680,997</u>
	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities and Fund Balance	<u>\$ 1,027,087</u>	<u>\$ 1,173,266</u>	<u>\$ 2,200,353</u>

The accompanying notes are an integral part of this statement.

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NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO  
 THE STATEMENT OF NET POSITION  
 JUNE 30, 2018

Total Fund Balances - Governmental Funds \$ 1,680,997

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

Capital assets used in governmental activities are not reported in the funds	119,906
Payables for compensated absences which are not due in the current period are not reported in the funds	(56,065)
Deferred Outflows of resources in governmental activities are reported as expenditures in the funds	297,700
Deferred Inflows of resources in governmental activities are not reported in the funds	(31,848)
Payables for Pension Benefits which are not due in the current period are not reported in the funds	(1,057,372)
Payables for Other Post-Employment Benefits which are not due in the current period are not reported in the funds.	<u>(884,064)</u>

Total Net Position - Governmental Activities \$ 69,254

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**NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2018**

	General Fund	Restricted Fund	Total
<b>Revenue:</b>			
Permits & Fees	\$ 222,067	\$ -	\$ 222,067
Intergovernmental Revenue	711,195	833,620	1,544,815
Interest Income	24,323	-	24,323
<b>Total Revenue</b>	<b>957,585</b>	<b>833,620</b>	<b>1,791,205</b>
<b>Expenditures:</b>			
<b>Air Quality Management</b>			
Salaries	348,849	-	348,849
Benefits	173,693	-	173,693
Air Monitoring	932	-	932
H & S Mitigation	-	84,600	84,600
AB 2776 Grants	-	332,600	332,600
Carl Moyer Diesel	-	179,761	179,761
Timber Program	-	24,720	24,720
EPA Target Grant - Wood St.	-	214,437	214,437
Professional Fees	65,276	-	65,276
Communications	17,290	-	17,290
Travel	12,214	-	12,214
Office	8,033	-	8,033
Rent and Utilities	42,746	-	42,746
Repairs and Maintenance	-	-	-
Dues and Subscriptions	3,258	-	3,258
Insurance	1,509	-	1,509
Capital Outlay	12,603	-	12,603
Miscellaneous	6,383	(211)	6,172
<b>Total Expenditures</b>	<b>692,786</b>	<b>835,907</b>	<b>1,528,693</b>
Revenue Over (Under) Expenditures	264,799	(2,287)	262,512
Fund Balance, July 1	748,645	669,840	1,418,485
<b>Fund Balance, June 30</b>	<b>\$ 1,013,444</b>	<b>\$ 667,553</b>	<b>\$ 1,680,997</b>

The accompanying notes are an integral part of this statement.

NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUE AND EXPENDITURES  
 TO THE STATEMENT OF ACTIVITIES  
 JUNE 30, 2018

Net Changes in fund balances - total governmental funds \$ 262,512

Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:

The depreciation of capital assets used in governmental activities is not reported in the funds.	(31,870)
Other Post-Employment Benefits are reported as the amount earned in the SOA but as the amount paid in the funds.	(30,708)
Capital Outlays are not reported as expenses in the SOA	12,603
Pension Expenditures used in governmental activities are not reported in the funds	(97,068)
Changes in net position of governmental activities - statement of activities	<u><u>\$ 115,469</u></u>

NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

1. Reporting Entity

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

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

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

NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

The District reports the following major governmental funds:

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

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

b. Measurement Focus, Basis of Accounting

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



**NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

**3. Assets, Liabilities, and Equity**

**a. Deposits & Investments**

Cash is composed of the following amounts as of June 30, 2018:

	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
Cash on hand and in banks	\$ -	\$ 142,191	\$ 142,191
Cash in Nevada County Treasury	1,074,318	802,055	1,876,373
<b>Total Cash and Investments</b>	<b>\$ 1,074,318</b>	<b>\$ 944,246</b>	<b>\$ 2,018,564</b>

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

NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018

Nearly all cash at June 30, 2018 is pooled for investment purposes and held by Nevada County. Interest is apportioned quarterly to the District based on the average daily balances on deposit with the County of Nevada. The Nevada County Treasury is an external investment pool for the District and the District is considered an involuntary participant. The investments made by the Treasurer are regulated by the California Government Code and by the County's investment policy, however, the County's investment pool is not rated by a nationally recognized rating agency. By limiting its investments to the Nevada County Treasurers' investment pool, managed in accordance with the California Government Code, the District minimizes its exposure to custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

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

b. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$1,000 is used.

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

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

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

c. Receivable and Payable Balances

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

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

NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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

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 position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item that qualifies for reporting in this category, unavailable amounts from the District portion of PERS pension earnings.

e. Compensated Absences

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

f. Budgetary Accounting

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

g. Use of Estimates

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

NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

h. Components of Net Position

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

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

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

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

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

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

i. Equity Classifications

Fund balances of the governmental funds are classified as follows:

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

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

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

NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018

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

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

k. Subsequent Event Evaluation

Management has evaluated subsequent events through January 18, 2019, the date the financial statements were available to be issued.

**NOTE 2 – COMPLIANCE AND ACCOUNTABILITY**

1. Finance-Related Legal and Contractual Provisions

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

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

2. Deficit Fund Net Assets of Individual Funds

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

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
Unrestricted Net Position	\$718,205	The deficit is largely due to OPEB and Pension liabilities.

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NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018

**NOTE 3 -- CAPITAL ASSETS**

A summary of changes in fixed assets follows:

	Balance <u>06/30/17</u>	<u>Additions</u>	<u>Dispositions</u>	Balance <u>06/30/18</u>
Furniture	\$ 72,665			\$ 72,665
Equipment	259,349	12,603		271,952
Vehicles	101,662			101,662
	<u>433,676</u>	<u>12,603</u>	-	<u>446,279</u>
Accumulated Depreciation	<u>(294,503)</u>	<u>(31,870)</u>		<u>(326,373)</u>
Property, Plant and Equipment, Net	<u>\$ 139,173</u>	<u>\$ (19,267)</u>	<u>\$ -</u>	<u>\$ 119,906</u>

Depreciation was charged to functions as follows:

Air Quality Management                      \$31,870

**NOTE 4 -- LONG TERM DEBT**

Long Term Debt is summarized as follows:

	Balance <u>06/30/17</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>06/30/18</u>
Other Post Employment Benefits	\$ 416,993	\$ 467,071	-	\$ 884,064
Compensated Absences	56,065			56,065
Net Pension Liability	925,584	131,788		1,057,372
Total Debt Payable	<u>\$ 1,398,642</u>	<u>\$ 598,859</u>	<u>\$ -</u>	<u>1,997,501</u>
Less Current Portion				-
Long Term Portion of Debt Payable				<u>\$ 1,997,501</u>

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NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018

NOTE 5 – EXCESS OF EXPENSES OVER APPROPRIATIONS

<u>Appropriations Category</u>	<u>Amount</u>
General Fund:	
Travel	\$ 714
Office	\$ 333

Travel and office exceeded budget due to unanticipated expenditures.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

Litigation

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

State and Federal Allowances, Awards, and Grants

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

NOTE 7 – RISK MANAGEMENT AND LITIGATION

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and customers; and natural disasters. The District has managed these risks by obtaining coverage from commercial insurance companies as well as providing employee education and prevention programs. All risk management activities are accounted for in the General Fund. Expenses and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported are considered.

The District's attorney estimates that the amount of actual or potential claims against the District as of June 30, 2018 will not materially affect the financial condition of the District. Therefore, the funds contain no provision for estimated claims. Information relating to an analysis of claims activities for the year was not available.

NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 8 – PENSION PLAN

Plan Description

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

Contributions

The contribution requirements of the Plan are established by Section 20814(c) of the California Public Employees' Retirement Law, which requires that employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. For the measurement period ended June 30, 2018 the active employee contribution rate was 7% of annual pay, and the Districts contribution rate was 9.58%. Contributions to the pension plan from the District were \$73,545 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a net pension liability of \$1,057,372 for its proportionate share of the total net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The District's proportion of the net pension liability was based on the District's contributions received by the pension plan relative to the total contributions received by the pension plan for all participating employers as of June 30, 2018. Based upon this information, the District's proportion was .02682%.

For the year ended June 30, 2018, the District recognized pension expense of \$108,089. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:



NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in Assumptions	\$ 149,713	\$ -
Differences between Expected and Actual Experience		(17,408)
Differences between Projected and Actual Investment Earnings	36,654	
Differences between Employer's Contributions & Proportionate Share of Contributions		(13,985)
Change in Employer's Proportion	14,012	
Pension Contributions made Subsequent to Measurement Date	73,545	
Total	\$ 273,924	\$ (31,393)

\$73,545 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Period Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	40,400
2020	94,537
2021	55,812
2022	(21,762)
Total	\$ 168,987

**NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Discount Rate:	7.15%
Inflation:	2.75%
Salary Increases:	Varies by Entry Age and Service
Investment Rate of Return:	7.50% net of Pension Plan Investment and Administrative Expenses
Mortality Rate Table:	Derived using CalPERS Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

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

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

<sup>1</sup>An expected inflation of 2.5% used for this period

<sup>2</sup>An expected inflation of 3.0% used for this period

NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

**NOTE 9- POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

The District provides certain postretirement healthcare benefits, as established by board policy, to eligible employees through a single-employer plan governed by the Public Employees' medical & Hospital Care Act (PEMHCA) and administered by the District. The Plan is a single-employer defined benefit OPEB plan. Employees may receive this benefit until they reach Medicare age. Employees are eligible for this benefits after attaining the age of 55 with at least 10 years of service to the District. Benefits are provided by CalPERS in exchange for premiums paid by the District up to \$9,600 per year. Employees hired after July 1, 2014 are not eligible for District paid premiums. The plan does not issue a standalone report.

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

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

a. Funding Policy

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

At June 30, 2018, the following retirees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	3
Active Employees	<u>4</u>
Total Number of Participants	<u>7</u>

b. Total OPEB Liability

The District's total OPEB liability of \$884,064 was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018

*Actuarial Assumption and Other Inputs*

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumption and other inputs, applied to all periods including in the measurement unless otherwise specified.

Percent Married	50%
Salary Increases	3.00%
Discount Rate	3.13%
Healthcare Cost Trend Rates	6% for 2017, 5% for every year thereafter
Dental + Vision Cost Trend Rate	4.00%
Age Adjustment Factor	3.00%

*Discount Rate*

GASB 75 requires a discount rate that reflects the following:

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

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

Long-Term Expected Return of Plan Investments	4.00 %
Municipal Bond 20- Year High Grade Rate Index	3.13%

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

**NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

*Schedule of changes in Net OPEB Liability*

<b>Total OPEB Liability</b>	
Service Cost	\$ 28,250
Interest	26,337
Changes of benefit terms	0
Difference between expected and actual experience	0
Changes of assumptions	0
Benefit Payments	(23,776)
<b>Net Change in total OPEB liability</b>	<u>30,811</u>
<b>Total OPEB liability- beginning (a)</b>	<u>853,253</u>
<b>Total OPEB liability- ending (b)</b>	<u>\$ 884,064</u>
<b>Plan Fiduciary Net Position</b>	
Contributions – employer *	\$ 23,776
Net Investment Income	0
Benefit Payments	(23,776)
Administrative expenses	0
<b>Net Change in plan fiduciary net positions</b>	<u>0</u>
<b>Plan fiduciary net position – Beginning (c)</b>	<u>0</u>
<b>Plan fiduciary net position – ending (d)</b>	<u>\$ 0</u>
<b>Net OPEB liability- beginning (c) – (a)</b>	<b>\$ 853,253</b>
<b>Net OPEB liability- ending (d) – (b)</b>	<b>\$ 884,064</b>

\*Amount includes implicit subsidy associated with benefits paid.

*Sensitivity of the net OPEB liability to changes in the discount rate.* The following presets the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1- percent point lower (2.13 percent) or 1- percentage- point higher (4.13 percent) than the current discount rate:

	1% Decrease <u>(2.13%)</u>	Discount Rate <u>(3.13%)</u>	1% Increase <u>(4.13)</u>
Net OPEB Liability (asset)	\$ 1,001,038	\$ 884,064	\$ 787,233

*Sensitivity of the net OPEB liability to change in the healthcare cost trend rates.* The following presents the net OPEB liability, as well as what net OPEB liability would be if it were calculated

NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018

using healthcare cost trend that are 1- percentage-point lower (5.300 percent decreasing to 4.0 percent) or 1- percentage- point higher (7.00 percent decreasing to 6.0 percent) than the current healthcare cost trend rates:

	1% Decrease (5.0% Decreasing to <u>4.00%</u> )	Trend Rate (6.00% decreasing To <u>5.00%</u> )	1% Increase (7.00% decreasing to <u>6.00%</u> )
Net OPEB liability (assets)	\$ 783,255	\$ 884,064	\$ 1,005,184

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

For the year ended June 30, 2018, the District recognized OPEB expense of 78,260. At June 30, 2018 the District report deferred outflows of resources related to the following sources:

Contributions made subsequent to measurement date	<u>Deferred outflow of Resources</u> \$ 23,776
---	---

At June 30, 2018, the District did not report any deferred inflows of resources relating to OPEB. Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense during the fiscal year ending June 30, 2019.

d. Changing in Accounting Principle and Prior Period Adjustment

In June 2015 The GASB Issued Statement NO. 75 Accounting and Reporting for Postemployment Benefits Other Than Pensions (OPEB) which is effective for fiscal year beginning after June 15, 2017. The District has Implemented the provisions of this of this Statement for the year ended June 30, 2018.

The Statement requires numerous new OPEB disclosures in the notes to the financial statements and three new 10-year schedules as required supplementary information. Also, for the first time the District is required to recognize OPEB expense, report deferred outflows of resources and deferred inflows of resources related to OPEB and a net OPEB liability for its proportionate shares of the collective OPEB expense. The reporting of these new amounts on the government-wide financial statements, along with the effect of the restatement of the beginning net position will affect the District's government- wide net position as follows:

**NORTHERN SEIRRA AIR QUALITY MANAGEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

	June 30,2017 Net Position as Previously <u>Stated</u>	<u>GASB 75 Restatement</u>	June 30, 2017 Net Position as Restated
Government Activities	\$ 366,372	\$ 412,587	\$ ( 46,215)
Total Net Position			

**NOTE 10 – COMMITTED FUND BALANCE**

As of June 30, 2018, the District through action by its board of Directors has internally committed portions of the unrestricted fund balance as follows:

Detail of Committed Fund Balance	
Other Post-Employment Benefits	\$ 150,000
Equipment Replacements / Depreciation	102,000
Leave Liability	52,000
Air Monitoring Program	60,000
Public Education Program	5,000
Contingencies	264,000
Total	<u>\$ 633,000</u>

**NOTE 11 – RELATED PARTY TRANSACTIONS**

The District's Board is made up of members of the Board of Supervisors of Nevada, Plumas, and Sierra Counties. During the fiscal year ended June 30, 2018, Nevada County contributed \$48,439, Plumas County contributed \$9,893 and Sierra County contributed \$1,602 to support the District's operations.

**NOTE 12 – JOINT POWERS AGREEMENT**

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

REQUIRED SUPPLEMENTARY  
INFORMATION



NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT  
GENERAL FUND BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive / (Negative)
	Original Budget	Final Budget		
<b>Revenue:</b>				
Permits & Fees	\$ 154,000	\$ 154,000	\$ 222,067	\$ 68,067
Intergovernmental Revenue	710,490	710,490	711,195	705
Interest Income	5,000	5,000	24,323	19,323
Other Income	1,600	1,600	-	(1,600)
<b>Total Revenue</b>	<u>871,090</u>	<u>871,090</u>	<u>957,585</u>	<u>86,495</u>
<b>Expenditures:</b>				
Air Quality Management				
Salaries	413,798	377,298	348,849	28,449
Benefits	182,381	182,381	173,693	8,688
Air Monitoring	15,000	15,000	932	14,068
Professional Fees	43,000	65,500	65,276	224
Communications	15,000	17,500	17,290	210
Travel	8,500	11,500	12,214	(714)
Office	7,700	7,700	8,033	(333)
Rent and Utilities	35,540	43,540	42,746	794
Repairs and Maintenance	3,500	3,500	-	3,500
Dues and Subscriptions	3,450	3,450	3,258	192
Insurance	8,000	8,000	1,509	6,491
Capital Outlay	35,430	27,000	12,603	14,397
Miscellaneous	10,520	11,020	6,383	4,637
<b>Total Expenditures</b>	<u>781,819</u>	<u>773,389</u>	<u>692,786</u>	<u>80,603</u>
<b>Revenue Over (Under) Expenditures</b>	<u>\$ 89,271</u>	<u>\$ 97,701</u>	264,799	<u>\$ 5,892</u>
<b>Fund Balance, July 1</b>			<u>748,645</u>	
<b>Fund Balance, June 30</b>			<u>\$ 1,013,444</u>	

NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT  
 RESTRICTED FUND BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive / (Negative)
	Original Budget	Final Budget		
<b>Revenue:</b>				
Intergovernmental Revenue	\$ 828,275	\$ 828,275	\$ 833,620	\$ 5,345
Interest Income	4,299	4,299	-	(4,299)
<b>Total Revenue</b>	<u>832,574</u>	<u>832,574</u>	<u>833,620</u>	<u>1,046</u>
<b>Expenditures:</b>				
Air Quality Management				
AB-2014	21,207	21,207		21,207
AB-2015	86,721	86,721		86,721
AB-2016	230,635	230,635		230,635
H & S Mitigation			84,600	(84,600)
AB 2776 Grants	225,895	225,895	332,600	(106,705)
Carl Moyer Diesel	179,584	179,584	179,761	(177)
Timber Program	24,531	24,531	24,720	(189)
AB 923	168,580	168,580	-	168,580
EPA Target Grant- Woodstove	398,400	398,400	214,437	183,963
Miscellaneous	470	470	(211)	681
<b>Total Expenditures</b>	<u>1,336,023</u>	<u>1,336,023</u>	<u>835,907</u>	<u>161,553</u>
<b>Revenue Over (Under) Expenditures</b>	<u>\$ (503,449)</u>	<u>\$ (503,449)</u>	(2,287)	<u>\$ (160,507)</u>
<b>Fund Balance, July 1</b>			<u>669,840</u>	
<b>Fund Balance, June 30</b>			<u>\$ 667,553</u>	

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

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's Proportion of the Net Pension Liability/(As:	0.010662%	0.010697%	0.010831%	0.01162%
Districts Proportionate Share of the Net Pension Liability (Asset)	\$ 1,057,372	\$ 925,584	\$ 751,272	\$ 722,829
District's Covered-Employee Payroll	\$ 364,341	\$ 390,896	\$ 369,089	\$ 396,315
District's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Employee Payroll	290.21%	236.79%	203.55%	182.39%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's total Net Pension Liability	71.71%	75.87%	78.00%	76.79%
Plan's Proportionate Share of Aggregate Employer Contributions	\$ 73,545	\$ 84,594	\$ 77,441	\$ 64,684

**Notes to Schedule:**

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

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

	Fiscal Year 2017-18	Fiscal Year 2016-17	Fiscal Year 2015-16	Fiscal Year 2014-15
Actuarially Determined Contribution	\$ 106,950	\$ 95,065	\$ 60,900	\$ 65,837
Contributions in Relation to the Actuarially Determined Contribution	(94,835)	(88,034)	(84,594)	(77,441)
Contribution Deficiency (Excess)	\$ 12,115	\$ 7,031	\$ (23,694)	\$ (11,604)
Covered Employee Payroll	\$ 364,341	\$ 390,896	\$ 369,089	\$ 396,315
Contributions as a Percentage of Covered-employee Payroll	26.03%	22.52%	22.92%	19.54%

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

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

	<u>Measurement Year Ended 2017</u>
District's proportion of the collective net OPEB liability	100%
District's proportionate share of the collective net OPEB liability	<u>\$ 884,064</u>
Total	<u>\$ 884,064</u>
District's covered-employee payroll	\$ 364,341
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	41.21%
Plan fiduciary net position as a percentage of the total OPEB liability	N/A

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

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

	Measurement Year Ended 2017
Statutorily or contractually required District contribution	\$ 54,587
Contributions recognized by OPEB in relation to statutorily or contractually required contribution	23,776
Contribution deficiency (excess)	\$ 30,811
District's covered-employee payroll	\$ 364,341
Contributions as a percentage of covered-employee payroll	14.98%

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

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**OTHER SUPPLEMENTARY INFORMATION**

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

Board of Directors  
Northern Sierra Air Quality Management District  
Grass Valley CA, 95945

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major funds of the Northern Sierra Air Quality Management District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 18, 2019.

**Internal Control over Financial Reporting**

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

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

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

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A. significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies. See findings 2018-1 and 2018-2.

### **Compliance and Other Matters**

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

### **District's Response to Findings**

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

### **Purpose of the Report**

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

Respectfully Submitted,



SingletonAuman PC  
Susanville, CA  
January 18, 2019

NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT  
COMBINED SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2018

EXECUTIVE SUMMARY

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

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

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

NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT  
COMBINED SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2018

YELLOW BOOK SECTION  
Internal Control – Significant Deficiency

**Finding 2018-1: Financial Statement Preparation**

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

In accordance with Statement on Auditing Standards No. 122 (SAS 122), the District is responsible for preparing complete and accurate financial statements, footnote disclosures, and management's discussion and analysis in accordance with Generally Accepted Accounting Principles (GAAP).

Finding (Condition):

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

Amount of Questioned Cost, How Computed and Prevalence:

None

Effect:

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

Cause:

This condition has always existed at the District, and is being reported in accordance with SAS 122.

Recommendation:

We recommend that the District hire a professional in governmental accounting on an ongoing basis, to assist in the preparation of accounting records that are accurate and in accordance with Governmental GAAP.

District's Response:

The District concurs with this finding.

NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT  
COMBINED SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2018

YELLOW BOOK SECTION  
Internal Control – Significant Deficiency

**Finding 2018-2: Lack of Segregation of Duties**

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

Yellow Book paragraphs 5.11 – 5.15 and Appendix I, SAS No. 122.

Finding (Condition):

An inadequate segregation of duties exists.

Amount of Questioned Cost, How Computed and Prevalence:

None.

Effect:

The Northern Sierra Air Quality Management District has exposure to risk of financial statement misstatement and the potential risk for fraud.

Cause:

Due to the number of personnel assigned to duties that involve access to the general ledger and other accounting records and who also have custody of and responsibility for handling cash and other assets, an inadequate segregation of duties exists.

Recommendation:

We recommend that the Northern Sierra Air Quality Management District engage an individual to report to the board and serve in a Treasurer capacity.

The control system should be designed so that one person cannot do any two of the following:

- 1) Record transactions to the general ledger
- 2) Have custody of cash (sign checks).
- 3) Authorize transactions.

District's Response:

The District concurs with this finding.

**NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
(FINDINGS FROM THE JUNE 30, 2017 AUDIT REPORT)  
JUNE 30, 2018**

**Finding 2017-1**

The District does not have policies and procedures in place to ensure that complete and accurate financial statements, and footnote disclosures prepared in accordance with GAAP prior to the annual audit. Management relies upon the auditor to recommend footnote disclosures for the financial statements and to prepare adjusting journal entries for approval in order to report financial information in accordance with GAAP.

**Status**

Partially Implemented See current year finding 2018-1.

**Finding 2017-2**

Due to the number of personnel assigned to duties that involve access to the general ledger and other accounting records and who also have custody of and responsibility for handling cash and other assets, an inadequate segregation of duties exists.

**Status**

Partially implemented. See current year finding 2018-2

NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT  
CORRECTIVE ACTION PLAN  
JUNE 30, 2018

**Person Monitoring Corrective Action Plan**  
Gretchen Bennett, Air Pollution Control Officer

**Finding 2018-1: Financial Statement Preparation**

Finding (Condition)

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

Corrective Action Planned

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

Expected Completion Date

Ongoing.

**Finding 2018-2: Lack of Segregation of Duties**

Finding (Condition)

Due to the number of employees an inadequate segregation of duties exists.

Corrective Action Planned

The District will consider supplementing policies and procedures to mitigate this deficiency.

Expected Completion Date

Ongoing.

**To:** Northern Sierra Air Quality Management District Board of Directors  
**From:** Gretchen Bennett, Air Pollution Control Officer  
**Date:** March 25, 2019

**Agenda Item: IV.B**

**Agenda Description:** FARMER Resolution and Contract

**Issues:**

California's state legislature allocated \$35 million to the California Air Resources Board (CARB) from Fiscal Year 2017-2018 through Assembly Bill 134 and 109. CARB staff developed the Funding Agricultural Reduction Measure for Emission Reductions (FARMER) Program to meet the Legislatures objectives and help meet the State's criteria, toxic and greenhouse gas emission reduction goals.

The Shared Allocation Pool is specifically designated for 18 Air Districts with less than one percent of the statewide agricultural equipment emissions inventory, to ensure farmers in those Districts have the opportunity to access FARMER funding and to streamline the implementation of the FARMER program. The pooled funding consists of \$4.8 million for equipment and project related costs and \$752,000 for project implementation costs.

The Pool will be managed by the Placer County Air Pollution Control District (Placer APCD) and the California Air Pollution Control Officers Association (CAPCOA) in accordance with the grant provisions outlined in the agreement between CARB and Placer APCD and provisions outlined in the subsequent agreement between CAPCOA and Placer APCD.

Placer APCD will enter into independent contracts with participating Districts and will inform CAPCOA as Districts have entered into such contracts. CAPCOA will initiate evaluation of project applications and will recommend eligible projects for funding only to Districts that meet the minimum requirements. Placer APCD will review the list of recommended projects for accuracy and cost-effectiveness and will contact participating Districts regarding project awards.

Once the selection process has been completed and the participating District chooses to accept the project, the full responsibility for the project contract, project completion and related responsibilities as contained in the relevant guidelines rests solely with the participating air district. This includes notification to the applicant of the award and providing the applicant with a timeline for project execution and completion. Project funding is provided directly to the participating District by Placer APCD.

Status as of March 8, 2019 - CAPCOA submitted a list of recommended projects to Placer APCD for review. The Northern Sierra Air District has one project on the recommended list for Placer APCD to review – a tractor replacement for Rancher, Dave Goicoechea of Sierra County. Placer has reported that they have approved the project.

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**Requested Action:**

1. Authorize the Executive Director to enter into a memorandum of agreement with Placer County Air Pollution Control District.
2. Authorize the Executive Director to accept funding from Placer County Air Pollution Control District for use within the FARMER program.

**ROLL CALL VOTE REQUESTED**

**Attachments:**

1. Memorandum of Agreement between Placer County Air Pollution Control District and Northern Sierra Air Quality Management District FARMER program Fiscal Year 2017-2018 appropriation
2. Resolution 2019-02, In the Matter of Granting Authority to the Northern Sierra Air District to Accept Funds for Implementing FARMER Shared Pool from Placer Air Pollution Control District.

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**MEMORANDUM OF UNDERSTANDING  
BETWEEN THE  
PLACER COUNTY AIR POLLUTION CONTROL DISTRICT  
AND THE Northern Sierra Air Quality Management District  
FARMER PROGRAM  
FISCAL YEAR 2017-18 APPROPRIATION**

WHEREAS; California's agricultural industry consists of approximately 77,500 farms and ranches, providing over 400 different commodities, making agriculture one of the State's most diverse industries. Producers, custom operators, first processors, and rental companies own and operate approximately 160,000 pieces of off-road, diesel-fueled, mobile agricultural equipment statewide, in addition to stationary equipment, and on-road vehicles used in agricultural operations. Even with increasingly more stringent emission standards on engine manufacturers, emissions from these vehicles and equipment are a significant source of air pollution. Reducing these emissions is necessary to meet federal ozone and particulate matter air quality standards.

WHEREAS; In recognition of the strong need and this industry's dedication to reducing their emissions, the State Legislature allocated \$135 million to the California Air Resources Board (CARB) from Fiscal Year (FY) 2017-18 through Assembly Bill (AB) 134 (Committee on Budget, Chapter 254, Statutes of 2017) and AB 109 (Ting, Chapter 249, Statutes of 2017). The Legislature directed the use of the monies to "reduce agricultural sector emissions by providing grants, rebates, and other financial incentives for agricultural harvesting equipment, heavy-duty trucks, agricultural pump engines, tractors, and other equipment used in agricultural operations."

WHEREAS; CARB has created a Shared Allocation Pool of funding that is specifically designated for the 18 Air Quality Management and Air Pollution Control Districts (Districts) with less than one percent of the statewide agricultural equipment emissions inventory, to ensure farmers in those Districts have the opportunity to access FARMER funding and to streamline the implementation of the FARMER Program.

WHEREAS; the Pool will be managed by Placer County Air Pollution Control District (Placer APCD) and the California Air Pollution Control Officers Association (CAPCOA) in accordance with the grant provisions outlined in the agreement between the California Air Resources Board (CARB) and Placer APCD and provisions outlined in the subsequent agreement between CAPCOA and Placer APCD.

WHEREAS; Northern Sierra Air Quality District (District) would like to participate within the FARMER Program;

NOW, THEREFORE, in consideration of the terms, conditions and covenants set forth herein, and for other good and valuable consideration, receipt of which is hereby acknowledged, the Parties agree as follows:

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## AGREEMENT

### Section I Terms and Conditions

1. Participation in the Program. The District agrees to abide by any applicable terms and commitments of the Placer County FARMER Policies and Procedures Manual (PPM), as attached hereto as Exhibit A and as may be amended from time to time, and agrees to all applicable provisions within the FARMER Program Guidelines, including all oversight responsibilities identified in the Farmer Program Guidelines, any future Program Advisories and Mail-Outs, developed by CARB, which can be found at: <https://ww2.arb.ca.gov/our-work/programs/farmer-program>
2. Project Fund Requirements. Project funds must be used for new, eligible vehicle, equipment, engine, or retrofit purchases; scrap costs for the equipment being replaced; supporting infrastructure; and any other equipment-related expenses necessary to implement FARMER Program-eligible projects as described in the two documents referenced in Section 1.
3. Submittal of Applications. The District will provide CAPCOA with application(s) for consideration for funding. Regardless of source of application (Moyer RAP, District submitted, new submission), equipment quotes may be no more than 6 months old at time of application. Equipment quotes may be updated at the request of the District, the applicant or CAPCOA if a substantial change in price has occurred or if the applicant would like to update their application. Project applications must include documentation of existing engine usage, such as miles traveled, hours operated, fuel consumed per year, or maintenance records, for 24 months or as specified in the FARMER guidelines by source category.
4. Agreement with Project Selection Criteria. The District understands and agrees to the project selection process described within the PPM as attached.
5. Project Funding. Placer APCD will only fund projects after the Districts demonstrate they have properly established the FARMER program and upon execution of this Agreement.
6. Contracts with Project Awardees. The District will enter into written contracts with project applicants that require compliance with project fund requirements, as well as all other requirements within this Agreement.
7. Program Inspection Requirements. A pre-inspection, post-inspection, and verification of destruction inspection must be completed prior to funding a project, when applicable as described within the PPM. An Inspection Report shall be used to document such inspections. All inspection reports and photos will be maintained in the project file both digitally and in hard copy. Digital photos will be kept in the .jpeg file format and hard copy photos will be in color and be no less than a quarter sheet of paper in size. Photos should be clear and legible to the best extent possible.
8. Program Reporting Requirements. Participating Districts are required to provide Placer APCD with quarterly updates on all projects funded through the FARMER Program. CAPCOA and Placer APCD will collaborate to create a reporting template for participating Districts, which should include the

project implementation funds not needed for project implementation may be transferred to project funds upon CARB's written approval. Any program funds not fully expended by the end of the grant term must be immediately returned to Placer APCD.

13. Availability of Documentation. All documentation, records, and referenced materials must be made available for review during monitoring visits and audits by CARB, Placer APCD, or their designee. These records must be retained for the life of the projects funded under this grant. Participating Districts must mail original copies of project applications with "wet" signatures in blue ink to the Placer APCD Liaison. Requests for payment must be made consistent with FARMER Guidelines and this PPM and include all documentation required by CAPCOA and Placer APCD. After the initial grant disbursement request, the participating Districts must include an attachment that documents ongoing expenditures of previously disbursed project and project implementation funds with each subsequent grant disbursement request. Backup documentation for administrative funds may include items listed in the PPM.
14. Maintenance of Grant Funds by District. Participating District shall place all received funds in an interest-bearing account and track interest accrued as described in Section XV, Interest Accrual. Participating Districts are highly encouraged to expend all funds within 12 months of receipt. The participating District must maintain accounting records (e.g., general ledger) that track interest earned, expended, or returned on the project funds, as specified in the PPM.
15. Invoicing procedure. After contract execution and once conditions for funding are met, the program participant must submit an original invoice requesting payment, including copies of all associated invoices related to project expenditures. Other specifics about invoicing must be followed as described in the applicable Section of the PPM.
16. Accounting Records Maintenance. The participating District must maintain accounting records (e.g., general ledger) that track interest earned, expended, or returned on the project funds, as described within the applicable Section of the PPM.
17. Disputes. If any dispute arises about the analysis used to select projects, they shall first be attempted to be resolved between the APCO of the District and Placer County APCD. The District shall continue with the responsibilities under this grant agreement during any dispute. District staff or management may work in good faith with CARB staff or management to resolve any disagreements or conflicts arising from implementation of this grant agreement. However, any disagreements that cannot be resolved at the management level within 30 days of when the issue is first raised with CARB staff shall be subject to resolution by the CARB Executive Officer, or his designated representative. Nothing contained in this paragraph is intended to limit any rights or remedies that the parties may have under law.
18. Computer Licenses. The District certifies that it has appropriate systems and controls in place to ensure that State funds will not be used in the performance of this grant agreement for the acquisition, operation, or maintenance of computer software in violation of copyright laws.

implementation status of any FARMER projects awarded funding, along with any implementation costs. These updates will be facilitated by CAPCOA at least 45 days prior to Placer APCD's quarterly reporting deadline to CARB.

Participating Districts are also required to report information on all projects funded through the FARMER Program on an annual basis, if those projects last over one year, consistent with the PPM. Districts are required to report project information in the FARMER Benefits Calculator Tool. More specifically, reported information must be sufficient to populate the required data fields and to calculate covered emission reductions and cost-effectiveness for equipment types where required. Districts will ensure the reported information is complete, correct, and supported by documentation. See the PPM for more reporting requirements.

9. Successful Project Implementation. The participating District must take appropriate action to ensure emission reductions are realized for engines, equipment, vehicles, as well as usage for infrastructure projects. Except for projects in which usage is not required to be specified in the contract, when average usage over a three year period for a contracted engine, equipment, or vehicle is less than 70 percent of the activity required in the contract, the District may choose, but is not limited to, the options listed within the PPM to address any underutilization.
10. Program Outreach and Solicitation. In coordination with Placer APCD and CAPCOA, participating Districts will be responsible for creating outreach materials and conducting public outreach regarding the FARMER Program as described in the PPM. Public outreach may be conducted to vehicle dealers, fleets, and agricultural end users necessary for the project to be successful, including robust outreach in disadvantaged communities, if such communities are located within the District. Outreach could include the development and distribution of outreach materials, hosting public workshops or meetings, and targeted outreach and assistance for small growers. Content of materials could include, but are not limited to, information on program availability, application materials, and pertinent deadlines.
11. District Matching Funds. Funds other than Moyer Program grant funds and AB 923 funds may be used to co-fund FARMER Program eligible projects, when all program criteria associated with each funding source are met. Funding sources, eligibility of funds, and co-funding procedures can be found in the CARB Moyer Guidelines.
12. Redirection of Funds. CARB and Placer APCD reserve the right to redirect funds from a participating District and reallocate such funds to other Districts, if a District informs Placer APCD in a written letter that it will not be able to meet expenditure deadlines, or if it is found that the approved project did not meet funding requirements.
  - a. In the event of non-performance or termination, CARB and Placer APCD shall require full recovery of the unspent funds by transfer upon the participating District's accounts. The District must provide fund transfer information within 45 days upon receipt of notice.
  - b. In no event shall the participating District receive reimbursement for costs that exceed the maximum project implementation funding amount. Any

## Section II CARB Flow Down Provisions

1. CARB Termination. CARB reserves the right to terminate the FARMER Program upon thirty days written notice to Placer APCD. If this occurs, Placer APCD will immediately notify the District, who must return remaining funds, including any earned interest, immediately.
2. CARB Grant Suspension Order. CARB reserves the right to issue a grant suspension order in the event that a dispute should arise. If Placer receives such an order, it will notify the District and the grant suspension order will be in effect until the dispute has been resolved or the grant has been terminated. If the District chooses to continue work on the project after receiving a grant suspension order, the District will not be reimbursed for any expenditure incurred during the suspension in the event CARB terminates the grant. If CARB rescinds the suspension order and does not terminate the grant, CARB at its sole discretion will reimburse Placer APCD for any expenses incurred by the participating districts during the suspension that CARB deems reimbursable in accordance with the terms of the grant.
3. Right to Audit. CARB or its designee, including but not limited to Placer APCD, reserve the right to audit at any time during the duration of this grant the Districts' costs of performing the grant and to refuse payment of any reimbursable costs or expenses that in the opinion of CARB or its designee are unsubstantiated or unverified. The Districts shall cooperate with CARB or its designee including, but not limited to, promptly providing all information and documents requested, such as all financial records, documents, and other information pertaining to reimbursable costs, and any matching costs and expenses.
4. Fraud. CARB or its designee may recoup funds which were received based upon misinformation or fraud, or for which a District, manufacturer or project participant is in significant or continual non-compliance with the terms of this grant or State law. CARB also reserves the right to prohibit any entity from participating in the FARMER Program, due to non-compliance with project requirements.
5. Availability of Funds. CARB and Placer APCD's obligations under this grant agreement are contingent upon the availability of funds. In the event funds are not available, the State shall have no liability to pay any funds whatsoever to the District or to furnish any other considerations under this grant agreement.
6. State Audits. The District agrees that CARB, the Department of General Services, Department of Finance, State Controller's Office, the Bureau of State Audits, or their designated representative shall have the right to review and to copy any records and supporting documentation pertaining to the performance of this grant and all State funds received. The District agrees to maintain such records for possible audit for the life of the projects funded

under this grant, unless a longer period of records retention is stipulated. The District agrees to allow the auditor(s) access to such records during normal business hours and to allow interviews of any employees who might reasonably have information related to such records. Further, the District agrees to include similar right of the State to audit records and interview staff in any subgrant or subcontract related to performance of this agreement

### Section III General Provisions

1. Amendment: No amendment or variation of the terms of this grant agreement shall be valid unless made in writing, signed by the parties and approved as required. No oral understanding or agreement not incorporated in the grant agreement is binding on any of the parties.
2. Assignment: This grant is not assignable by the District, either in whole or in part, without the consent of CARB in the form of a formal written amendment.
3. Compliance with law, regulations, etc.: The District agrees that it will, at all times, comply with and require its contractors and subcontractors to comply with all applicable federal and State laws, rules, guidelines, regulations, and requirements.
4. Confidentiality: Except as otherwise required by law, no record which has been designated as confidential by CARB, CAPCOA, or Placer APCD shall be disclosed by the District.
5. Conflict of interest: The District certifies that it is in compliance with applicable State and/or federal conflict of interest laws. The District may have no interest, and must not acquire any interest, direct or indirect, which will conflict with its ability to impartially complete the tasks described herein. The District must disclose any direct or indirect financial interest or situation which may pose an actual, apparent, or potential conflict of interest with its duties throughout the grant term. CARB may consider the nature and extent of any actual, apparent, or potential conflict of interest in the District's ability to perform the grant. The District must immediately advise CARB and Placer APCD in writing for any potential new conflicts of interest throughout the grant term.
6. Environmental justice: In the performance of this grant agreement, the District shall conduct its programs, policies, and activities that substantially affect human health or the environment in a manner that ensures the fair treatment of people of all races, cultures, and income levels, including minority populations and low-income populations of the State.
7. Fiscal management systems and accounting standards: The District agrees that, at a minimum, its fiscal control and accounting procedures will be sufficient to permit tracing of grant funds to a level of expenditure adequate to establish that such funds have not been used in violation of State law or this grant agreement. Unless otherwise prohibited by State or local law, the District further agrees that it will maintain separate Project accounts in accordance with generally accepted accounting principles.

8. Force majeure: Neither Placer APCD nor the District shall be liable for or deemed to be in default for any delay or failure in performance under this grant agreement or interruption of services resulting, directly or indirectly, from acts of God, enemy or hostile governmental action, civil commotion, strikes, lockouts, labor disputes, fire or other casualty, etc.
9. Governing law and venue: This grant is governed by and shall be ~~interpreted~~ in accordance with the laws of the State of California. Placer APCD and the District hereby agree that any action arising out of this grant agreement shall be filed and maintained in the Superior Court in and for the County of Placer, California, or in the United States District Court in and for the Eastern District of California. The District hereby waives any existing sovereign immunity for the purposes of this grant agreement.
10. District's responsibility for work: The District shall be responsible for work and for persons or entities engaged in work, including, but not limited to, contractors, subcontractors, suppliers, and providers of services. The District shall be responsible for any and all disputes arising out of its contract for work on the Project, including but not limited to payment disputes with contractors, subcontractors, and providers of services. The State will not mediate District disputes concerning responsibility for performance of work.
11. Indemnification: The District agrees to indemnify, defend and hold harmless Placer APCD and its Board, officers, employees, agents, representatives, and successors-in-interest against any and all liability, loss, and expense, including reasonable attorneys' fees, from any and all claims for injury or damages arising out of the performance by the District, and out of the operation of equipment that is purchased with funds from this grant award.
12. Independent Contractor: The District, and its agents and employees, if any, in their performance of this grant agreement, shall act in an independent capacity and not as officers, employees or agents of CARB.
13. Nondiscrimination: During the performance of this grant agreement, the District and its third party entities shall not unlawfully discriminate, harass, or allow harassment against any employee or applicant for employment because of sex, race, color, ancestry, religious creed, national origin, physical disability (including HIV and AIDS), mental disability, medical condition (e.g., cancer), age (over 40), sexual orientation, marital status, or allow denial of family care leave, medical-care leave, or pregnancy-disability leave. The District and its third party entities shall ensure that the evaluation and treatment of their employees and applicants for employment are free from such discrimination and harassment. The District and its third party entities shall comply with the provisions of the Fair Employment and Housing Act (Gov. Code §12990 (a-f) et seq.) and the applicable regulations promulgated thereunder (California Code of Regulations, Title 2, Section 7285 et seq.). The applicable regulations of the Fair Employment and Housing Commission implementing Government Code Section 12990 (a-f), set forth in Chapter 5 of Division 4 of Title 2 of the California Code of Regulations, are incorporated into this Agreement by reference and made a part hereof as if set forth in full. The District and

its third party entities shall give written notice of their obligations under this clause to labor organizations with which they have a collective bargaining or other agreement. The District shall include the nondiscrimination and compliance provisions of this clause in all subcontracts to perform work under this grant agreement.

14. No Third Party Rights: The parties to this grant agreement do not create rights in, or grant remedies to, any third party as a beneficiary of this grant agreement, or of any duty, covenant, obligation or undertaking established herein.
15. Personally Identifiable Information: Information or data, including, but not limited to, records that personally identify an individual or individuals are confidential in accordance with California Civil Code sections 1798, et seq. and other relevant State or Federal statutes and regulations. The District must safeguard all such information or data which comes into their possession under this agreement in perpetuity, and must not release or publish any such information, data, or financing assistance records.
16. Prevailing wages and labor compliance: If applicable, the District agrees to be bound by all the provisions of State Labor Code Section 1771 regarding prevailing wages. If applicable, the District shall monitor all agreements subject to reimbursement from this grant agreement to ensure that the prevailing wage provisions of State Labor Code Section 1771 are being met.
17. Professionals: For projects involving installation or construction services, the District agrees that only licensed professionals will be used to perform services under this grant agreement where such services are called for and licensed professionals are required for those services under State law.
18. Severability: If a court of competent jurisdiction holds any provision of this grant agreement to be illegal, unenforceable or invalid in whole or in part for any reason, the validity and enforceability of the remaining provisions, or portions of those provisions, will not be affected.
19. Termination: Placer APCD may terminate this grant agreement by written notice at any time prior to completion of projects funded by this grant agreement, upon violation by the District of any material provision after such violation has been called to the attention of the District and after failure of the District to bring itself into compliance with the provisions of this grant agreement.
20. Timeliness: Time is of the essence in this grant agreement. The District shall proceed with and complete the Project in an expeditious manner.
21. Waiver of Rights: Any waiver of rights with respect to a default or other matter arising under the grant agreement at any time by either party shall not be considered a waiver of rights with respect to any other default or matter. Any rights and remedies of the State provided for in this grant agreement are in addition to any other rights and remedies provided by law.

IN WITNESS WHEREOF, this Agreement has been executed by the parties hereto.



Northern Sierra AQMD  
DISTRICT

PLACER AIR POLLUTION CONTROL  
DISTRICT

Gretchen Benniff, APCO

Erik White, APCO

Date

Date



Exhibit A  
FARMER Participating District Policy and Procedures Manual



**Funding Agricultural Replacement Measures for  
Emission Reductions (FARMER)  
Shared Allocation Pool  
Policies and Procedures Manual**

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## I. Program Overview

California's agricultural industry consists of approximately 77,500 farms and ranches, providing over 400 different commodities, making agriculture one of the State's most diverse industries. Producers, custom operators, first processors, and rental companies own and operate approximately 160,000 pieces of off-road, diesel-fueled, mobile agricultural equipment statewide, in addition to stationary equipment, and on-road vehicles used in agricultural operations. Even with increasingly stringent emission standards on engine manufacturers, emissions from these vehicles and equipment are a significant source of air pollution. Reducing these emissions is necessary to meet federal ozone and particulate matter air quality standards.

In recognition of the strong need and this industry's dedication to reducing their emissions, the State Legislature allocated \$135 million to the California Air Resources Board (CARB) from Fiscal Year (FY) 2017-18 through Assembly Bill (AB) 134 (Committee on Budget, Chapter 254, Statutes of 2017) and AB 109 (Ting, Chapter 249, Statutes of 2017). The Legislature directed the use of the monies to "reduce agricultural sector emissions by providing grants, rebates, and other financial incentives for agricultural harvesting equipment, heavy-duty trucks, agricultural pump engines, tractors, and other equipment used in agricultural operations." CARB staff has developed the Funding Agricultural Reduction Measures for Emission Reductions (FARMER) Program to meet the Legislature's objectives and help meet the State's criteria, toxic and greenhouse gas (GHG) emission reduction goals. The FARMER Program Guidelines discuss the funding allocations for air districts, eligible project categories and criteria, program implementation details, and the justification for these investments.

The Shared Allocation Pool is specifically designated for the 18 Air Quality Management and Air Pollution Control Districts (Districts) with less than one percent of the statewide agricultural equipment emissions inventory, to ensure farmers in those Districts have the opportunity to access FARMER funding and to streamline the implementation of the FARMER Program. The Pool will be managed by Placer County Air Pollution Control District (Placer APCD) and the California Air Pollution Control Officers Association (CAPCOA) in accordance with the grant provisions outlined in the agreement between the California Air Resources Board (CARB) and Placer APCD and provisions outlined in the subsequent agreement between CAPCOA and Placer APCD. It should be noted that while Placer APCD will act as the overseer of this program, CARB may terminate this grant upon thirty days' written notice to Placer APCD, as stated in the Grant Agreement. CARB also reserves the right to audit Placer APCD at any time throughout the duration of this grant.

The pooled funding consists of \$4.8 million for equipment and project related costs and \$752,000 for project implementation costs.

## II. Roles and Responsibilities

Placer APCD will act as the program overseer for the Shared Allocation Pool and will be responsible for program development, such as developing application materials. Placer APCD will not impose any program requirements that are more stringent than those specified in the FARMER Program Guidelines and Mail-Outs. Placer APCD will enter into independent contracts with participating Districts and will inform CAPCOA as Districts have entered into such contracts.



CAPCOA will initiate evaluation of project applications and will recommend eligible projects for funding only to Districts that meet the minimum requirements for participation (see Section IV, Requirements for Participation). Placer APCD will review the list of recommended projects for accuracy and cost-effectiveness and will contact participating Districts regarding project awards.

Once the selection process has been completed and the participating District chooses to accept the project, the full responsibility for the project contract, project completion and related responsibilities as contained in the relevant guidelines rests solely with the participating District, not with CAPCOA or Placer APCD. This includes notification to the applicant of the award and providing the applicant with a timeline for project execution and completion. Project funding is provided directly to the participating District by Placer APCD.

Placer APCD will be responsible for ensuring projects are adequately monitored in regards to the expenditure of funds. Placer APCD will also maintain project records and meet with CARB quarterly to review progress.

### **III. Program Timeline**

Placer APCD will enter into independent contracts with participating Districts and will inform CAPCOA as Districts have entered into such contracts. Districts must enter into such contracts before their project(s) may receive funding, but they may submit project applications for review by CAPCOA before such a contract is complete.

Project applications must be received by CAPCOA no later than November 30, 2018 to be considered for first round funding. On or before January 15, 2019, CAPCOA will provide a list of projects recommended for immediate funding to Placer APCD.

Project applications must be received by CAPCOA no later than March 15, 2019 to be considered for second round funding. On or before May 1, 2019, CAPCOA will provide a list of projects recommended for second-round funding to Placer APCD.

On or before June 1, 2020, if necessary, CAPCOA will provide a final list of recommended projects to Placer APCD obligating any remaining funding.

The FY 2017-18 FARMER Program funds must be disbursed by CARB to Placer APCD no later than May 30, 2021 and funds must be liquidated by the participating District no later than June 30, 2021. Final disbursement requests from Placer APCD must be received by CARB no later than March 30, 2021 to ensure adequate time for processing prior to the end of the fiscal year.

Funds not liquidated by June 30, 2021 must be returned by August 15, 2021. Expenditure of project funds granted may not be reduced due to any loss incurred in an insured bank or investment account.

## IV. Requirements for Participation

### A. Eligible Air Districts

Any of the following 18 Districts may participate in the FARMER Shared Allocation Pool with Placer APCD:

Amador County APCD  
Antelope Valley AQMD  
Calaveras County APCD  
El Dorado County AQMD  
Great Basin Unified APCD  
Lake County AQMD  
Lassen County APCD  
Mariposa County APCD  
Mendocino County AQMD

Mojave County APCD  
Mojave Desert AQMD  
North Coast Unified AQMD  
Northern Sierra AQMD  
Northern Sonoma County APCD  
Placer County APCD  
Shasta County AQMD  
Siskiyou County APCD  
Tuolumne County APCD

Participating Districts on the above list must enter into contracts with Placer APCD in order for projects to be eligible for funding, but they may submit applications before such contracts are complete in order to expedite the review process. Districts must have approved 2017 Carl Moyer Program Policies and Procedures for the category of equipment in their application to receive an award.

### B. Contract Development between Placer APCD and Participating Districts

Each of the Districts that participate in this Program will be required to enter into a contract with Placer County APCD. These contracts must be executed pursuant to each District's own rules, which could allow for the APCD to sign, or require District Board Approval. Contract provisions will require that Districts are responsible for the successful implementation of the Program pursuant to this Manual, and will be subject to many of the terms and limitations of the Agreement between Placer APCD and CARB.

### C. Contract Development between a Participating District and Project Applicants

Except as otherwise stated in the most current Carl Moyer and FARMER Program Guidelines and any subsequent modules or Mail-Outs, participating Districts will be required to execute contracts with prospective grantees who will receive funds under the FARMER Program. All FARMER Program contracts must be consistent with the applicable guidelines and this Policies and Procedures Manual and must be substantive enough to fulfill all applicable guideline requirements.

## V. Project Categories

Eligible projects will include those found in the most recent Carl Moyer Program Guidelines (Moyer Guidelines) and FARMER Guidelines, including any subsequent modules and Mail-Outs (FARMER Guidelines). This includes any subsequent modules released for the FARMER or Carl Moyer Programs. Furthermore, while the current FARMER Guidelines provide a list of eligible project categories (i.e., Carl Moyer Program-eligible agricultural

projects; the Zero-Emission Agricultural UTV Project; and the Ag Trade-Up Pilot Project in the San Joaquin Valley), CARB may choose to expand this initial list as innovative, new project categories are explored. Projects categories that are added by CARB will be eligible and District staff are encouraged to keep up-to-date with new project categories if and when they are released.

Projects will not be limited by category or geographic location. The goal will be to provide at least one project to each interested District and to promote funding projects that are within and benefitting disadvantaged communities and low-income households or communities, consistent with AB 1550 (Gomez, Chapter 369, Statutes of 2016) where applicable. However, it is recognized that the number of projects currently eligible for funding within or benefiting these types of communities may be limited in some Districts. Therefore, while projects that benefit these households and communities are highly encouraged, it is not a funding requirement that FARMER projects do so.

#### **A. Heavy-Duty Agricultural Trucks**

Due to the seasonal nature of the agricultural industry, heavy-duty agricultural trucks do not typically accrue many miles, which may limit incentive funding levels for these projects through traditional incentive funding mechanisms. Additionally, many specialty trucks used in agricultural operations are more expensive due to the specialized equipment they contain. CARB staff have worked with air districts, industry representatives, and other stakeholders to develop this category that provides additional incentives necessary to help owners and operators of agricultural trucks to turn over their older heavy-duty on-road and specialty agricultural trucks.

With the exceptions of the eligibility requirements, as outlined below and in ARB's Additional FARMER Categories Mail-Out (9/24/2018)<sup>1</sup>, participants in this project category must meet all other applicable requirements for heavy-duty trucks in the FARMER Program Guidelines, 2017 Carl Moyer Program Guidelines and any future approved Guidelines, and current and future Program Advisories and Mail-Outs.

#### **Existing Agricultural Truck Requirements:**

- Existing equipment must currently be in compliance with CARB's Truck and Bus Regulation and be registered in the TRUCRS Reporting program under one of the following provisions:
  - Agricultural Vehicle Extension<sup>2</sup>
    - Low mileage agricultural vehicles shall continue to be exempt from the requirements of 13 CCR 2025(f) and (g), so long as they do not exceed: (A) 15,000 miles in a compliance year from January 1, 2017 through January 1, 2020; and (B) 10,000 miles in a compliance year from January 1, 2020 through January 1, 2023.
  - Low-Use Exemption<sup>3</sup>
    - Low-use vehicles as defined in section 13 CCR 2025(d)(40) are exempt from the requirements of section 13 CCR 2025(e) but the owner must meet reporting and record keeping requirements in accordance with sections 13 CCR 2025(r)(12) and 2025(s).

<sup>1</sup> <https://ww2.arb.ca.gov/resources/documents/farmer-program-additional-project-categories>

<sup>2</sup> For the full requirements of CARB's Agricultural Vehicle Extension, refer to 13 CCR 2025(m)(2).

<sup>3</sup> For the full requirements of CARB's Low-Use Exemption refer to 13 CCR 2025(p)(4).

- "Low-use Vehicle" means: (A) A vehicle that is operated fewer than 1,000 miles within the borders of California in the compliance year, or (B) Until January 1, 2020, a vehicle that is operated fewer than 5,000 total miles, regardless of where it is operated, in the compliance year.
- Specialty Agricultural Vehicle Extension<sup>4</sup>
  - Specialty agricultural vehicles, as defined in section 13 CCR 2025(d)(55), are exempt from the requirements of sections 13 CCR 2025(f), 13 CCR 2025(g), 13 CCR 2025(h) and 13 CCR 2025(i), until January 1, 2023.
- Trucks following the Engine Model Year Schedule<sup>5</sup> of the Truck and Bus Regulation, and that have an engine with a model year of 2007 or newer.

It should be noted that for participants required to meet a compliance deadline by January 1, 2023, participants' replacement vehicles must be in operation by December 31, 2019 in order for their project to be complete by the compliance deadline and for emissions reductions under the FARMER program to be considered "surplus."

#### Replacement Agricultural Truck Requirements:

- Replacement trucks must meet 2010 emission standards of 0.20 g/bhp-hr NOx.
- Replacement trucks must be purchased from a California dealership—no private party transactions are permitted.
- Replacement trucks must have a GVWR of 14,001 pounds or greater.
- Replacement used trucks must have less than the miles indicated below on the odometer:
  - Class 8 with a GVWR of 33,001 pounds or greater must have less than 650,000 miles
  - Class 7 with a GVWR of 26,001 – 33,000 pounds have less than 350,000 miles
  - Class 4-6 with GVWR of 14,001 – 26,000 pounds have less than 25,000 miles
- All replacement new trucks are subject to the warranty requirements in the 2017 Carl Moyer Program Guidelines.
- Replacement used trucks are not subject to warranty requirements, but the participant must ensure that the truck remains in operation for the life of the contract.

#### Eligible Costs:

- This project category would provide incentives for up to 65% of the eligible cost of a new heavy-duty agricultural truck as described in FARMER Guidelines and additional project categories. There are no cost-effectiveness requirements for this project category.
- Upgrades to new trucks that add to the cost of the truck may be eligible for funding upon determination of the participating District. Otherwise, FARMER funding may only be used to fund the 'base model' that will serve the same function as the older truck.
- Replacement trucks must comply with the requirements and standards described in the September 24, 2018 FARMER Program Additional and Modified Project

<sup>4</sup> For the full requirements of CARB's Specialty Agricultural Vehicle Extension, refer to 13 CCR 2025(m)(11).

<sup>5</sup> For the full requirements of CARB's Engine Model Year Schedule, refer to 13 CCR 2025(f) for vehicles with a GVWR 26,000 lbs or less or refer to 13 CCR 2025(g) for vehicles with a GVWR greater than 26,000 lbs.

Categories Mail-Out from CARB<sup>6</sup>.

- Glider kits do not qualify as replacement trucks under this project category.

**Project Life:**

- The maximum project life for heavy-duty agricultural trucks is 7 years.
- The minimum project life for heavy-duty agricultural trucks is 3 years.
- A project life of 5 years or the maximum possible project life allowed by regulatory deadlines will be used to calculate cost-effectiveness for ranking purposes, but this project life is not required in the participant's contract, as described in Section VIII.A of this document.

**Reporting Requirements:**

Participants must report annually to the participating District with basic information on the new truck for the project life. This information will be specified in the applicant's contract with the participating District and could include, but is not limited to:

- Current odometer reading,
- Location of new truck,
- Records of any service/maintenance performed since the last report.

**B. Zero-Emission Agricultural Utility Terrain Vehicles (UTV) Projects**

Zero-emission Ag UTV Projects may be executed using either a contract with the applicant or a voucher, as described in the modification provided in the September 24, 2018 Mail-Out from CARB<sup>7</sup>. If the voucher modification is used, requirements for pre- and post-inspections related to UTV projects are eliminated. These inspections are still required if the District chooses to use a contract. A Certification of Destruction from the dismantler or other documentation confirming that the old UTV was rendered permanently inoperable is required under either method.

In addition to vehicle eligibility criteria and participant requirements outlined in the FARMER Guidelines and subsequent Mail-Outs, the following information should be taken into account when considering Zero Emission Ag UTV Projects.

**Existing Equipment Requirements:**

- Existing equipment must be a self-propelled all-terrain vehicle (ATV) or utility terrain vehicle (UTV).
- Existing equipment must be powered by a compression-ignition engine (diesel) or spark-ignition engine (gasoline).
- Existing equipment must be operational and in-use at the time application is submitted.

**Application:**

Applicant must provide information on the existing and new UTVs to the best of their ability. Application information should include, at a minimum:

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<sup>6</sup> <https://ww2.arb.ca.gov/resources/documents/farmer-program-additional-project-categories>

<sup>7</sup> <https://ww2.arb.ca.gov/resources/documents/farmer-program-additional-project-categories>

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- Applicant name, contact information, and mailing address
- Existing equipment information
  - Equipment address
  - UTV make
  - UTV model
  - UTV model year
  - UTV VIN
  - Annual operation hours
  - Engine make
  - Engine model
  - Engine model year
  - Engine serial number
  - Horsepower rating
  - Fuel type
  - Engine tier
- Documentation of ownership, showing that the participant has been the sole owner of the existing equipment for the previous 24 months.
- Dealership contact information for the replacement equipment (e.g., name, address, phone number)
- Replacement equipment information
  - UTV make
  - UTV model
  - UTV model year
  - Horsepower rating
  - Total cost
- Dated and itemized quote for the replacement equipment
- A manufacturer's specification data sheet for the replacement equipment

**Eligible Costs:**

- This project category would provide incentives for up to 75% of the eligible cost of a new zero-emission UTV as described in FARMER Guidelines.
- Eligible costs may include base vehicle, roof, windshield, or doors as well as an extended warranty. Eligible costs do not include attachments such as winches, storage bins, plows, cab heaters, or additional batteries.

**Project Life:**

- The required project life for Ag UTVs is 3 years.
- A project life of 5 years or the maximum possible project life allowed by regulatory deadlines will be used to calculate cost-effectiveness for ranking purposes, but this project life is not required in the participant's contract, as described in Section VIII.A of this document

**Reporting Requirements:**

Participants must report annually to the participating District with basic information on the new equipment for the project life. This information will be specified in the applicant's contract with the participating District and could include, but is not limited to:

- Current hour meter reading,

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- Current odometer reading,
- Location of new UTV,
- Records of any service/maintenance performed since the last report.

## VI. Solicitation of Applications

### A. CAPCOA Website Content

In coordination with Placer APCD and CARB, CAPCOA will create a webpage providing useful information for participating Districts and applicants within those Districts. Webpage information may include, but is not limited to, the following:

- FARMER project application;
- Outreach and education materials;
- Eligibility requirements;
- Terms and conditions;
- Links to relevant guidelines;
- Frequently asked questions; and
- Contact information.

### B. Participating District Efforts

Participating Districts will be responsible for outreach efforts beyond those of the CAPCOA webpage. This could include creating outreach materials and conducting public outreach regarding the FARMER Program.

Public outreach may be conducted to vehicle dealers, fleets, and agricultural end users necessary for the project to be successful, including robust outreach in disadvantaged communities and to low-income households and communities. Outreach could include, but is not limited to, the development and distribution of outreach materials, hosting public workshops or meetings, and targeted outreach and assistance for small growers. Content of materials could include, but is not limited to, information on program availability, application materials, and pertinent deadlines.

## VII. Submission and Review of Applications

### A. Application Submission

Project applications must be consistent with this Policies and Procedures Manual, as well as the contract between the participating District and Placer APCD. Regardless of source of application (Moyer RAP, District submitted, new submission), equipment quotes may be no more than 6 months old at time of application. Equipment quotes may be updated at the request of the District, the applicant or CAPCOA if a substantial change in price has occurred or if the applicant would like to update their application.

Project applications must include documentation of existing engine usage, such as miles traveled, hours operated, fuel consumed per year, or maintenance records, for 24 months or as specified in the FARMER guidelines by source category. This information will be used to evaluate project cost-effectiveness.

Participating Districts may provide CAPCOA with applications for consideration for funding by email.

## **B. Application Review**

Upon finalization of agreement between CAPCOA and Placer County APCD to administer the FARMER Program, CAPCOA will independently evaluate each application submitted using the following procedure during each of the three funding rounds:

- **For applications submitted to the Carl Moyer Rural Assistance Program (RAP) 19 and 20 Cycle**
  - a. Review current Moyer RAP oversubscription list for Year 19 and 20 and select projects eligible for FARMER funds from Districts in the Shared Allocation Pool. Request updated information for applications as necessary.
  - b. Rank projects according to cost-effectiveness and the criteria outlined in Section VIII.
  - c. Recommend eligible projects to Placer APCD to begin the process to transfer funding for Districts to accept the projects.
- **For applications submitted to the Carl Moyer Year 20 Cycle Oversubscription**
  - a. Review unfunded project applications from the most recent Moyer Year 20 and select projects eligible for FARMER funds from Districts in the Shared Allocation Pool. Request updated information for applications as necessary.
  - b. Rank projects according to cost-effectiveness and the criteria outlined in Section VIII.
  - c. Recommend eligible projects to Placer APCD to begin the process to transfer funding for Districts to accept the projects.
- **New FARMER Solicitation**
  - a. Advertise new FARMER solicitation to participating Districts through website plus local outreach to eligible applicants from Districts.
  - b. Accept project applications from participating Districts. Review project applications, request additional information as needed, enter into applicable tracking system, etc.
  - c. Rank projects according to cost-effectiveness and the criteria outlined in Section VIII.
  - d. Recommend eligible projects to Placer APCD to begin the process to transfer funding for Districts to accept the projects.

## **VIII. Process and Schedule for Project Selection**

### **A. Ranking Projects for Selection**

Among other factors, projects will be awarded based on cost effectiveness. To determine cost effectiveness for ranking purposes, projects will initially be assigned a 5-year project life, or the maximum possible project life allowed by regulatory deadlines.

Projects with funding costs in excess of \$135,000 may be excluded if two or more projects in the District can be funded with that level of funding. However, these projects may still be funded based on a number of factors, including but not limited to:

- projects that deal with a unique equipment type;
- projects that benefit disadvantaged communities and/or low-income households or communities, consistent with AB 1550;



- projects that have high cost-effectiveness;
- projects that have a documented high rate of operation;
- projects that benefit sensitive receptors such as K-12 schools;
- projects that address a local need.

## B. Project Recommendations

All applicants recommended for funding will be contacted by CAPCOA or the participating District to determine if they are still viable projects prior to submission to Placer APCD for consideration.

Maximum funding amounts for the Carl Moyer Program-eligible projects will be based on the Moyer guidelines for the specified project category. Maximum funding amounts for the non-Moyer project categories (e.g., ag UTVs, the new ag truck category, and Trade-Up) will be based on a percentage of the vehicle/equipment/engine/repair cost, as outlined in the FARMER Guidelines.

Up to 10 percent of the available funding in each funding round will be reserved for:

- Agricultural pump electrification and infrastructure projects as described in the Moyer Guidelines,
- Heavy-duty agricultural vehicles (as defined in CARB's Truck and Bus Regulation), and
- Project categories that are not Moyer-eligible but are otherwise eligible for funding under the FARMER Program Guidelines (e.g. Zero-Emission Agricultural UTVs), including any future Program Advisories and Mail-Outs.

These projects will be ranked based on cost-effectiveness, ability to benefit disadvantaged communities and low-income households or communities, and ability to aid in geographic equity among participating Districts and will be funded in that order. It should be noted that while these projects may not necessarily have a cost-effectiveness cap, cost-effectiveness values will be calculated for ranking purposes. Projects will continue to be subject to any funding caps or other requirements as described in the Moyer and FARMER Guidelines.

Projects will be funded until the full 10% allocation is expended or until there are no more eligible projects to fund, whichever comes first. If there are not enough projects to fully allocate the 10% reserve, any remaining funds will be rolled back into the general fund for Moyer-eligible projects. CAPCOA shall provide lists of recommended projects to Placer APCD in three rounds, per the schedule below:

### Round 1

Project applications must be received by CAPCOA no later than November 30, 2018 to be considered for first round funding.

On or before January 15, 2019, CAPCOA will provide a list of projects recommended for immediate funding to Placer APCD. Round 1 funding will preferentially go to projects with a cost effectiveness of less than or equal to \$30,000/ton of emissions reductions, but the following criteria will also be taken into consideration:

- a. Projects are located within and benefitting disadvantaged communities and low-

income households or communities, consistent with AB 1550 (Gomez, Chapter 369, Statutes of 2016), where applicable.

- b. Projects aid in achieving geographic equity among participating Districts.

Placer APCD will aim to fund projects with the highest cost effectiveness first, until 60% of available funds are expended or until there are no more eligible projects to fund, whichever comes first.

### Round 2

Project applications must be received by CAPCOA no later than March 15, 2019 to be considered for second round funding.

On or before May 1, 2019, CAPCOA will provide a list of projects recommended for second-round funding to Placer APCD. CAPCOA will attempt to obligate all available project funds in this second round by recommending projects based on the following criteria:

- a. Projects are located within Districts that were not recommended for at least one award in Round 1. These projects will be funded in order of most to least cost-effective.
- b. Projects are located within and benefitting disadvantaged communities and low-income households or communities, consistent with AB 1550 (Gomez, Chapter 369, Statutes of 2016), where applicable. These projects will be funded in order of most to least cost-effective.
- c. Projects aid in achieving geographic equity among participating Districts.

### Round 3

On or before June 1, 2020, if necessary, CAPCOA will provide a final list of recommended projects to Placer APCD obligating any remaining funding. Project solicitation will be ongoing and will continue until this list can be provided.

Projects recommended for Round 3 funding will be chosen through a similar procedure as that for Round 2. Namely, recommended projects will be based on the following criteria:

- a. Projects are located within Districts that were not recommended for at least one award in Rounds 1 or 2. These projects will be funded in order of most to least cost-effective.
- b. Projects are located within and benefitting disadvantaged communities and low-income households or communities, consistent with AB 1550 (Gomez, Chapter 369, Statutes of 2016), where applicable. These projects will be funded in order of most to least cost-effective.
- c. Projects aid in achieving geographic equity among participating Districts.

## **IX. Procedures for Notification**

On the specified dates, CAPCOA will provide a list of recommended projects to Placer APCD. Placer APCD will review CAPCOA's recommendations and notify eligible Districts of their award(s).

Successful Districts will notify awardees of the status of awards and complete all work outlined in their contract with Placer APCD.

After all pooled funding has been obligated, CAPCOA or the participating District, as agreed upon, will notify applicants of their non-award status and may provide information on applicable grant programs.

## **X. Inspections**

A pre-inspection, post-inspection, and verification of destruction inspection must be completed prior to funding a project, when applicable. An Inspection Report shall be used to document such inspections. All inspection reports and photos will be maintained in the project file both digitally and in hard copy. Digital photos will be kept in the .jpeg file format and hard copy photos will be in color and be no less than a quarter sheet of paper in size. Photos should be clear and legible to the best extent possible.

### **A. Pre-Inspections**

For on-road vehicles<sup>8</sup>, off-road equipment<sup>9</sup>, zero-emission agricultural UTVs<sup>10</sup> (when applicable), and engine-related projects, pre-inspections must be conducted prior to contract execution, as described in the Moyer and FARMER guidelines. Zero-emission Agricultural UTV projects are subject to pre-inspection. There are no pre-inspection requirements for infrastructure projects.

The pre-inspection process includes taking photos of the vehicle/equipment, verifying operation as described, and ensuring that the information submitted in the applicant's application is correct. The minimum requirements for pre-inspection can be found in greater detail in the FARMER and Moyer guidelines for the project category.<sup>11</sup>

If the serial number of the engine is required by FARMER or Moyer pre-inspection guidelines but is not present or accessible, or if there is a missing engine data plate, District staff will assign a serial number to the engine and stamp that number into the engine block for future tracking.

### **B. Post-Inspections**

Post-inspections for on-road vehicles<sup>12</sup>, off-road equipment<sup>13</sup>, engine-related projects, infrastructure projects<sup>14</sup>, and agricultural UTVs (when applicable)<sup>15</sup> must occur after receipt of

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<sup>8</sup> For additional information on pre-inspection requirements specific to on-road vehicles, refer to the 2017 Carl Moyer Program Guidelines, Chapter 4, Section C.6.

<sup>9</sup> For additional information on pre-inspection requirements specific to off-road equipment, refer to the 2017 Carl Moyer Program Guidelines, Chapter 5, Section D.

<sup>10</sup> Pre-inspections are not required for UTVs purchased with a voucher. For additional information on pre-inspection requirements for zero-emission agricultural UTVs, refer to the 2017 Carl Moyer Program Guidelines, Chapter 5, Section D.4.(3).

<sup>11</sup> For additional information on pre-inspection requirements for all Moyer-eligible projects, refer to the 2017 Carl Moyer Program Guidelines, Chapter 3, Section W.

<sup>12</sup> For additional information on pre-inspection requirements specific to on-road vehicles, refer to the 2017 Carl Moyer Program Guidelines, Chapter 4, Section C.6.

<sup>13</sup> For additional information on post-inspection requirements specific to off-road equipment, refer to the 2017 Carl Moyer Program Guidelines, Chapter 5, Section D.

<sup>14</sup> For additional information on post-inspection requirements for infrastructure projects, refer to the 2017 Carl Moyer Program Guidelines, Chapter 10, Section J.

<sup>15</sup> Post-inspections are not required for UTVs purchased with a voucher.

an invoice but prior to District final reimbursement for the project, as described in the Moyer guidelines<sup>16</sup>.

For vehicle/equipment post-inspections, District FARMER staff is to verify that the replacement vehicle, equipment, and engine listed in the contract was purchased. For vehicle and equipment replacement projects, inspections will occur at the dealership or at some designated location prior to the program participant taking delivery. District FARMER staff shall take photos of the replacement vehicle/equipment/engine as described in the FARMER and Moyer guidelines.

Post-inspections are not required for zero-emission agricultural UTVs purchased with a voucher. However, they must be made available for post-inspection by the participating District, Placer APCD, CARB, or a designee if such a request is made.

### C. Verification of Destruction

In addition to completing a post-inspection on all replacement mobile projects, District FARMER staff shall also conduct a verification of destruction inspection<sup>17</sup> for on-road vehicles<sup>18</sup> and off-road equipment<sup>19</sup> (including agricultural UTVs<sup>20</sup>) in order to ensure that the old vehicle/equipment and engines are permanently destroyed. When approved by the District, an approved dismantler/salvage yard may conduct the inspection on behalf of the District and provide the required documentation within ten days of destruction.

Dismantlers who participate in the FARMER Program must enter into a contract with the participating District prior to the destruction of any vehicles/equipment or engines.

### D. District Audits of Projects

Audits performed by trained inspection staff from the Participating District will be conducted throughout the life of a project to ensure that the project is still operational, no tampering of the engine has occurred, and the originally contracted operational mileage, fuel usage, or hours of operation are being correctly reported. At minimum, the annual auditing protocols must adhere to the Current Moyer Guidelines<sup>21</sup>.

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<sup>16</sup> For additional information on post-inspection requirements for all Moyer-eligible projects, refer to the 2017 Carl Moyer Program Guidelines, Chapter 3, Section X.

<sup>17</sup> For additional information on verification of destruction requirements for all Moyer-eligible projects, refer to the 2017 Carl Moyer Program Guidelines, Chapter 3, Section X.

<sup>18</sup> For additional information on verification of destruction requirements specific to on-road vehicles, refer to the 2017 Carl Moyer Program Guidelines, Chapter 4, Section C.6.

<sup>19</sup> For additional information on verification of destruction requirements specific to off-road equipment, refer to the 2017 Carl Moyer Program Guidelines, Chapter 5, Section D.

<sup>20</sup> For additional information on pre-inspection requirements for zero-emission agricultural UTVs, refer to the 2017 Carl Moyer Program Guidelines, Chapter 5, Section D.4.(4).

<sup>21</sup> For additional information on District Audits of Projects, refer to the 2017 Carl Moyer Program Guidelines, Chapter 3, Section AA.

## **XI. District Project Files**

### **A. Required Documentation**

Participating Districts are required to maintain documentation of solicitation by fiscal year, as well as program project and fiscal files.

Program project files shall contain at a minimum:

- a) FARMER application, supporting documents, and estimated project cost
- b) Analysis of emission reductions (when applicable)
- c) Original contract
- d) Inspection forms and photographs
- e) Copy of dealer/seller's invoice,
- f) Original invoice(s) from the participant invoicing the District for the awarded grant amount
- g) Monitoring/Audit reports
- h) Key communications with participant

### **B. File Retention**

Unless otherwise specified in the Moyer or FARMER Guidelines, grant receipts and expenditure documents including invoices, contracts, vouchers, personnel and payroll records should be retained for five years after the grant liquidation period or the last recorded grant transaction, whichever is later. All other project files must be retained three years following the end of the contract term. In the event final payment has not been issued prior to the end of the contract term, the three-year clock is restarted upon final payment. Applications for unfunded projects must be kept a minimum of two years following the solicitation period, or two years from receipt if there is not a specified solicitation period.

Project files will be regularly updated with active project progress, inspection and audit results, annual usage report information, and general contracted project activity.

### **C. Acceptable File Formats**

Files may be retained in an electronic format if complete and easily accessible. Digital project documents are stored as JPEG, TIF, GIF and PDF files.

Images in hard copy form must be at least a quarter sheet in size and be printed in the highest image quality feasible.

## **XII. Reporting Procedures**

### **A. Quarterly Updates**

Participating Districts are required to provide Placer APCD with quarterly updates on all projects funded through the FARMER Program. CAPCOA and Placer APCD will collaborate to create a reporting template for participating Districts, which should include the implementation status of any FARMER projects awarded funding, along with any implementation costs. These updates will be facilitated by CAPCOA at least 45 days prior to Placer APCD's quarterly reporting deadline to CARB.

CAPCOA will compile Districts' update information and submit to Placer APCD for review. Placer APCD will then submit this information to CARB as part of their quarterly reporting requirements.

Placer APCD must submit numbered, quarterly reports to CARB in accordance with the following schedule.

- Report 1: Covers grant execution through September 30, 2018, with the report due November 30, 2018;
- Report 2: Covers October 1, 2018 through December 31, 2018, with the report due February 15, 2019;
- Report 3: Covers January 1, 2019 through March 31, 2019, with the report due May 15, 2019;
- Report 4: Covers April 1, 2019 through June 30, 2019, with the report due August 15, 2019;
- Report 5: Covers July 1, 2019 through September 30, 2019, with the report due November 15, 2019;
- Report 6: Covers October 1, 2019 through December 31, 2019, with the report due February 15, 2020;
- Report 7: Covers January 1, 2020 through March 31, 2020, with the report due May 15, 2020;
- Report 8: Covers April 1, 2020 through June 30, 2020, with the report due August 15, 2020;
- Report 9: Covers July 1, 2020 through September 30, 2020, with the report due November 15, 2020;
- Report 10: Covers October 1, 2020 through December 31, 2020, with the report due February 15, 2021; and
- Report 11: Covers January 1, 2021 through March 31, 2021, with the report due May 15 2021 along with the final disbursement request.

Quarterly reports must be submitted through April 30, 2021, or until all funding has been expended.

## **B. Annual Reports**

Participating Districts are required to report information on an annual basis for any projects funded through the FARMER Program and still under contract once funding has been expended and quarterly reports have ceased. Participating Districts that do not have any such projects are not required to provide an annual report.

For Districts that will require annual reporting, Placer APCD and CAPCOA will create a reporting template. Annual Reports will be submitted to CAPCOA at least 45 days before Placer APCD's annual reporting deadline to CARB of August 29 each year. These reports must cover data from July 1 of the previous year through June 30 of the current year. CAPCOA will compile the participating Districts' reports and submit to Placer APCD for review. After the submitted reports have been reviewed, Placer APCD will submit the reports to CARB by the reporting deadline.

Districts are required to report project information in the FARMER Benefits Calculator Tool. The reported information must be sufficient to populate the required data fields and to calculate covered emission reductions and cost-effectiveness for equipment types where

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required. Districts will ensure the reported information is complete, correct, and supported by documentation.

Because the FARMER Program is funded in part by Greenhouse Gas Reduction Fund (GGRF) Funding, reporting and recordkeeping is required to quantify and document each project's benefits in keeping with GGRF requirements, in addition to the reporting and recordkeeping required under Carl Moyer Program Guidelines. Funding recipients are required to track annual usage for the new vehicle or equipment, in terms of hours or miles per year, provide location data to allow for calculation AB 1550 benefits, and submit annual updates to Districts while under contract.

In addition to project information, applicable Districts must submit Annual Reports to Placer APCD that, at minimum, include:

- Contract execution and liquidation status of FARMER Program funds.
- Outputs generated by the FARMER Benefits Calculator Tool for the default years specified in the utility.
- For the most recent fiscal year, additional funds available to FARMER from the following sources. These funds will be included in the target for the funding year due for liquidation in four years unless the air district directs CARB staff to include them in an earlier year target.
  - The amount of any interest accrued on FARMER Program funds held in local accounts. An air district may choose to designate in the Yearly Report all or a portion of this interest for remittance to CARB.
  - Funds recaptured from liquidated projects, including funds provided back to the air district following CARB enforcement actions, identified by project name and funding year.
  - Non-grant revenue earned for the FARMER Program by the air district, such as from the sale of scrapped engines or equipment.
- A list of any projects identified as non-performing and a brief narrative of any related enforcement actions.

### **XIII. Procedures for Nonperforming Participants**

The participating District must take appropriate action to ensure emission reductions are realized for engines, equipment, vehicles, as well as usage for infrastructure projects. Except for projects in which usage is not required to be specified in the contract, when average usage over a three year period for a contracted engine, equipment, or vehicle is less than 70 percent of the activity required in the contract, the District may choose, but is not limited to, the options below to address the underutilization. (In cases of projects which may have a contracted project life of less than three years, the same activity threshold of less than 70 percent applies, averaged over the project life.)

- Extend the project contract for additional years, precluding overlap with an applicable rule implementation requirement (off-road equipment projects may be considered for a contract extension which extends beyond a required compliance date).
- Return funds in proportion to the loss in emission reductions.
- Transfer ownership of the engine, vehicle, or equipment to another entity committed to complying with the contract terms.
- Recalculate a project's cost-effectiveness based on the reported decrease in usage.

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- Grant a usage waiver, without penalty, to the grantee for a defined time period. The grantee must demonstrate to the air district's satisfaction that the engine, vehicle, or equipment is not being underutilized in favor of operating other, higher-polluting equipment, and that the underutilization was due to unforeseen conditions beyond the grantee's control. Such waivers shall be at the discretion of the APCO.
  - The conditions under which a waiver may be issued include, but are not limited to, the following:
    - A decrease in usage due to economic recession;
    - Unforeseen fluctuations in water allocations or pumping needs for agricultural irrigation pump engines; or
    - Significant land fallowing for off-road agricultural equipment and agricultural irrigation pump engines.

## **XIV. Program Funding**

### **A. Project Fund Use**

Project funds must be used for new, eligible vehicle, equipment, engine, or retrofit purchases; scrap costs for the equipment being replaced; supporting infrastructure; and any other equipment-related expenses necessary to implement FARMER Program-eligible projects.

Project implementation costs are defined in the FARMER Program Guidelines. The Shared Allocation Pool has been allocated 12.5% of the funding allocation for project implementation costs. Of that 12.5%,

- 1% has been allocated to CAPCOA for costs related to project evaluation;
- 2% has been allocated to Placer APCD for costs related to overseeing the Shared Allocation Pool; and
- 9.5% has been allocated to participating Districts for costs related to project administration.

In general, project implementation funds may be used for work completed in the following categories, as further described in the Moyer and FARMER guidelines:

- Labor expenses (including total staff time and labor costs);
- External subcontractor(s) fees for completed work, if applicable;
- Printing, mailing, traveling, and other outreach expenses; and
- Other indirect costs.

"Other indirect costs" refers to administrative costs as defined in the FARMER Guidelines. These costs are included within project implementation costs and may not exceed 5% of the grant amount.

### **B. Placement of Funds**

Once a project has been approved for funding by Placer APCD, the participating District can expect to receive funds in check form within 45 days. The participating District shall place all received funds in an interest-bearing account and track interest accrued as described in Section XV, Interest Accrual. Participating Districts are highly encouraged to expend all funds within 12 months of receipt.

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### **C. District Co-Share of Project Costs**

Funds other than Moyer Program grant funds and AB 923 funds may be used to co-fund FARMER Program eligible projects, when all program criteria associated with each funding source are met. Funding sources, eligibility of funds, and co-funding procedures can be found in the Moyer Guidelines and in the guidelines of any other applicable funding source or program.

The total amount of project funding may not exceed the maximum eligible grant amount as outlined in the FARMER and Moyer guidelines for the project type, and the participating District would not be eligible for additional administrative funding for the co-shared portion of the project costs.

There is no limit on the number of co-funding sources that can be used to fund a project, as long as the total project costs are not exceeded and a 15 percent applicant cost share requirement is met for private sector projects.

### **D. Right to Reallocate Funds**

CARB and Placer APCD reserve the right to redirect funds from a participating District and reallocate such funds to other Districts, if a District informs Placer APCD in a written letter that it will not be able to meet expenditure deadlines, or if it is found that the approved project did not meet funding requirements.

In the event of non-performance or termination, CARB and Placer APCD shall require full recovery of the unspent funds by transfer upon the participating District's accounts. The District must provide fund transfer information within 45 days upon receipt of notice.

In no event shall the participating District receive reimbursement for costs that exceed the maximum project implementation funding amount. Any project implementation funds not needed for project implementation may be transferred to project funds upon CARB's written approval. Any program funds not fully expended by the end of the grant term must be immediately returned to Placer APCD.

### **E. Required Documentation**

#### **General Documents Maintenance**

All contracts, including contracts with project awardees, documentation, records, and reference materials that are required by this program must be made available for review during monitoring visits and audits by CARB, Placer APCD, or their designee. These records must be retained for the life of the projects funded under this grant.

#### **Documents Required to be Submitted to Placer APCD**

- For those projects recommended for funding, participating Districts must mail original copies of project applications with "wet" signatures in blue ink to the Placer APCD Liaison.
- Participating Districts must mail copies of executed contract with Placer APCD, and such document must be received before Placer APCD will deliver funds to participating Districts.
- A copy of a board resolution, meeting minutes, or other documentation of the District's authority to accept funds from Placer APCD for use within the FARMER program must be delivered via mail or electronically.

Requests for payment must be made consistent with FARMER Guidelines and this PPM and include all documentation required by CAPCOA and Placer APCD. After the initial grant disbursement request, the participating Districts must include an attachment that documents ongoing expenditures of previously disbursed project and project implementation funds with each subsequent grant disbursement request.

Backup for administrative funds may include the following:

- Staff time in actual hours or percent of hours devoted to project implementation, as well as staff wage, which shall be described in an official document of the District, such as a duty statement, a warrant, an invoice or timesheet;
- Implementation funds for subcontractor(s). This could be reflected within documents such as a contract, invoices or other documentation as agreed upon by the participating District and Placer APCD;
- Printing, mailing, records retention, and travel expenses. The participating Districts must provide copies of relevant District policies, and records that illustrate expenditure for the Program;
- Necessary travel and per diem must be at rates not to exceed those amounts paid to the State's represented employees (<http://www.calhr.ca.gov/employees/pages/travel-reimbursements.aspx>). No travel outside the State of California will be reimbursed unless prior written authorization is obtained from CARB.

Participating Districts must keep written documentation of all transactions they expect to receive reimbursement for. Reimbursement must be at the State travel and per diem amounts that are current as of the date costs are incurred by the Grantee. If project implementation funds are used for indirect costs, the Grantee must document and describe how these costs are determined.

## **XV. Invoice Submission**

After contract execution and once conditions for funding are met, the program participant must submit an original invoice requesting payment, including copies of all associated invoices related to project expenditures. If any portion of the project requires financing, the program participant (or their dealer) shall provide the financing terms to the participating District before the District issues payment. The full contract amount shall be used to pay down any financing within 30 days of receiving payment from the District. Proof of payment is due to the District within 45 days of receiving payment from the District. The amount financed may not exceed the incremental cost of the project. District FARMER staff must also conduct any necessary post-inspections as described Section X, Inspections. After a successful inspection and after all of the conditions for payment are met, the program administrator will approve each invoice for reimbursement. Invoices and requests for payment are then forwarded to administrative staff for review and processing and then to the APCO for final approval. For multi-stage projects, partial payments may be approved on a case-by-case basis and is described in the program participant's contract. The District will maintain a clear record of progress payment in the project file.

## **XVI. Interest Accrual**

The participating District must maintain accounting records (e.g., general ledger) that track interest earned, expended, or returned on the project funds, as follows:

- The calculation of interest must be based on an average daily balance or some other reasonable and demonstrable method.
- Interest earned must ensure that it is separately identifiable from interest earned on non-project funds.
- The methodology for calculating earned interest must be consistent with how it is calculated for the participating District's other fiscal programs.
- Documentation of interest earned and expenditures made on those funds or returned to CARB must be:
  - Retained for a minimum of three years after it is generated.
  - Provided to CARB in Placer APCD's quarterly reports.

## **XVII. Oversight Provisions**

### **A. Termination and Suspension of Payments**

1. CARB and Placer APCD reserve the right to terminate this grant upon thirty days written notice to Placer APCD. In case of early termination, Placer APCD will immediately notify participating Districts, who must return remaining funds, including any earned interest, immediately, as outlined in the Agreement between Placer APCD and the Districts.
2. CARB and Placer APCD reserve the right to issue a grant suspension order in the event that a dispute should arise. If Placer receives such an order, it will notify the Districts and the grant suspension order will be in effect until the dispute has been resolved or the grant has been terminated. If the District chooses to continue work on the project after receiving a grant suspension order, the District will not be reimbursed for any expenditure incurred during the suspension in the event CARB terminates the grant. If CARB rescinds the suspension order and does not terminate the grant, CARB at its sole discretion will reimburse Placer APCD for any expenses incurred by the participating Districts during the suspension that CARB deems reimbursable in accordance with the terms of the grant.

### **B. Oversight and Accountability**

1. The Districts will comply with all oversight responsibilities identified in the Farmer Program Guidelines, any future Program Advisories and Mail-Outs, and the Grant Agreement.
2. CARB or its designee, including but not limited to Placer APCD, reserve the right to audit at any time during the duration of this grant the Districts' costs of performing the grant and to refuse payment of any reimbursable costs or expenses that in the opinion of CARB or its designee are unsubstantiated or unverified. The Districts shall cooperate with CARB or its designee including, but not limited to, promptly providing all information and documents requested, such as all financial records, documents, and other information pertaining to reimbursable costs, and any matching costs and expenses.
3. CARB or its designee may recoup funds which were received based upon misinformation or fraud, or for which a District, manufacturer or project participant is in significant or continual non-compliance with the terms of this grant or State law. CARB

also reserves the right to prohibit any entity from participating in the FARMER Program, due to non-compliance with project requirements.

**NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT  
RESOLUTION #2019-02**

**In the Matter of Granting Authority to the Northern Sierra Air District to Accept Funds for Implementing FARMER Shared Pool from Placer Air Pollution Control District**

**Whereas**, California's state legislature allocated \$35 million to the California Air Resources Board (CARB) from Fiscal Year 2017-2018 through Assembly Bill 134 and 109. CARB staff developed the Funding Agricultural Reduction Measure for Emission Reductions (FARMER) Program to meet the Legislature's objectives and help meet the State's criteria, toxic and greenhouse gas emission reduction goals;

**Whereas**, the Shared Allocation Pool is specifically designated for 18 Air Districts with less than one percent of the statewide agricultural equipment emissions inventory, to ensure farmers in those Districts have the opportunity to access FARMER funding and to streamline the implementation of the FARMER program;

**Whereas**, the Shared Allocation Pool will be managed by the Placer County Air Pollution Control District (Placer APCD) and the California Air Pollution Control Officers Association (CAPCOA) in accordance with the grant provisions outlined in the agreement between CARB and Placer APCD and provisions outlined in the subsequent agreement between CAPCOA and Placer APCD;

**Whereas**, Placer APCD will enter into independent contracts with participating Districts and will inform CAPCOA as Districts have entered into such contracts;

**Whereas**, the Northern Sierra Air Quality Management District would like to participate within the FARMER program;

**NOW, THEREFORE, BE IT RESOLVED** that the Northern Sierra Air Quality Management District Board of Directors does hereby approve the District's participation in the FARMER program, and the acceptance of funds allocated and awarded to the District for eligible projects and program administration, in accordance with the terms and conditions of the memorandum of understanding between the Placer County Air Pollution Control District and the Northern Sierra Air Quality Management District FARMER program for Fiscal Year 2017-2018 appropriation.

**BE IT FURTHER RESOLVED** that the Northern Sierra Air Quality Management District will comply with the FARMER Shared Allocation Pool Policies and Procedures.

**BE IT FURTHER RESOLVED** that the Executive Officer is authorized to execute on behalf of the District to accept funds from Placer Air Pollution Control District for use within the FARMER program and all other necessary documents to implement and carry out the purposes of this resolution.

On a motion by Supervisor \_\_\_\_\_ and seconded by Supervisor \_\_\_\_\_, the foregoing resolution was approved and adopted by the Board of Directors of the Northern Sierra Air Quality Management District at a regular meeting held on March 25, 2019, by the following roll call vote:

Ayes:  
Noes:  
Absent:  
Abstaining:

Approve: \_\_\_\_\_  
Chair of Board

Attest: \_\_\_\_\_  
Clerk of the Board/APCO

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**To:** Northern Sierra Air Quality Management District Board of Directors  
**From:** Gretchen Bennett, Air Pollution Control Officer  
**Date:** March 25, 2019

**Agenda Item: IV.C**

**Agenda Description: Voluntary Nox Reduction Measure**

**Issues:**

On April 27, 2018, the California Air Resources Board (CARB) approved the voluntary Nox Reduction Measure (NRM) funding to achieve reductions in NOx. NRM funds are proposed to be allocated to individual air districts based on the estimated percentage of the total historical NOx emissions driven by biomass-based diesel use that may have occurred in each air district. Eligible projects must reduce NOx, and those reductions must be permanent, surplus, and quantifiable. Projects cannot be credited under both this plan and any other similar emissions reduction incentive program such as the Carl Moyer Program (CMP). The structure of this measure is similar to the CMP in many ways and would utilize the CMP Guidelines as appropriate.

During the June 2018 Board meeting, the Board approved a grant agreement with CARB to receive \$70,706.00. CARB is now requesting that the District sign the attached MOA and submit a Grant Disbursement Request by April 15, 2019.

**Requested Action:**

1. Authorize the Executive Director to sign all three copies of the MOA between the Air District and CARB.
2. Authorize the Executive Director to sign and submit the disbursement request to CARB.

***ROLL CALL VOTE REQUESTED***

**Attachments:**

1. Memorandum of Agreement Between the California Air Resources Board and the Northern Sierra Air Quality Management District Regarding Program Criteria and Administration Requirements for the Voluntary NOx Remediation Measure.
2. Disbursement Request for Nox Remediation funds.

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**MEMORANDUM OF AGREEMENT BETWEEN  
THE CALIFORNIA AIR RESOURCES BOARD  
AND THE NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT  
REGARDING PROGRAM CRITERIA AND ADMINISTRATION REQUIREMENTS FOR  
THE VOLUNTARY NOX REMEDIATION MEASURE**

**1. PARTIES**

This Memorandum of Agreement (MOA) is entered into by and between the California Air Resources Board ("CARB" or "Board") and the Northern Sierra Air Quality Management District ("District"). CARB and the District are collectively referred to herein as "the Parties."

**2. PURPOSE**

This MOA is intended to memorialize: (1) clarification of variations in program criteria and administrative requirements between the Voluntary Oxides of Nitrogen (NOx) Remediation Measure (VNRM) and the Carl Moyer Program (Moyer) provided in Exhibit A of the VNRM Grant Agreements;<sup>1</sup> and (2) agreement between Parties regarding implementation of the VNRM grants following the Carl Moyer Program Guidelines (Moyer Guidelines), subject to the variations listed in this MOA.

**3. BACKGROUND**

On October 18, 2017, Fresno County Superior Court issued a revised writ of mandate arising from continuing litigation challenges to the adequacy of the California Environmental Quality Act (CEQA) analysis associated with CARB's initial adoption of the Low Carbon Fuel Standard (LCFS) regulations. This revised writ of mandate related specifically to potential NOx emissions from biodiesel, and ordered CARB to "[a]ddress whether the [LCFS] project as a whole is likely to have caused an increase in NOx emissions in the past and is likely to cause an increase in NOx emissions in the future." (Internal quotations omitted.)

In response to this particular order in the revised writ of mandate, CARB developed a Draft NOx Disclosure Document, which was released for public comment on March 6, 2018. CARB released an updated final version of that document on September 17, 2018. Utilizing a conservative analytical approach that likely overestimated LCFS-attributable impacts, the Final NOx Disclosure Document concluded that potential increases in NOx emissions from biomass-based diesel use attributed to LCFS relative to conventional diesel use ("LCFS NOx emissions"), considered in isolation from the overall air quality impacts of biodiesel use including significant reductions in emissions of diesel particulate matter, may have had a significant adverse effect on the environment in 2012, 2015, and 2016 when considering NOx emissions in isolation. The Final NOx Disclosure Document also determined, again under this conservative

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<sup>1</sup> VNRM Grant Agreement Nos. G17-NRM-10 and G17-NRM-10 Amendment No. 1

approach, that "NOx emissions from biomass-based diesel use attributed to the LCFS resulted in a potentially significant impact on cumulative long-term air quality."

But taking into account the overall emissions impacts of biodiesel, including beneficial impacts, the Final NOx Disclosure Document concluded that "the use of biodiesel on its own is beneficial to California." Specifically, in all years analyzed, the Final NOx Disclosure Document concluded that "the health benefit from reductions in direct particulate matter (PM) emissions outweighed the potential adverse health impact due to increases in NOx, and resulted in net health benefits." Moreover, "[d]ue to the short atmospheric lifetime of NOx emissions," the Final NOx Disclosure Document concluded that "it is not physically possible, and is therefore infeasible, to mitigate any specific potentially significant historical LCFS NOx emissions."

Nevertheless, the Final NOx Disclosure Document outlined a CARB commitment, "consistent with CARB's mission to promote and protect public health and welfare through the effective and efficient reduction of air pollutants," to fully remediate potential historical LCFS NOx emissions by funding NOx reductions over and above those achieved, in future years, by the existing LCFS and Alternative Diesel Fuels (ADF) regulations and by the proposed amendments to the ADF regulation.

Consistent with the Draft and Final NOx Disclosure Documents, the revised writ of mandate, and CARB's legal obligations and authority, CARB developed the VNRM to voluntarily "remediate the potential past emissions through remedial measures supporting air district-level NOx mitigation projects targeting engines, such as the replacement of existing diesel engines with low-NOx engines."<sup>2</sup> The VNRM is modeled on the criteria and requirements in the Moyer Guidelines.<sup>3</sup>

#### 4. AGREEMENT

- 4.1 The Parties hereby agree to follow the Moyer Guidelines<sup>4</sup> for implementation of the VNRM Grants, subject to the variations listed in Sections 4.2 through 4.6 of this MOA. For purposes of applying the Moyer Guidelines to VNRM grants, the Parties will generally read "VNRM" to substitute for "Moyer" and "Moyer Program" in the Moyer Guidelines, except as indicated in Sections 4.2 through 4.6 of this MOA. To the extent there is any conflict between this MOA and the VNRM grants, this MOA will take precedence. Footnotes in this MOA referring to specific sections of the Moyer Guidelines denote the section(s) of the Moyer Guidelines to which each variation applies.

<sup>2</sup> The VNRM is a voluntary initiative that goes beyond any potential legal requirements to address potential historic statewide NOx emission increases that could be conservatively attributed to past LCFS implementation.

<sup>3</sup> CARB. 2017. The Carl Moyer Program Guidelines, 2017 Revisions, Volume I – Program Overview, Program Administration and Project Criteria. June 20. Available at:

[https://www.arb.ca.gov/msprog/moyer/guidelines/2017gl/2017\\_cmp\\_gl\\_volume\\_1.pdf](https://www.arb.ca.gov/msprog/moyer/guidelines/2017gl/2017_cmp_gl_volume_1.pdf)

<sup>4</sup> Ibid.

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## 4.2 Variations Related to Project Selection and Timing:

- 4.2.1 NOx Reductions Required: The selection of projects for VNRM grants will be based on consideration of NOx emissions reductions only.<sup>5</sup> Similarly, the VNRM cost-effectiveness limit will be based on NOx only and cost-effectiveness calculations will be based solely on NOx emission factors, NOx deterioration rates, and corresponding NOx emissions reductions.<sup>6</sup> Projects that also reduce reactive organic gases (ROG) and particulate matter (PM) are encouraged; however, ROG and PM emissions reductions will not be considered in funding decisions or included in cost-effectiveness calculations.
- 4.2.2 Cost-Effectiveness: The District will follow the cost-effectiveness calculation methodology outlined in the Moyer Guidelines except as indicated below.<sup>7</sup>

A cost-effectiveness threshold of \$10,000 per ton NOx<sup>8</sup> reduction will apply to all projects, including advanced technology projects and school bus projects,<sup>9</sup> unless the District can demonstrate that no reductions below that cost-effectiveness threshold are available in the District.<sup>10</sup> In such cases, a cost-effectiveness threshold of up to \$30,000 per ton NOx reduction will apply.<sup>11</sup>

VNRM funds must be included in the project cost-effectiveness calculation. Funds from other sources (e.g., Federal funds, State funds, Local funds, Penalty funds) are not required to be included in the project cost-effectiveness calculation.<sup>12</sup> Data provided in Appendix D of the

<sup>5</sup> Moyer Guidelines Chapter 2, Criterion M, page 2-2; Chapter 4, Part C, Sections 2.(B)(6), 2.(C)(6), 2.(D)(5), and 2.(E)(5), pages 4-15, 4-17, 4-18.

<sup>6</sup> Moyer Guidelines Appendix C; Appendix D.

<sup>7</sup> Moyer Guidelines Appendix C, Part B, pages C-3 – C-12.

<sup>8</sup> As noted in Section 4.2.1, the VNRM cost-effectiveness limit will be based on NOx only, and cost-effectiveness calculations will be based solely on NOx emission factors, NOx deterioration rates, and corresponding NOx emissions reductions.

<sup>9</sup> Moyer Guidelines Chapter 1, Part C, Section 1, pages 1-6 – 1-7; Chapter 4, Part C, Section 2.(B)(5), page 4-15; Appendix C, Part A, pages C-1 – C-4.

<sup>10</sup> The District can demonstrate that no NOx reductions below the cost-effectiveness limit of \$10,000 are available by collecting and maintaining documentation showing that, of the project applications received by the District, none would proceed below this cost-effectiveness limit. This documentation must be made available to CARB upon request.

<sup>11</sup> The cost-effectiveness threshold of \$30,000 per ton NOx reduction is equivalent to the dollar value of the Base Limit in the Moyer Guidelines.

<sup>12</sup> Moyer Guidelines Chapter 2, Criterion N, page 2-2.

Moyer Guidelines must be used for cost-effectiveness calculations unless CARB provides an update.<sup>13,14</sup>

4.2.3 Eligible Project Types: The following project types are eligible for funding through the VNRM grants:

- Heavy Duty Vehicles;
- Off-road Engines and Equipment;
- Locomotives; and
- Marine Vessels, exclusive of ocean-going vessels.

4.2.4 Non-Eligible Project Types: The following project types are not eligible for funding through the VNRM grants:

- Infrastructure projects, because they do not provide direct NOx reductions;<sup>15</sup>
- Light-duty vehicles and lawn and garden equipment, because they are not related to potential NOx emissions increases associated biodiesel use;<sup>16</sup>
- Large spark-ignition (LSI) vehicles and equipment, because they are not related to potential NOx emissions increases associated with biodiesel use;<sup>17</sup> and
- Voucher Incentive Program (VIP) and Truck Improvement/Modernization Benefitting Emission Reductions (TIMBER) projects, because funding amounts for those programs are pre-determined and not subject to cost-effectiveness limits.<sup>18</sup>
- The Agricultural Assistance Program projects, because the program does not require emissions reductions to be surplus.<sup>19</sup>

4.2.5 Progress Milestones<sup>20</sup>: To support timely NOx emissions reductions, the District will make every effort to have 100% of project funds under executed contract(s) within one year following execution of this memorandum of agreement with CARB. Similar progress milestones apply to any match funds associated with the VNRM grant funds. Progress will be reported in yearly reports.

<sup>13</sup> Moyer Guidelines Chapter 2, Criterion BB, page 2-4.

<sup>14</sup> Capital recovery factors at a 1% discount rate (Table D-24) must be used for cost-effectiveness calculations unless CARB provides an update.

<sup>15</sup> Moyer Guidelines Chapter 1, Part A, page 1-3; Chapter 2, Criterion M, page 2-2; Chapter 3, Part V, Sections 7 and 8, page 3-30; Chapter 3, Part X, Section 1, page 3-33; Chapter 3, Part Y, Section 4, page 3-36; Chapter 3, Part BB, Section 4, pages 3-38 – 3-39; Chapter 4, Part A, Section 3, page 4-4; Chapter 5, Part A, Section 4, page 5-1; Chapter 10.

<sup>16</sup> Moyer Guidelines Chapters 8 and 9.

<sup>17</sup> Spark-ignition vehicles and equipment run on gasoline, and replacement of these vehicles and equipment will generally result in much smaller NOx reductions than replacement of similar compression-ignition engines, which run on diesel. See Moyer Guidelines Chapter 5.

<sup>18</sup> Moyer Guidelines Volume II, Part 2, Section B, page 3.

<sup>19</sup> Moyer Guidelines Volume II, Part 3, page 3.

<sup>20</sup> Moyer Guidelines Chapter 3, Part N, Section 1, page 3-18.

- 4.2.6 Funding Year Liquidation Requirement<sup>21</sup>: The District must have liquidated all fiscal year 2017-2018 VNRM funds, as well as interest, recaptured funds, and other funds added to the funding target, within two years following execution of this memorandum of agreement with CARB. Funding year liquidation is demonstrated when all funds assigned to a funding year have been paid out in full, with the exception of any withheld payments.
- 4.2.7 Project Completion<sup>22</sup>: Project completion is the time frame starting with the date of execution of the contract to the date the project post-inspection confirms that the project has become operational. This includes the time period when an engine, equipment, or vehicle is ordered, delivered and installed. Project contracts must include a specified time frame in which project completion will occur so that the contract is completed within two years from the original date of contract execution. Under no circumstances may the project completion date be extended beyond two years from the original date of contract execution.
- 4.3 Other Variations from Carl Moyer Guidelines for VNRM Implementation:
- 4.3.1 Funding Source: The VNRM grants are funded through the Air Pollution Control Fund (APCF).<sup>23</sup>
- 4.3.2 Crediting of NOx Reductions: The objective of the VNRM grants is to achieve cost-effective and surplus NOx emissions reductions. To meet this objective, CARB and the District shall take all appropriate and necessary actions to ensure that NOx emissions reductions achieved from VNRM grant funds are creditable to the VNRM and are enforceable, surplus, and quantifiable.<sup>24</sup> Also see Section 4.3.7 of this MOA related to co-funding of VNRM projects with Moyer funds.
- 4.3.3 Use of 2017 Moyer Guidelines: The 2017 Moyer Guidelines,<sup>25</sup> with the variations described in this MOA, must be used as the guidance framework for administration of all projects funded with fiscal year 2017-2018 and subsequent VNRM funds, unless otherwise agreed to in writing by the Parties.

<sup>21</sup> Moyer Guidelines Chapter 3, Part O, Section 1, page 3-19.

<sup>22</sup> Moyer Guidelines Chapter 3, Part V, Section 5, Subsection (A), page 3-28.

<sup>23</sup> Moyer Guidelines Chapter 1, Part A, Section 2, page 1-3.

<sup>24</sup> Moyer Guidelines, Chapter 2, Criteria H and I, page 2-2; Chapter 3, page 3-1; Chapter 3, Part L, Section 1, pages 3-14 – 3-15; Chapter 3, Part L, Section 7, page 3-16.

<sup>25</sup> CARB. 2017. The Carl Moyer Program Guidelines, 2017 Revisions, Volume I – Program Overview, Program Administration and Project Criteria. June 20. Available at:

[https://www.arb.ca.gov/msprog/moyer/guidelines/2017gl/2017\\_cmp\\_gl\\_volume\\_1.pdf](https://www.arb.ca.gov/msprog/moyer/guidelines/2017gl/2017_cmp_gl_volume_1.pdf)

CARB. 2017. The Carl Moyer Program Guidelines, 2017 Revisions, Volume II – Voucher Incentive Programs and Agricultural Assistance Program. December 28. Available at:

[https://www.arb.ca.gov/msprog/moyer/guidelines/2017gl/2018\\_cmp\\_gl\\_volume\\_2.pdf](https://www.arb.ca.gov/msprog/moyer/guidelines/2017gl/2018_cmp_gl_volume_2.pdf)

- 4.3.4 Funds Disbursement: CARB may disburse the full amount of grant funds following signature of the Grant Agreement and MOA by both Parties. To obtain funds, the District will submit completed Exhibit B, Attachments II (Project Milestones) and IV (Key Project Personnel) of the Amended Grant Agreement, as well as a completed Grant Disbursement Request Form. The Grant Disbursement Request Form must include an original signature by a party authorized by the District's Governing Board. Any Special Terms and Conditions in the Grant Agreement must be met before CARB will disburse funds associated with the grant award. Disbursement requests must be received by CARB by April 15 each year to ensure payment within the fiscal year. This MOA must be signed and returned to CARB, and all disbursement requests must be received by CARB, by April 15, 2020. Also, any funds not liquidated by the District within two years following execution of this memorandum of agreement will be returned to CARB within 90 days of the two-year liquidation deadline.<sup>26</sup> The District will receive one check for both program administration and project funds, but must account for the expenditure of administration and project funds separately.<sup>27</sup>
- 4.3.5 Match Funds: The District may, but is not required to, provide match funds.<sup>28</sup> Emissions reductions from match funds will not be considered as part of the VNRM emissions reductions for purposes of emissions tracking.<sup>29</sup> If the District uses federal funds as match funds, the District must ensure that it will not use such funds as match for any other program, and that the use of such funds as VNRM match does not conflict with any State or local requirements.
- 4.3.6 Co-Funding: Project grantees are allowed, but not required, to provide co-funding ("applicant cost share") for VNRM grant projects.<sup>30</sup> Emissions reductions from co-funding will not be considered VNRM emissions reductions for purposes of emissions tracking.<sup>31</sup>

<sup>26</sup> Moyer Guidelines Chapter 3, Part E, Sections 1 and 2, pages 3-5 – 3-6.

<sup>27</sup> Moyer Guidelines Chapter 3, Part E, Section 3, page 3-6.

<sup>28</sup> Moyer Guidelines Chapter 3, Part C, Section 3, page 3-3; Chapter 3, Part F, Section 1(C)(2), page 3-6; Chapter 3, Part I, pages 3-10 – 3-11.

<sup>29</sup> The cost-effectiveness calculations will follow the Moyer Guidelines, subject to the provisions in Section 4.2.2 of this MOA. In estimating the project-specific and cumulative NOx reductions due to the VNRM grants following reporting to CARL, CARB will not include NOx reductions due to match funds.

<sup>30</sup> Moyer Guidelines Chapter 2, Criterion P, page 2-2; Chapter 3, Part L, Section 5, page 3-15; Chapter 3, Part V, Section 4.(C), page 3-28; Appendix C, Part B, Section 4, page C-11.

<sup>31</sup> The cost-effectiveness calculations will follow the Moyer Guidelines, subject to the provisions in Section 4.2.2 of this MOA. In estimating the project-specific and cumulative NOx reductions due to the VNRM grants following reporting to CARL, CARB will not include NOx reductions due to co-funding.

- 4.3.7 Co-Funding with Moyer Program or FARMER Program Funds<sup>32</sup>: If the District proposes co-funding a VNRM project with Moyer Program funds, VNRM funds would be considered mitigation funds for Moyer program accounting purposes.<sup>33</sup> Following the requirements in Chapter 3, Part L, Section 3 of the Moyer Guidelines, the District must submit a request for a case-by-case determination in accordance with Chapter 3, Part U of the Moyer Guidelines and receive CARB approval prior to co-funding a VNRM project with Moyer Program funds.<sup>34</sup> Similarly, the District must submit a request for a case-by-case determination to the VNRM or Funding Agricultural Replacement Measures for Emission Reductions (FARMER) program liaison in accordance with Chapter 3, Part U of the Moyer Guidelines and receive CARB approval prior to co-funding a VNRM project with FARMER Program funds.
- 4.3.8 Administration: The District may use up to 6.0 percent of its VNRM funds on outreach and administration.<sup>35</sup>
- 4.3.9 Accounting: The District must establish accounting practices for VNRM grants consistent with the requirements in Chapter 3, Part K of the Moyer Guidelines prior to executing any project grant agreements.<sup>36</sup> An air district receiving a total allocation of one percent or more of Fiscal Year 2017-18 VNRM funds must use a Special Revenue Fund for VNRM funds accounting.<sup>37</sup> Financial data (e.g., fund balances, revenues, expenditures) pertaining to State Reserve, Multi-District, and Rural Assistance Program (RAP) funds are not required in VNRM financial statements.<sup>38</sup>
- 4.3.10 Interest Revenue: VNRM interest revenue may be tracked and reported independently or as part of Moyer Program interest revenue. VNRM interest revenue tracked and reported independently must follow the process outlined in the Moyer Guidelines,<sup>39</sup> as applied to VNRM funds and VNRM-eligible projects. VNRM interest revenue tracked and reported as

<sup>32</sup> Moyer Guidelines Chapter 2, Criterion I, page 2-2; Chapter 3, Part L, page 3-15; Section 3; Chapter 3, Part U, pages 3-26 – 3-27.

<sup>33</sup> Moyer Guidelines Chapter 3, Part L, Section 3, page 3-15.

<sup>34</sup> The Moyer Guidelines require that covered emissions reductions (i.e., NOx, PM, and ROG emissions reductions) from projects with multiple funding sources be credited to the Moyer Program for State Implementation Plan (SIP) compliance purposes. See Moyer Guidelines Chapter 2, Criteria H and I and Chapter 3, Part L, Sections 1 and 7. For VNRM projects co-funded with Moyer funds, a case-by-case determination is necessary to evaluate whether NOx emissions reductions associated with VNRM funds can be credited to VNRM.

<sup>35</sup> Moyer Guidelines Chapter 3, Part J, Section 1, page 3-11.

<sup>36</sup> Moyer Guidelines Chapter 3, Part K, pages 3-12 – 3-14.

<sup>37</sup> Moyer Guidelines Chapter 3, Part K, Section 1, page 3-12.

<sup>38</sup> Moyer Guidelines Chapter 3, Part K, Section 3, pages 3-12 – 3-13.

<sup>39</sup> Moyer Guidelines Chapter 3, Part K, Section 4, pages 3-13 – 3-14.

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part of Moyer Program interest revenue must follow the Moyer Guidelines.<sup>40</sup>

- 4.3.11 Reporting in CARL: The District will report VNRM project information in the Clean Air Reporting Log (CARL) database, either via CARL forms or batch import, sufficient to populate the required data fields and to calculate NOx and PM emissions reductions and NOx cost-effectiveness for source categories where required.<sup>41</sup> The District will ensure the information in CARL is complete, correct, and supported by documentation. The District will report on projects funded in whole or part with VNRM funds.
- 4.3.12 Report Content: The Yearly Report will include all VNRM-related information outlined in Chapter 3, Part M, Section 3 of the Moyer Guidelines as of June 30, the end of the past fiscal year. Contract execution and liquidation status of VNRM funds and other funds for which the District has a VNRM obligation during the fiscal year(s) covered by the report shall be included. Funds will be reported relative to the progress milestones and liquidation requirements specified in Sections 4.2.5 and 4.2.6, respectively, of this MOA.
- 4.3.13 Return of Unliquidated Funds: If the Yearly Report identifies a liquidation shortfall, and the remaining unliquidated funds are not under executed contract, the District must submit and CARB must receive a check for the shortfall amount within 90 days after the liquidation deadline and 30 days after the Yearly Report deadline). CARB will provide instructions for the return of funds in the Yearly Report certification form. No additional disbursements will be made to the District until funds subject to return have been received by CARB.<sup>42</sup>
- 4.3.14 Reallocation of Funds: CARB will add funds returned by the District to the subsequent cycle of VNRM funding. If there is no subsequent cycle of VNRM funding, CARB will return the funds to the APCF.<sup>43</sup>
- 4.3.15 Incentive Program Review Documentation: All Incentive Program Review reports, District responses, and related documents associated with the VNRM shall be made available to the public via posting on CARB's Moyer Program website.<sup>44</sup>
- 4.3.16 Additional Information for Project Applications: Project applications must include information indicating the location(s) where the project is based

<sup>40</sup> Ibid.

<sup>41</sup> Streamlined data entry forms for VIP, TIMBER, and Lawn and Garden projects cannot be used as these project types are not eligible for VNRM funding. Please see Section 4.2.4 of this MOA.

<sup>42</sup> Moyer Guidelines, Chapter 3, Part P, Section 1, page 3-20.

<sup>43</sup> Moyer Guidelines, Chapter 3, Part P, Section 3, page 3-20.

<sup>44</sup> Moyer Guidelines, Chapter 3, Part R, Section 4.(D), page 3-23.

and the location(s) where the funded project vehicles and/or equipment will operate.<sup>45</sup>

**4.3.17 Case-by-Case Determination Public Availability and Recordkeeping:**

CARB will post on the Moyer Program website all VNRM case-by-case determinations submitted for review. The District will keep a copy of the determination, either approved or not approved, in the project file.<sup>46</sup>

**4.3.18 Grantee Annual Reporting:** The District will require all grantees to submit annual reports within 12 months of the project post-inspection and annually thereafter for the term of the contract.<sup>47</sup>

**4.3.19 Compliance Checks for On-Road and Emergency Vehicles:** Compliance checks for all on-road and emergency vehicle projects will be performed consistent with the current Moyer Guidelines,<sup>48</sup> except that the District will email information for the compliance check to the CARB VNRM grants liaison.

**4.3.20 Destruction and Scrapping of Old Vehicle and Engine:** Destruction and scrapping of the old vehicle and engine will be performed in accordance with Moyer Program requirements.<sup>49</sup>

**4.3.21 Use of Moyer Policies and Procedures Manual:** The District will follow its Moyer Program Policies and Procedures Manual when implementing the VNRM grants, consistent with the current Moyer Guidelines.<sup>50</sup> In cases where there is conflict between the District's Moyer Program Policies and Procedures Manual and the VNRM MOA, this VNRM MOA will take precedence.

**4.4 Inapplicable Elements of Moyer Guidelines:** The following elements of the Moyer Guidelines are not applicable to VNRM:

- Executive summary for program guidelines;<sup>51</sup>
- Program overview;<sup>52</sup>
- Background information<sup>53</sup>;

<sup>45</sup> Information describing the project locations should be entered in the comment box on the first Administration page in CARL.

<sup>46</sup> Moyer Guidelines, Chapter 3, Part U, Section 3, page 3-27.

<sup>47</sup> Moyer Guidelines, Chapter 3, Part Z, Section 1, page 3-37.

<sup>48</sup> Moyer Guidelines, Chapter 4, Part C, Section 1.(D), pages 4-10 – 4-12.

<sup>49</sup> Moyer Guidelines, Chapter 4, Part C, Section 6.(G), page 4-29

<sup>50</sup> For example, see Moyer Guidelines, Chapter 3, Part O, Section 5, page 3-20; Chapter 3, Part T, Section 5, page 3-25; Chapter 3, Part V, Section 6.(B), page 3-29.

<sup>51</sup> Moyer Guidelines pages i – iii.

<sup>52</sup> Moyer Guidelines, Chapter 1, page 1-1.

<sup>53</sup> Moyer Guidelines Chapter 1, pages 1-2 – 1-10 except the project type descriptions on page 1-3 and the funding sources description on pages 1-3 – 1-4. Eligible and non-eligible project types are described in Sections 4.2.3 and 4.2.4 of this MOA, and the funding source is described in Section 4.3.1 of this MOA.

- References to the statutory provisions of the Moyer Guidelines;<sup>54</sup>
- Grant process, including all provisions related to grant fund allocation and solicitation, District applications for grant funds, and grant application review and grant awards, except for provisions relating to policies and procedures and grant award notification and signature;<sup>55</sup>
- References to RAP<sup>56</sup>;
- References to Assembly Bill 923 (AB 923);<sup>57</sup>
- Extension for off-road contracts;<sup>58</sup> and
- Volume II – Voucher Incentive Programs and Agricultural Assistance Program.

#### 4.5 Variations in Definitions:

Applicant Cost Share (ACS): Optional contribution paid by applicant towards the Total Project Cost.

Covered Emissions: Emissions of oxides of nitrogen from any covered source.

Funding Year: The designation given to each year that the District is awarded VNRM funds. VNRM grant awards were first made in fiscal year 2017 to 2018; therefore, that year is designated as Year 1; if VNRM grant awards are made in fiscal year 2018 to 2019, that year would be Year 2, etc. Each funding year is associated with set times for achieving program milestones such as contract execution, fund expenditure, and fund liquidation.

Non-VNRM Funds: Project funds from sources other than the VNRM.

VNRM Funds: State funds awarded by CARB to the District to implement the VNRM, including project and administrative, and interest revenue from the awarded funds, and revenues from salvage of equipment scrapped under the program.

- #### 4.6 Additional variations, or revisions to the variations in the criteria, administrative requirements, and definitions between the VNRM and the Moyer Guidelines listed in Sections 4.2 through 4.5 of this MOA, must be agreed to in writing by authorized representatives of CARB and the District.

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<sup>54</sup> With the exception of the variations indicated in Sections 4.2 – 4.5 of this MOA, VNRM grants are subject to the criteria and administrative requirements in Chapters 2 and 3 of the Moyer Guidelines, including those criteria and requirements that are based on provisions in the California Health & Safety Code (H&SC). However, because the H&SC does not regulate the VNRM, references to the statutory provisions of the Moyer Guidelines in the H&SC are not applicable.

<sup>55</sup> Moyer Guidelines Chapter 3, Parts B – D, pages 3-1 – 3-5, except Part C, Section 4, pages 3-3 – 3-4, Part D, Sections 3 and 4, pages 3-4 - 3-5.

<sup>56</sup> Moyer Guidelines Chapter 3, Part G, pages 3-7 – 3-8; Chapter 3, Part M, Section 1, page 3-16.

<sup>57</sup> Moyer Guidelines Chapter 3, Part H, pages 3-9 – 3-10; Chapter 3, Part L, Section 4, page 3-15; Chapter 3, Part R, Section 6, page 3-23.

<sup>58</sup> Moyer Guidelines Chapter 3, Part BB, Section 2, page 3-38.

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IN WITNESS WHEREOF, this MOA has been executed by the parties hereto.

CALIFORNIA AIR RESOURCES BOARD

Northern Sierra Air Quality Management  
District

\_\_\_\_\_  
Richard W. Corey  
Executive Officer

\_\_\_\_\_  
Gretchen Bennitt, Air Pollution Control  
Officer

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

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STATE OF CALIFORNIA  
 California Environmental Protection Agency  
 AIR RESOURCES  
 BOARD

GRANT DISBURSEMENT REQUEST FORM

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<b>General Information</b>		Project Name	Voluntary NOx Remediation Measure Funding	Grant Number	G17-NRM-10 Amendment No. 1
Grantee Name	Northern Sierra Air Quality Management District	Fiscal Year			2017/2018
Contact Person	Gretchen Bennett				
Mailing Address	200 Litch Drive, Suite 320 Grass Valley, California 95945				
Phone Number	(530) 274-9360	FAX Number			
<b>Disbursement Request</b>					
	G17-NRM-10 Amendment No. 1	Total Previous Disbursement		This Request	Remaining Balance
Project Funds	\$66,464.00	\$0.00		\$66,464.00	\$0.00
Administration Funds	\$4,242.00	\$0.00		\$4,242.00	\$0.00
Total	\$70,706.00	\$0.00		\$70,706.00	\$0.00

Documentation attached for disbursement justification:

- Project Funds
- Administration Funds

Attachments:

- Page B-4 of Amended Grant Agreement
- Page B-6 of Amended Grant Agreement

I certify under penalty of perjury that the information contained in this Grant Disbursement Request Form and all attachments is correct and complete and is in accordance with the Grant Agreement. In addition, I hereby authorize the California Air Resources Board to make any inquiries to confirm this information.

Authorized Official Gretchen Bennett Executive Director Shelby Bennett  
 Print Name Title Signature Date 2-25-19

**FOR STATE USE ONLY**

ARB Project Liaison Approval \_\_\_\_\_ Signature \_\_\_\_\_ Date \_\_\_\_\_

Grant Manager Approval \_\_\_\_\_ Signature \_\_\_\_\_ Date \_\_\_\_\_

Branch Chief Approval \_\_\_\_\_ Signature \_\_\_\_\_ Date \_\_\_\_\_

Division Chief Approval \_\_\_\_\_ Signature \_\_\_\_\_ Date \_\_\_\_\_

Total Disbursement: \_\_\_\_\_ Fund: \_\_\_\_\_ PCA: \_\_\_\_\_

Total Disbursement: \_\_\_\_\_ Fund: \_\_\_\_\_ PCA: \_\_\_\_\_

Project Milestones

Grantee: Northern Sierra Air Quality Management District

Grant No.: G17-NRM-10

Project: Voluntary NOx Remediation Measure (NRM) Funding

Task	Description	Project Funds
1	Execute MOA	\$0.00
2	Execute Grant Agreement	\$70,706.00
Total		\$70,706.00

Exhibit B, Attachment IV

Key Project Personnel

Grantee: Northern Sierra Air Quality Management District

Grant No.: G17-NRM-10

Project: Voluntary NOx Remediation Measure (NRM) Funding

Name	Position	Duties
Gretchen Bennett	Executive Director	Administrative
Tee Fisk	Deputy	Work & applications to distribute funds for projects

**To:** Northern Sierra Air Quality Management District Board of Directors  
**From:** Gretchen Bennett, Air Pollution Control Officer  
**Date:** March 25, 2019

**Agenda Item: IV.D**

**Agenda Description:** County Contribution for FY 2019-2020

**Agenda Description:** Proposal and Approval of County Contribution for FY 19/20

**Issues:**

The District's three-county agreement states that the annual county contribution for each member county shall be calculated using any one of the following three methods:

- A. Annual Contribution = the immediately previous fiscal year's annual contribution \* (1 + CPI).
- B. Annual Contribution = County Population \* \$0.48
- C. Annual Contribution = the immediately previous fiscal year's annual contribution.

The attached table clarifies what the actual amount per county would be depending upon the method adopted by the Board.

Last year, the Board adopted Method A, which resulted in an increase in county contribution from the immediate fiscal year's annual contribution.

**Requested Action:**

1. Propose and Adopt a County Contribution for FY 2019-2020

**ROLL CALL VOTE REQUESTED**

**Attachments:**

1. Proposed County Contribution Values for FY 2019-2020

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## Proposed County Contribution Values for FY 19-20

**CPI Adjustment Factor: 3.87%**

The CPI adjustment factor is for the immediately previous full calendar year as determined by the following web page: [www.dir.ca.gov/dlsr/CPI/EntireCCPI.PDF](http://www.dir.ca.gov/dlsr/CPI/EntireCCPI.PDF)

### Method A - Previous Fiscal Year's Contribution \* (1 + CPI Adjustment Factor)

	FY 18-19	FY 19-20	<i>Increase over last year's contribution</i>	<i>Decrease from last year's contribution</i>
Nevada	\$ 48,838.90	\$ 50,728.97	\$ 1,890.07	
Plumas	\$ 9,893.48	\$ 10,276.36	\$ 382.88	
Sierra	\$ 1,602.18	\$ 1,664.19	\$ 62.00	
<b>Totals</b>	<b>\$ 60,334.57</b>	<b>\$ 62,669.52</b>	<b>\$ 2,334.95</b>	<b>\$ -</b>

### Method B - County Population in most recent decennial census \* \$0.48

	FY 18-19	FY 19-20	<i>Increase over last year's contribution</i>	<i>Decrease from last year's contribution</i>
Nevada (2010 pop.: 98,764)	\$ 47,406.72	\$ 47,406.72		\$ 1,432.18
Plumas (2010 pop.: 20,007)	\$ 9,603.36	\$ 9,603.36		\$ 290.12
Sierra (2010 pop.: 3,240)	\$ 1,555.20	\$ 1,555.20		\$ 46.98
<b>Totals</b>	<b>\$ 58,565.28</b>	<b>\$ 58,565.28</b>	<b>\$ -</b>	<b>\$ 1,769.29</b>

### Method C - Previous Fiscal Year's Contribution

	FY 18-19	FY 19-20	<i>Increase over last year's contribution</i>	<i>Decrease from last year's contribution</i>
Nevada	\$ 48,838.90	\$ 48,838.90		
Plumas	\$ 9,893.48	\$ 9,893.48		
Sierra	\$ 1,602.18	\$ 1,602.18		
<b>Totals</b>	<b>\$ 60,334.57</b>	<b>\$ 60,334.57</b>	<b>\$ -</b>	<b>\$ -</b>

Contribution remains the same as last fiscal year.

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**CALIFORNIA CONSUMER PRICE INDEX (1955-2018)**

**ALL ITEMS (1982-1984=100)**

<b>Year</b>	<b>Month</b>	<b>All Urban Consumers</b>	<b>Urban Wage Earners and Clerical Workers</b>
<b>2018</b>	<b>Annual</b>	<b>272.510</b>	<b>263.048</b>
2018	December	274.922	265.308
2018	October	275.686	266.217
2018	August	273.844	264.506
2018	June	272.462	263.199
2018	April	271.210	261.696
2018	February	269.247	259.566
<b>2017</b>	<b>Annual</b>	<b>262.802</b>	<b>253.244</b>
2017	December	265.652	256.131
2017	October	265.472	255.682
2017	August	263.473	253.874
2017	June	262.286	252.839
2017	April	261.850	252.316
2017	February	260.111	250.485
<b>2016</b>	<b>Annual</b>	<b>255.303</b>	<b>246.184</b>
2016	December	256.953	247.411
2016	October	257.836	248.408
2016	August	R/256.097	R/246.735
2016	June	R/255.576	R/246.505
2016	April	254.134	245.321
2016	February	252.649	243.748
<b>2015</b>	<b>Annual</b>	<b>249.666</b>	<b>241.635</b>
2015	December	250.711	242.222
2015	October	251.255	242.884
2015	August	251.253	243.753
2015	June	250.404	242.680
2015	April	248.637	240.661
2015	February	246.218	237.836
<b>2014</b>	<b>Annual</b>	<b>246.055</b>	<b>238.960</b>
2014	December	244.812	236.733
2014	October	247.481	240.082
2014	August	247.259	240.289
2014	June	247.228	240.612
2014	April	245.900	239.144
2014	February	244.037	237.021
<b>2013</b>	<b>Annual</b>	<b>241.623</b>	<b>234.947</b>
2013	December	241.526	234.654
2013	October	242.633	235.783
2013	August	241.967	235.196
2013	June	241.926	235.333
2013	April	241.399	234.695
2013	February	241.242	234.887
<b>2012</b>	<b>Annual</b>	<b>238.155</b>	<b>231.610</b>

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**To:** Northern Sierra Air Quality Management District Board of Directors  
**From:** Gretchen Bennitt, Air Pollution Control Officer  
**Date:** March 25, 2019

**Agenda Item: IV.E**

**Agenda Description:** Financial Auditor Engagement Letter

**Issues:**

A copy of the financial auditor's engagement letter is attached. The firm, Singleton/Auman is proposing a three-year engagement. In order to provide a new auditor each year, they are proposing that the partners can rotate as primary and thus provide a new audit team.

**Requested Action:**

1. Authorize the Executive Director to sign the engagement letter with Singleton/Auman.

**Attachments:**

1. February 19, 2019 Engagement letter from Singleton/Auman PC

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## ENGAGEMENT LETTER

February 19, 2019

To the Board of Directors  
Northern Sierra Air Quality Management District  
PO Box 2509  
Grass Valley, CA 95945

Dear Board Members,

We are pleased to confirm our understanding of the services we are to provide Northern Sierra Air Quality Management District for the years ended June 30, 2019, June 30, 2020, and June 30, 2021 as needed.

As required by federal and state legal requirements, we are a Certified Public Accounting Firm, duly authorized to practice, and licensed by the California State Board of Accountancy. License Number COR5923.

We will audit the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information, including the related notes to the financial statements, which collectively comprise the basic financial statements of Northern Sierra Air Quality Management District as of and for the years ended June 30, 2019, June 30, 2020, and June 30, 2021 as needed.

Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement Northern Sierra Air Quality Management District's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to Northern Sierra Air Quality Management District's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding 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 will 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. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

- 1) Management's Discussion and Analysis.
- 2) Required supplementary information under GASB 34, GASB 68 and GASB 75.
- 3) Supplementary schedules required by the California State Controller.
- 4) Other Supplementary Information

### Audit Objectives

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for financial

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PO Box 795, Chester, CA 96020  
530.258.2272 Fax: 530.258.2282

audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of the accounting records of Northern Sierra Air Quality Management District and other procedures we consider necessary to enable us to express such opinions. We will issue a written report upon completion of our audit of Northern Sierra Air Quality Management District's financial statements. Our report will be addressed to the Board of Directors of Northern Sierra Air Quality Management District. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or may withdraw from this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and on compliance and other matters will include a paragraph that states (1) that the purpose of the report is solely to describe the scope of 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 on compliance, and (2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The paragraph will also state that the report is not suitable for any other purpose. If during our audit we become aware that Northern Sierra Air Quality Management District is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

#### **Audit Procedures—General**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. Our responsibility as auditors is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys

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as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

#### **Audit Procedures—Internal Control**

Our audit will include obtaining an understanding of the government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards*.

#### **Audit Procedures—Compliance**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of Northern Sierra Air Quality Management District's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

#### **Other Services**

We will prepare the Districts Annual Financial Transactions Report for the California State Controller's Office (billed separately) for years ended June 30, 2019, June 30, 2020, and June 30, 2021, as needed based on information provided by you. We will assist in preparing the financial statements and related notes of the Organization in conformity with U.S. generally accepted accounting principles based on information provided by you. We will assist in maintaining the District's Depreciation Schedule. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*.

We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statement services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

#### **Management Responsibilities**

Management is responsible for establishing and maintaining effective internal controls, including evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles, for the preparation and fair presentation of the financial statements and all accompanying information in conformity with U.S. generally accepted accounting principles, and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of

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the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants and for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse that we report.

You are responsible for the preparation of the supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

You agree to assume all management responsibilities relating to the financial statements and related notes and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and related notes and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

#### **Engagement Administration, Fees, and Other**

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing.

We will provide 12 copies of our reports to Northern Sierra Air Quality Management District; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

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The audit documentation for this engagement is the property of SingletonAuman PC and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to the cognizant agency, the State Controller's Office, or the General Accounting Office or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of SingletonAuman PC personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by the cognizant agency. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the parties contesting the audit finding for guidance prior to destroying the audit documentation.

We expect to begin our audit on approximately June 1st each year and to issue our reports no later than December 15. Clay Singleton, Principal is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

Our professional fees are based on the time spent on an engagement at our standard hourly rates. Our hourly rates are established in relation to the level of experience of the individual assigned to the audit. We believe that our services, approach and technique provide the capability to achieve cost savings while maintaining the highest quality standards. Our proposed fee includes all related expenses including travel costs and 15 copies of the audit report. We will not charge for out-of-pocket expenses such as mileage or per diem associated with this engagement.

The proposed fee for the audit of the Northern Sierra Air Quality Management District for the year ending June 30, 2019 is as follows: (Please select contract term)

<u>For the Year Ended</u>	<u>Audit Fee</u>
o June 30, 2019	\$12,500
June 30, 2020	\$12,750
June 30, 2021	\$13,000
o June 30, 2019	\$12,850
June 30, 2020	\$13,100
o June 30, 2019	\$13,200

**\*Single Audit Fee if required (If Federal Expenditures Exceed \$500,000)**

A Single Audit would add an additional \$5,000 per year to the contract total.

Our audit proposal is based on the expectation that your books will be closed, balanced and in auditable condition for the audit period. If during the course of the project the nature or scope of our work should change, we would discuss such matters with you and any effects of our fee estimates. The estimated fees are based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the engagement. If significant additional time is necessary for any reason, we will discuss it with you and arrive at a new estimate before we incur any additional cost.

Government Auditing Standards require that we provide you with a copy of our most recent quality control review report. Our 2016 peer review report accompanies this letter.

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We appreciate the opportunity to be of service to Northern Sierra Air Quality Management District and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,



Clay Singleton, Principal  
SINGLETONAUMAN PC

RESPONSE:

This letter correctly sets forth the understanding of Northern Sierra Air Quality Management District.

Management signature: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**To:** Northern Sierra Air Quality Management District Board of Directors  
**From:** Gretchen Bennett, Air Pollution Control Officer  
**Date:** March 25, 2019

**Agenda Item: IV.F**

**Agenda Description: Agreement with CARB for AB 617 Grant for \$22,659**

**Issues:**

Last year, Northern Sierra Air Quality Management District was granted a one-time grant of \$20,183 from the State of California Air Resources Board to provide an alternative to the open burning of green waste. The grant award provides funding to implement the Community Air Protection Program consistent with Assembly Bill 617 (Chapter 136, Statutes of 2017). The District must submit annual reports to the California Air Resources Board and a final report by April 1, 2021.

Reports must include the costs associated with specific tasks, emission reductions achieved, summary of work completed and in progress, expenditure summary showing all Community Air Protection Program Implementation Funds.

**Requested Action:**

1. Approve Resolution # 2019-03 which authorizes the APCO to sign the agreement.

**ROLL CALL VOTE REQUESTED**

**Attachments:**

1. Agreement Between CARB and NSAQMD to accept AB617 funding to contribute to an alternative to the burning of green waste.
2. Resolution # 2019-03

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vwb

March 5, 2019

MAR 7 2019

Ms. Gretchen Bennett  
Air Pollution Control Officer  
Northern Sierra Air Quality Management District  
200 Litton Drive, Suite 320  
Grass Valley, California 95945

Dear Ms. Bennett:

I am pleased to inform you that Northern Sierra Air Quality Management District has been approved for a grant under the Community Air Protection Program for Fiscal Year 2018-2019 from funding provided by Senate Bill 856 (Committee on Budget and Fiscal Review, Chapter 30, Budget Act of 2018). This grant award is for related expenses necessary for implementation of Assembly Bill 617 (C. Garcia, Chapter 136, Statutes of 2017). The grant award amount is consistent with the allocation approved by the California Air Pollution Control Officers Association (CAPCOA) Board on December 12, 2018. Enclosed for your consideration is the Grant Agreement, including:

- ◆ Three copies of the Grant Agreement cover sheet, which indicates your grant amount and any applicable Special Terms and Conditions;
- ◆ One copy of Exhibit A, Grant Provisions for Fiscal Year 2018-2019 Community Air Protection Program grants;
- ◆ One copy of Exhibit B, General Terms and Conditions for Fiscal Year 2018-2019 Community Air Protection Program grants;
- ◆ One copy of the Grant Disbursement Request Form; and
- ◆ One copy of the Advance Payment Request Form.

**To accept your grant award, please:**

- **Add authorized signature and date to all copies of the cover sheet.**
- **Return all cover sheets, along with a Board Resolution or minute order accepting the funds as soon as possible but no later than May 1, 2019, to:**

Ms. Andrea Juarez  
California Air Resources Board  
Office of Community Air Protection  
9480 Telstar Avenue, Suite 4

128  
1/28/19



Ms. Gretchen Bennett  
March 5, 2019  
Page 2

El Monte, California 91731

- Retain the Grant Provisions (Exhibit A) and General Terms and Conditions (Exhibit B) for District's reference.

These funds are available for encumbrance or expenditure until June 30, 2019 and are available for liquidation until June 30, 2021.

Within 30 days of receiving this letter, it is kindly requested you confirm acceptance or non-acceptance of funds by contacting Ms. Andrea Juarez at (626) 450-6158 or via email at [andrea.juarez@arb.ca.gov](mailto:andrea.juarez@arb.ca.gov).

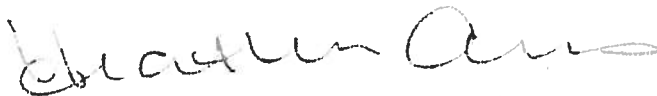
If the cover sheets and Board Resolution (or minute order) are not received by May 1, 2019, the California Air Resources Board will work with CAPCOA to reallocate these funds prior to June 30, 2019.

Please note that the Federal Employer Identification Number (FEIN) has been included in the cover sheet based on information in our records. Please confirm if it is correct, and notify Ms. Andrea Juarez if a change is needed.

If you would like to receive advance payment of the funds, also complete, sign and return both the Grant Disbursement Request Form and the Advance Payment Request Form to Ms. Andrea Juarez. You can also choose to request disbursement after the work is completed and can submit the Grant Disbursement Request Form at that time.

Thank you for participating in the Community Air Protection Program and for your commitment to clean air. After final signature by the California Air Resources Board, one copy of the cover sheet will be returned to you. If you have any questions, or need additional copies of the forms, please contact Ms. Andrea Juárez at (626) 450-6158 or via email at [andrea.juarez@arb.ca.gov](mailto:andrea.juarez@arb.ca.gov).

Sincerely,



Heather Arias  
Branch Chief  
Community Planning Branch  
Office of Community Air Protection

Enclosures

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Ms. Gretchen Bennett  
March 5, 2019  
Page 3

cc: Andrea Juarez  
Air Pollution Specialist  
Office of Community Air Protection

Tung Le  
Executive Director  
California Air Pollution Control Officers Association

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~~130~~

Ms. Gretchen Bennitt

March 5, 2019

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bcc: Karen Magliano, OCAP  
David Salardino, OCAP  
Karen Buckley, OCAP  
Craig Segall, OLA  
Deborah Kerns, OLA  
Pam Biggins, ASD  
Brandy Hunt, ASD  
Lisa Macias, ASD

# GRANT AGREEMENT COVER SHEET

GRANT NUMBER  
 G18-CAPP-21

NAME OF GRANT PROGRAM <b>Community Air Protection Program</b>	
GRANTEE NAME <b>Northern Sierra Air Quality Management District</b>	
TAXPAYER'S FEDERAL EMPLOYER IDENTIFICATION NUMBER <b>68-0124279</b>	TOTAL GRANT AMOUNT NOT TO EXCEED <b>\$22,659.00</b>
FISCAL GRANT TERM <b>FROM: February 1, 2019</b>	<b>TO: April 1, 2021</b>
PROJECT PERFORMANCE PERIOD OF GRANT AGREEMENT <b>FROM: February 1, 2019</b>	<b>TO: September 28, 2021</b>

This legally binding Grant Agreement, including this cover sheet, Exhibit A, and Exhibit B, attached hereto and incorporated by reference herein, is made and executed between the State of California, Air Resources Board (CARB) and Northern Sierra Air Quality Management District (the "Grantee").

Total Community Air Protection Program Implementation Funds:

Special Terms and Conditions (if applicable): Grant is contingent on CARB receipt

by June 30, 2019 of Board Resolution or minute order authorizing the District to accept the funding and signed cover sheet.

**Exhibit A - Grant Provisions**


Exhibit A, Attachment 1 – Air District Advance Payment Request Form

Exhibit A, Attachment 2 – Community Air Protection Program Grant Disbursement Request Form

Exhibit B, General Terms and Conditions

This Agreement is of no force or effect until signed by both parties. Grantee shall not commence performance until it receives written approval from CARB.

The undersigned certify under penalty of perjury that they are duly authorized to bind the parties to this Grant Agreement.

<b>California Air Resources Board</b>		GRANTEE'S NAME (PRINT OR TYPE) <b>Northern Sierra Air Quality Management District</b>	
SIGNATURE OF ARB'S AUTHORIZED SIGNATORY		SIGNATURE OF GRANTEE (AS AUTHORIZED IN RESOLUTION, LETTER OF COMMITMENT, OR LETTER OF DESIGNATION) 	
TITLE <b>Administrative Services Branch Chief, CARB</b>	DATE	TITLE <b>Air Pollution Control Officer</b>	DATE <b>3-25-19</b>
GRANTEE'S ADDRESS (INCLUDE STREET, CITY, STATE AND ZIP CODE) <b>200 Litton Drive, Suite 320, Grass Valley, California 95945</b>			

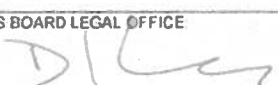
### CERTIFICATION OF FUNDING

AMOUNT ENCUMBERED BY THIS AGREEMENT <b>\$22,659.00</b>	FISCAL YEAR/PROGRAM <b>2018-19 / 3530</b>	FUND TITLE <b>Air Pollution Control Fund</b>		
PRIOR AMOUNT ENCUMBERED FOR THIS AGREEMENT <b>\$0</b>	(OPTIONAL USE)			
TOTAL AMOUNT ENCUMBERED TO DATE <b>\$22,659.00</b>	ITEM <b>3900-101-0115</b>	CHAPTER <b>30</b>	STATUTE <b>2018</b>	FISCAL YEAR <b>2018-19</b>
OBJECT OF EXPENDITURE <b>0500-702-59501</b>				

I hereby certify that the California Air Resources Board Budget Office acknowledges that budgeted funds are available for the period and purpose of the expenditure stated above.

SIGNATURE OF CALIFORNIA AIR RESOURCES BOARD BUDGET OFFICE 	DATE <b>2/14/19</b>
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I hereby certify that the California Air Resources Board Legal Office has reviewed this Grant Agreement.

SIGNATURE OF CALIFORNIA AIR RESOURCES BOARD LEGAL OFFICE 	DATE <b>3/11/19</b>
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# GRANT AGREEMENT COVER SHEET

GRANT NUMBER  
 G18-CAPP-21

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GRANTEE NAME <b>Northern Sierra Air Quality Management District</b>	
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Special Terms and Conditions (if applicable): Grant is contingent on CARB receipt

by June 30, 2019 of Board Resolution or minute order authorizing the District to accept the funding and signed cover sheet.

**Exhibit A - Grant Provisions**


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Exhibit A, Attachment 2 – Community Air Protection Program Grant Disbursement Request Form

**Exhibit B, General Terms and Conditions**

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SIGNATURE OF ARB'S AUTHORIZED SIGNATORY		SIGNATURE OF GRANTEE (AS AUTHORIZED IN RESOLUTION, LETTER OF COMMITMENT, OR LETTER OF DESIGNATION) 	
TITLE <b>Administrative Services Branch Chief, CARB</b>	DATE	TITLE <b>Air Pollution Control Officer</b>	DATE <b>3-25-19</b>
		GRANTEE'S ADDRESS (INCLUDE STREET, CITY, STATE AND ZIP CODE) <b>200 Litton Drive, Suite 320, Grass Valley, California 95945</b>	

**CERTIFICATION OF FUNDING**

AMOUNT ENCUMBERED BY THIS AGREEMENT <b>\$22,659.00</b>	FISCAL YEAR/PROGRAM <b>2018-19 / 3530</b>	FUND TITLE <b>Air Pollution Control Fund</b>		
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OBJECT OF EXPENDITURE <b>0500-702-59501</b>				

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SIGNATURE OF CALIFORNIA AIR RESOURCES BOARD LEGAL OFFICE 	DATE <b>3/1/19</b>
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# GRANT AGREEMENT COVER SHEET

GRANT NUMBER  
 G18-CAPP-21

NAME OF GRANT PROGRAM <b>Community Air Protection Program</b>	
GRANTEE NAME <b>Northern Sierra Air Quality Management District</b>	
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**Exhibit A - Grant Provisions**

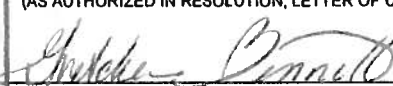
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The undersigned certify under penalty of perjury that they are duly authorized to bind the parties to this Grant Agreement.

<b>California Air Resources Board</b>		GRANTEE'S NAME (PRINT OR TYPE) <b>Northern Sierra Air Quality Management District</b>	
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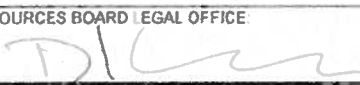
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PRIOR AMOUNT ENCUMBERED FOR THIS AGREEMENT <b>\$0</b>	(OPTIONAL USE)			
TOTAL AMOUNT ENCUMBERED TO DATE <b>\$22,659.00</b>	ITEM <b>3900-101-0115</b>	CHAPTER <b>30</b>	STATUTE <b>2018</b>	FISCAL YEAR <b>2018-19</b>
OBJECT OF EXPENDITURE <b>0500-702-59501</b>				

I hereby certify that the California Air Resources Board Budget Office acknowledges that budgeted funds are available for the period and purpose of the expenditure stated above.

SIGNATURE OF CALIFORNIA AIR RESOURCES BOARD BUDGET OFFICE 	DATE <b>2/14/19</b>
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I hereby certify that the California Air Resources Board Legal Office has reviewed this Grant Agreement.

SIGNATURE OF CALIFORNIA AIR RESOURCES BOARD LEGAL OFFICE 	DATE <b>3/1/19</b>
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**California Air Resources Board (CARB)  
Community Air Protection Program  
GRANT AGREEMENT  
Fiscal Year 2018-2019**

**Grant Provisions:**

1. **Community Air Protection Program:** This Grant Award provides funding to implement the Community Air Protection Program consistent with the goals of Assembly Bill 617 (Chapter 136, Statutes of 2017). Funds for implementation pursuant to Assembly Bill 617 may support selecting locations and deploying community air monitoring systems, deploying fence-line monitoring, developing an expedited schedule for requiring best available retrofit control technology, and developing Community Emissions Reduction Programs which includes efforts to improve community capacity to participate in the process, determining the proportional contribution of sources to air pollution exposure, developing rules, staff support, collecting data and reporting and other related tasks. For those air districts with communities selected by the CARB Board pursuant to Assembly Bill 617, these funds must be prioritized to support the required development and implementation of their Community Emissions Reduction Program(s) and/or Community Monitoring Plan(s).

2. **Reporting:**

A. **Annual Reports:** Grantee must submit annual reports to CARB beginning one year after full grant execution and continue annually through the end of the grant term, or until all funds have been liquidated. Reports, at a minimum, must include:

- i. Report number, title, name of Grantee, date of submission, and grant number;
- ii. Report costs associated with specific tasks (for example: identifying location for monitoring, deploying community air monitoring systems, fence-line monitoring, reporting emissions, developing a community emissions reduction program, establishing best available retrofit control technology requirements, adopting an expedited schedule for the implementation of best available retrofit control technology, community meetings or other Community Air Protection implementation efforts and outreach). Information for outreach events must include the date, location, topics, and number of attendees, for each event.
- iii. Report how grant is being utilized to meet the goals of Assembly Bill 617. If applicable, include emission reductions being achieved.
- iv. Summary of work completed and in progress since the last progress report;
- v. Grant funds remaining and expended; and
- vi. Expenditure summary showing all Community Air Protection Program Implementation Funds for which reimbursement is being requested.

B. **Final Report:** Grantee must submit a Final Report to CARB by April 1, 2021 or upon request for disbursement of all remaining funds, whichever is earlier. At a minimum, the Final Report must include all required information contained in the annual report, as well as an accounting summary of funds expended and a summary of how the goals of the program have been achieved.

Reports may be submitted electronically to CARB Community Air Protection Program Liaison, Ms. Andrea Juarez, at [andrea.juarez@arb.ca.gov](mailto:andrea.juarez@arb.ca.gov) or Program designee.

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3. Program Funding:

A. Advance Payment:

Consistent with the Legislature's direction to expeditiously disburse grants, CARB in its sole discretion may provide advance payments of grant awards in a timely manner to support program initiation and implementation with a focus on mitigating the constraints of modest reserves and potential cash flow problems.

Recognizing that appropriate safeguards are needed to ensure grant monies are used responsibly, CARB has developed the grant conditions described below to establish control procedures for advance payments. CARB may provide advance payments to grantees of a grant program or project if CARB determines all of the following:

- a. The advance payments are necessary to meet the purposes of the grant project.
- b. The use of the advance funds is adequately regulated by grant or budgetary controls.
- c. The request for application or the request for proposals contains the terms and conditions under which an advance payment may be received consistent with this section.
- d. The Grantee is either a small air district or the Grantee meets all of the following criteria:
  - i. Has no outstanding financial audit findings related to any of the moneys eligible for advance payment and is in good standing with the Franchise Tax Board and Internal Revenue Service.
  - ii. Agrees to revert all unused moneys to CARB if they are not liquidated within the timeline specified in the grant agreement.
  - iii. Submits a spending plan to CARB for review prior to receiving the advance payment.
  - iv. The spending plan shall include project schedules, timelines, milestones, and the Grantee's fund balance for all state grant programs.
  - v. CARB shall consider the available fund balance when determining the amount of the advance payment.
  - vi. Reports to CARB any material changes to the spending plan within 30 days.
  - vii. Agrees to not provide advance payment to any other entity.
- e. In the event of the nonperformance of the Grantee, CARB shall require the full recovery of the unspent moneys. A Grantee shall provide a money transfer confirmation within 45 days upon the receipt of a notice from CARB.
- f. The Grantee must complete and submit to CARB for review and approval, an Advance Payment Request Form, along with each grant disbursement that is requesting advance payment. The Advance Payment Request Form shall be provided by CARB to the Grantee after the grant execution.

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## Exhibit A

- g. CARB may provide an advance of the direct project costs of the grant, if the program has moderate reserves and potential cash flow issues. Advance payments will not exceed the Grantee's interim cash needs.
- h. The grantee assumes legal and financial risk of the advance payment.
- i. Grantee shall place funds advanced under this section in an interest-bearing account. Grantee shall track interest accrued on the advance payment. Interest earned on the advance payment shall only be used for eligible grant-related expenses as outlined in the Grant Provisions, Exhibit A or will be returned to CARB.
- j. Grantee shall report to CARB the value of any unused balance of the advance payment and interest earned and submit quarterly fiscal accounting reports consistent with Section 2 Reporting of this grant agreement.
- k. Grantee shall remit to CARB any unused portion of the advance payment and interest earned within 90 days following the end date of this Grant Agreement term on June 30, 2021 or the reversion date of the appropriation.

### **B. Grant Disbursements:**

- i. CARB will release any disbursements from the total Grant award after the Grantee submits the following to CARB:

1. A fully executed Grant Agreement Cover Sheet; and
2. Grant Disbursement Request Form included as Attachment 2. The Grantee must include an attachment to this form that documents expenditures for the implementation of the Community Air Protection Program. At a minimum, the attachment must provide information on expenditures, such costs include, selecting locations and deploying community air monitoring systems, deploying fence-line monitoring, developing an expedited schedule for best available control technology and best available retrofit control technology considering the highest priority locations, and developing Community Emissions Reduction Programs which includes but is not limited to developing rules, hiring staff, collecting data, convening community steering committees, community outreach, and reporting.
3. The Grantee must mail completed Grant Disbursement Requests to the CARB Community Air Protection Program Liaison, Ms. Andrea Juarez, or Program designee. Correspondence regarding this grant agreement shall be directed to:

Ms. Andrea Juarez  
California Air Resources Board  
Office of Community Air Protection  
9480 Telstar Avenue, Number 4  
El Monte, California 91731

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~~1317~~

## Exhibit A

Grant payments are subject to CARB's approval of Annual Reports.

- ii. No reimbursement will be made for expenses that, in the judgment of the Director of the Office of Community Air Protection or designee, are not reasonable or do not comply with the Grant Agreement.
- iii. Any disbursement will take into consideration whether an advance payment had been received.

C. **Earned Interest, Returned and Recaptured funds:** "Earned interest" means any interest generated from Program funds provided to the Grantee and held in an interest-bearing account. The Grantee shall reinvest all earned interest on Community Air Protection Program Implementation Funds into the program. "Returned funds" or "Recaptured funds" are funds provided under this Grant Award that are expended by the Grantee but subsequently returned to the Grantee either voluntarily or through enforcement action. All such funds must be reinvested in the implementation of the Community Air Protection Program.


- i. Such funds must be reported to CARB.
- ii. The Grantee must maintain accounting records (e.g. general ledger) that tracks interest earned and expended on program, as follows:
  1. The calculation of interest must be based on an average daily balance or some other reasonable and demonstrable method;
  2. The methodology for tracking earned interest must ensure that it is separately identifiable from interest earned program funds;
  3. The methodology for calculating earned interest must be consistent with how it is calculated for the Grantee's other fiscal programs; and
- iii. Such funds must be fully liquidated or returned to CARB by completion of the program or by June 30, 2021, whichever comes first. Grantee shall report all such funds to CARB annually until complete liquidation or return of funds or June 30, 2021, whichever comes first.
- iv. Documentation of expenditure made on those funds or returned to CARB must be:
  1. Retained for a minimum of three years after it is generated; and
  2. Provided to CARB in Annual Reports and Final Report.

4. **Grant Amendment:** Grantee recognizes that CARB continues to implement AB 617, including through the implementation of the Community Air Protection Program Blueprint (Blueprint). Grantee agrees that grant funds may not be used for purposes or activities contrary to the Blueprint. Grantee agrees that this grant agreement may be amended, upon mutual agreement of the parties, to reflect any additional terms needed to ensure consistency with the Blueprint.

## Exhibit B

### General Terms and Conditions:

1. **Amendment:** No amendment or variation of the terms of this Grant Agreement shall be valid unless made in writing, signed by the parties and approved as required. No oral understanding or agreement not incorporated in the Grant Agreement is binding on any of the parties.
2. **Assignment:** This Grant Agreement is not assignable by the Grantee, either in whole or in part, without the consent of CARB.
3. **Audit:** Grantee agrees that CARB, the Department of General Services, Department of Finance, the Bureau of State Audits, or their designated representative shall have the right to review and to copy any records and supporting documentation pertaining to the performance of this Grant and all State funds received. Grantee agrees to maintain such records for possible audit for a minimum of three (3) years after the term of this Grant is completed, unless a longer period of records retention is stipulated. Grantee agrees to allow the auditor(s) access to such records during normal business hours and to allow interviews of any employees who might reasonably have information related to such records. Further, Grantee agrees to include similar right of the State to audit records and interview staff in any Grant related to performance of this Agreement.
4. **Availability of funds:** CARB's obligations under this Grant Agreement are contingent upon the availability of funds. In the event funds are not available, the State shall have no liability to pay any funds whatsoever to the Grantee or to furnish any other considerations under this Grant Agreement.
5. **Compliance with law, regulations, etc.:** The Grantee agrees that it will, at all times, comply with and require its contractors and subcontractors to comply with all applicable federal and State laws, rules, guidelines, regulations, and requirements.
6. **Computer software:** The Grantee certifies that it has appropriate systems and controls in place to ensure that State funds will not be used in the performance of this Grant Agreement for the acquisition, operation or maintenance of computer software in violation of copyright laws.
7. **Confidentiality:** No record which has been designated as confidential by CARB shall be disclosed by the Grantee. If CARB opts to maintain the confidentiality of a document, and the entity requesting the records seeks a judicial ruling challenging that determination, CARB will defend the action at its own expense, including any requirement to pay attorney fees and court costs.
8. **Conflict of interest:** The Grantee certifies that it is in compliance with applicable State and/or federal conflict of interest laws.
9. **Disputes:** The Grantee shall continue with the responsibilities under this Grant Agreement during any dispute. Grantee staff or management may work in good faith with CARB staff or management to resolve any disagreements or conflicts arising from implementation of this Grant Agreement. However, any disagreements that cannot be resolved at the management level within 30 days of when the issue is first raised with CARB staff shall be subject to resolution by the CARB Executive Officer, or his designated representative. Nothing contained in this paragraph is intended to limit any of the rights or remedies that the parties may have under law.
10. **Environmental justice:** In the performance of this Grant Agreement, the Grantee shall conduct its programs, policies, and activities that substantially affect human health or the environment in a manner that ensures the fair treatment of people of all races, cultures, and income levels, including minority populations and low-income populations of the

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## Exhibit B

State.

11. **Fiscal management systems and accounting standards:** The Grantee agrees that, at a minimum, its fiscal control and accounting procedures will be sufficient to permit tracing of grant funds to a level of expenditure adequate to establish that such funds have not been used in violation of State law or this Grant Agreement.
12. **Force majeure:** Neither CARB nor the Grantee shall be liable for or deemed to be in default for any delay or failure in performance under this Grant Agreement or interruption of services resulting, directly or indirectly, from acts of God, enemy or hostile governmental action, civil commotion, strikes, lockouts, labor disputes, fire or other casualty, etc.
13. **Governing law and venue:** This grant is governed by and shall be interpreted in accordance with the laws of the State of California. CARB and the Grantee hereby agree that any action arising out of this Grant Agreement shall be filed and maintained in the Superior Court in and for the County of Sacramento, California, or in the United States District Court in and for the Eastern District of California. The Grantee hereby waives any existing sovereign immunity for the purposes of this Grant Agreement.
14. **Grantee's responsibility for work:** The Grantee shall be responsible for work and for persons or entities engaged in work, including, but not limited to, contractors, subcontractors, suppliers, and providers of services. The Grantee shall be responsible for any and all disputes arising out of its contracts for work funded by this Grant Agreement, including but not limited to payment disputes with contractors, subcontractors, and providers of services. The State will not mediate disputes between the Grantee and any other entity concerning responsibility for performance of work.
15. **Indemnification:** The Grantee agrees to indemnify, defend and hold harmless the State and the Board and its officers, employees, agents, representatives, and successors-in-interest against any and all liability, loss, and expense, including reasonable attorneys' fees, from any and all claims for injury or damages arising out of the performance by the Grantee, and out of the operation of equipment that is purchased with funds from this Grant Award.
16. **Independent contractor:** The Grantee, and its agents and employees, if any, in the performance of this Grant Agreement, shall act in an independent capacity and not as officers, employees or agents of CARB.
17. **Nondiscrimination:** During the performance of this Grant Agreement, the Grantee and its contractors shall not unlawfully discriminate against, harass, or allow harassment against any employee or applicant for employment because of sex, race, religious creed, color, national origin, ancestry, physical disability (including HIV and AIDS), mental disability, sexual orientation, medical condition, marital status, age (over 40) or allow denial of family-care leave, medical-care leave, or pregnancy-disability leave. The Grantee and its contractors shall ensure that the evaluation and treatment of their employees and applicants for employment are free of such discrimination and harassment. The Grantee and its contractors shall comply with the provisions of the Fair Employment and Housing Act (Gov. Code section 12990 (a)-(f) et seq.) and the applicable regulations promulgated thereunder (California Code of Regulations, title 2, section 7285 et seq.). The applicable regulations of the Fair Employment and Housing Commission implementing Government Code section 12990 (a)-(f), set forth in Chapter 5 of Division 4 of title 2 of the California Code of Regulations, are incorporated into this Agreement by reference and made a part hereof as if set forth in full. The Grantee and its contractors shall give written notice of their obligations under this clause to labor organizations with which they have a collective bargaining or other agreement.

## Exhibit B

18. **No third party rights:** The parties to this Grant Agreement do not create rights in, or grant remedies to, any third party as a beneficiary of this Grant Agreement, or of any duty, covenant, obligation or undertaking established herein.
19. **Personally Identifiable Information:** Information or data, including, but not limited to, records that personally identify an individual or individuals are confidential in accordance with California Civil Code sections 1798, et seq. and other relevant State or Federal statutes and regulations. The Grantee must safeguard all such information or data which comes into their possession under this agreement in perpetuity, and must not release or publish any such information, data, or financing assistance records.
20. **Prevailing wages and labor compliance:** If applicable, the Grantee agrees to be bound by all the provisions of State Labor Code Section 1771 regarding prevailing wages. If applicable, the Grantee shall monitor all agreements subject to reimbursement from this Grant Agreement to ensure that the prevailing wage provisions of State Labor Code Section 1771 are being met.
21. **Professionals:** For programs involving installation or construction services, the Grantee agrees that only licensed professionals will be used to perform services under this Grant Agreement where such services are called for and licensed professionals are required for those services under State law.
22. **Severability:** If a court of competent jurisdiction holds any provision of this Grant Agreement to be illegal, unenforceable or invalid in whole or in part for any reason, the validity and enforceability of the remaining provisions, or portions of those provisions, will not be affected.
23. **Term:** This Grant Award shall be effective upon full execution of this Grant Agreement and shall continue in full force and effect until all conditions of the Grant Agreement have been met. This award is conditional based on CARB receipt and approval of a fully executed Grant Agreement Cover Sheet accepting Community Air Protection Funds for Fiscal Year 2018-2019 by May 1, 2019.
24. **Termination:** CARB may terminate this Grant Agreement by written notice at any time prior to completion this Grant Award, upon violation by the Grantee of any material provision after such violation has been called to the attention of the Grantee and after failure of the Grantee to bring itself into compliance with the provisions of this Grant Agreement.
25. **Timeliness:** Time is of the essence in this Grant Agreement. The Grantee shall proceed with and complete expenditure of funds to implement the Community Air Protection Program in an expeditious manner.
26. **Waiver of Rights:** Any waiver of rights with respect to a default or other matter arising under the Grant Agreement at any time by either party shall not be considered a waiver of rights with respect to any other default or matter. Any rights and remedies of the State provided for in this Grant Agreement are in addition to any other rights and remedies provided by law.
27. **Disbursement Deadline:** The Fiscal Year 2018-2019 Community Air Protection Program Funds specified in this Grant Agreement must be encumbered or expended by June 30, 2019. Grant disbursement requests must be submitted by the Grantee to CARB no later than April 1, 2021 to ensure adequate time for processing prior to the end of the fiscal year. The Community Air Protection Program Fund Grant Disbursement Request Form and Advance Payment Request Form are incorporated as part of this grant agreement.

Exhibit B

28. Liquidation and Return of Funds: Funds not liquidated by June 30, 2021 must be returned by September 28, 2021. Expenditure of project funds granted may not be reduced due to any loss incurred in an uninsured bank or investment account.

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Office of Community Air Protection  
 Exhibit A, Attachment 2

COMMUNITY AIR PROTECTION PROGRAM  
 GRANT DISBURSEMENT REQUEST FORM

General Information			
Grantee Name	Northern Sierra Air Quality Management District	Grant Number	
Contact Person	Gretchen Bennett	Amendment #	
Mailing Address	200 Litton Drive, Suite 320	Fiscal Year	
Phone Number	530 274 9360	Disbursement #	
FAX Number			
Disbursement Request			
Grant Amount	22,659.00	Total Previous Disbursement	
Program Funds		This Request	22,659.00
		Remaining Balance	0

□ Documentation attached for disbursement justification: Attachments:

I certify under penalty of perjury that the information contained in this Grant Disbursement Request Form and all attachments is correct and complete and is in accordance with the Grant Agreement. In addition, I hereby authorize the California Air Resources Board to make any inquiries to confirm this information.

Authorized Official: Gretchen Bennett Executive Director  
 Print Name: Gretchen Bennett Title: Executive Director  
 Signature: [Signature] Date: 3-25-17

FOR STATE USE ONLY	Date Request Received by CARB	Date to Accounting	Date to SCO
CARB Project Liaison Approval	Print Name	Signature	Date
Grant Manager Approval	Print Name	Signature	Date
Financial Operations Branch Approval	Print Name	Signature	Date
Total Disbursement:		Fund:	PCA



Exhibit A, Attachment 1

Air District Advance Payment Request Form

Air District:	Northern Sierra Air Quality District	Date:	3-25-19
Contact Name:	Gretchen Bennett	Phone:	530 274 9360
Email Address:	Gretchen@myairdistrict.com	Program:	

Advance Amount Requested	\$
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Please check box if small District.

All Districts Certify:

- The District shall have no outstanding material financial audit findings related to any of the Funds eligible for Advance Payment.
- The District shall not provide advance payment to any other entity.
- All unused funds shall revert back to the state if not liquidated within the timeline specified in the grant agreement.

Large Districts must complete the additional information below and provide accompanying documents:

- A Spending Plan shall be submitted to CARB for review of Advance Payment moneys requested. The Spending Plan includes:
  - The District fund balance for all state grant programs
  - The District approved list of projects and entities
  - Project schedules, milestones and timelines
  - Any and all other information requested by CARB
- The District shall report to CARB material changes to the Spending Plan within 30 days

I hereby certify that I am the duly appointed, qualified, and acting officer of the herein named California Air District and that the information provided is in all respects true and correct.

Air District/Grantee Requester (Signature): <i>Gretchen Bennett</i>	Date: 3-25-19
Printed Name: Gretchen Bennett	Title: Exec Director
CARB Approver (Signature):	Date:
Printed Name:	Title:



**NORTHERN SIERRA AIR QUALITY MANAGEMENT DISTRICT  
RESOLUTION #2019-03**

**In the Matter of Accepting Funding Provided Under the Community Air Protection Program for Fiscal Year 2018-2019 provided by Assembly Bill 109.**

**Whereas**, Assembly Bill 109 provides funding for the Community Air Protection Program; and

**Whereas**, Assembly Bill 109 approved the Cap-and-Trade Expenditure Plan which appropriated approximately \$1.6 billion in discretionary funds; and

**Whereas**, the Northern Sierra Air Quality Management District has been approved by the California Air Resources Board (CARB) for a grant under the Community Air Protection Program; and

**Whereas**, the grant award is for expenses necessary for implementation of Assembly Bill 617; and

**Whereas**, the District is accepting \$22,659 of funds under the Community Air Protection Program for Fiscal Year 2018-2019.

**Whereas**, CARB requires a Board resolution authorizing the Air Pollution Control Officer (APCO) to sign the Grant Agreement and accept funding; and

**NOW, THEREFORE, BE IT RESOLVED, by the Northern Sierra Air Quality Management District Board as follows:**

1. The Board authorizes the APCO to sign the Community Air Protection Grant Agreement with CARB to execute all other necessary documents to implement and carry out the purposes of this resolution.
2. The Board does hereby approve the acceptance of the \$22,659 of funds under the Community Air Protection Program for Fiscal Year 2018-2019 in accordance with the terms and conditions of the Grant Agreement.
3. The Board hereby authorizes the APCO to accept any unallocated and awarded funds to the District under the Community Air Protection Program Grant Agreement.

On a motion by Supervisor \_\_\_\_\_, and seconded by Supervisor \_\_\_\_\_, the foregoing resolution was approved and adopted by the Board of Directors of the Northern Sierra Air Quality Management District at a regular meeting held on March 25, 2019, by the following roll call vote:

Ayes:  
Noes:  
Absent:  
Abstaining:

Approve: \_\_\_\_\_  
Chair of Board

Attest: \_\_\_\_\_  
Clerk of the Board/APCO

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**To:** Northern Sierra Air Quality Management District Board of Directors  
**From:** Gretchen Bennitt, Air Pollution Control Officer  
**Date:** March 25, 2019

**Agenda Item: V.A**

**Agenda Description:** Sierra Institute's Biomass Boiler at the Plumas County Annex

**Issues:**

In August 2018, the District issued a permit to operate to the biomass-fired combined heat and power unit serving the Plumas County Health and Human Services Building.

The District has been working with the Sierra Institute to assure that they are in compliance with their permit.

Staff will update Board and reply to questions.

**Requested Action:**

None, Informational only.

**Attachments:**

None

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**To:** Northern Sierra Air Quality Management District Board of Directors

**From:** Gretchen Bennitt, Air Pollution Control Officer

**Date:** March 25, 2019

**Agenda Item: V.B**

**Agenda Description:** Status on Portola PM2.5 Nonattainment Area

**Issues:**

Staff will give an update on Portola PM 2.5 nonattainment issues and programs.

**Requested Action:**

None, Informational only.

**Attachments:**

None.

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**To:** Northern Sierra Air Quality Management District Board of Directors  
**From:** Gretchen Bennitt, Air Pollution Control Officer  
**Date:** March 25, 2019

**Agenda Item: V.C**

**Agenda Description:** California Air Resources Board's 15-Day Draft changes to the Criteria and Toxics Reporting Regulation

**Issues:** The California Air Resources Board passed an extensive emission reporting regulation in December that was applicable only to 10 urban areas in the state. On March 5, they made significant changes which now require ALL permitted sources in the state to comply with these extensive emission regulations. Workshops have been poorly attended, it is the Air District's belief that many businesses are unaware of this regulation change.

The California Air Pollution Control Officers Association (CAPCOA) has been a clearinghouse for comments from local air districts. As of this date, the majority of air districts are NOT SUPPORTIVE of these changes as they will greatly increase the burden of emission reporting on the Districts' regulated sources.

Sam Longmire wrote the attached comment to CARB citing how this change to an emission reporting regulation will adversely impact businesses and in its turn, the Air District. Additionally, the District sent out an informational flyer to potentially impacted businesses.

**Requested Action: None, informational only**

**Attachments:**

1. March 12 letter to Dave Edwards, CARB from Gretchen Bennitt, Executive Director.
2. Flyer submitted to the District's permitted sources, requesting they contact CARB to comment on the emission reporting changes.

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March 11, 2019

Dave Edwards, Chief  
Greenhouse Gas and Toxics Emissions Inventory Branch  
California Air Resources Board  
PO Box 2815  
Sacramento, CA 95814

Re: CTR Regulation 15-Day Draft

Mr. Edwards:

The Northern Sierra AQMD is arranging our comments in two categories: Burden on regulated sources and burden on air districts. In all, the burdens imposed by the regulation would be so great throughout California that they would act as a disincentive to air districts permitting sources and to sources seeking permits from air districts.

We are aware that the CARB Board has preliminarily adopted the framework of the proposed regulation and is seeking comment on a short list of components of the regulation, and are also aware that Attachment B of the adoption resolution clarifies, "This list in now way limits CARB's authority to make other changes to the proposed regulatory amendments, consistent with the requirements of California law." Clearly, the specifics of the proposed regulation go far beyond the requirements of AB 617 and reach far into discretionary territory regarding the structure and details of the regulatory text. The Northern Sierra AQMD wishes to note that the regulation as proposed is much more demanding on regulated sources and air districts than was represented in preliminary discussions. Also, the list of potential facilities subject to reporting at <https://ww2.arb.ca.gov/our-work/programs/criteria-pollutant-and-toxics-emissions-reporting/potential-facilities-subject> hardly scratches the surface of the universe of facilities required to report under the proposed regulation.

#### **Burden on Regulated Sources**

The burden on regulated sources imposed by the proposed regulation is substantial. Many affected sources have fewer than 4 employees. In most cases, new information would be required that the source has never reported before and may not even know. For instance, few sources can readily report the "Release location exit gas temperature" (required under §93404(b)(6)(B)(4)), which in many cases would be variable.

Likewise, few sources can readily provide their "Unit Type Code" required under §93404(b)(3)(c). If they look for it in the Definitions to see what a "unit type code" is,

they find that they are referred to a 'cumbersomely long web site address:

[https://iaspub.epa.gov/sor\\_internet/registry/datareg/searchandretrieve/valuelist/search.do?details=displayDetails&id=12300&verNr=1](https://iaspub.epa.gov/sor_internet/registry/datareg/searchandretrieve/valuelist/search.do?details=displayDetails&id=12300&verNr=1). And then the web site itself contains ambiguous unit type descriptions. For example, would a crematory be an Incinerator, Other Combustion or Unclassified? By the way, EPA has been changing many of its web sites in recent years; there is no guarantee that any web address will remain valid for any length of time.

The jargon used in the regulation would also be bewildering to many people. For example, "Stack identifier or name" (required under §93404(b)(6)(B)(1)) and "Identifier of the singular associated emissions process" (required under §93404(b)(5)(A)) are simply not terms that regulated businesses are familiar with.

The requirement to report "geospatial coordinates" is also likely to cause confusion. Most people don't know how to find their geospatial coordinates even if they do have some notion of what they are. The definition includes a link to a 272-page 24-megabyte .pdf ([https://www.ngs.noaa.gov/PUBS\\_LIB/NADof1983.pdf](https://www.ngs.noaa.gov/PUBS_LIB/NADof1983.pdf)) that loads very slowly. Much of the NSAQMD is still on dial-up internet connection or slow satellite speeds, in which case it is almost unreasonable to expect sources to download the large file. Further, while the linked document on the history of the development of geospatial coordinates is fairly intriguing, it is not instructive in how to obtain geospatial coordinates and really not helpful at all to the business person trying to get their emissions report out the door.

There should be a blanket emissions threshold for being subject to the proposed regulation. There is no real value in gathering all of the data required for very small sources that have permits just because they are required to have permits, such as crematories, or for small aggregate facilities thousands of feet from the nearest receptor. The NSAQMD suggests 4 tons per year or an AB2588 screening-level cancer risk greater than 10.

The regulation gives local air districts the authority to charge sources fees to cover the increased time it would take to carry out the requirements of the regulation. This makes it a de facto fee regulation, which is a big deal that should initiate a full formal rulemaking process with plenty of opportunities for public input. For local air districts to charge new fees would require them to go through formal rulemaking processes. There is no guarantee that district boards would support such new fees on businesses, especially on top of increased business employee expenses associated with the proposed reporting requirements.

Table A-3 mainly applies to permitted sources that otherwise don't have to report. It contains some vague Process descriptions, such as "industries related to petroleum refining" and "hazardous waste treatment, storage, disposal and recycling" (hazardous waste is defined differently by different people).

The threat in §93407 of CARB coming into local air districts and assessing penalties on sources for violating "any of the requirements" of the regulation is worrisome. §93407 specifies that late reporting, missed reporting, erroneous reporting and inadequate

recordkeeping are all violations that could result in penalties. There are many scenarios in which a source might have a good reason for making any of these specified mistakes, such as a key person being away from work either temporarily or permanently, unforeseen legal issues with other agencies, failure to see or understand some part of the massive regulation, language barriers, health issues and plain old forgetfulness. CARB is too far removed from the balance that exists among local elected officials, air districts, regulated sources and the general public to equitably weigh all factors involved in what CARB might deem a violation. If CARB is threatening to punish businesses for shortcomings in their reporting, there should be a specific process for reminding and assisting the businesses first. The process should include a grace period after issuing a penalty during which a source can come into compliance without punishment. In addition, local air districts should be able to modify or prevent any penalties CARB might desire to issue to businesses within the districts' jurisdiction.

It is not clear if violations of the regulation could be subject to the Variance process at the district level or, if they are, if CARB would recognize local district variances with regard to violations of the regulation.

As a whole, the regulation is not composed in an easy-to-read manner. For example, the Abbreviated Reporting in section §93403(b) is unnecessarily complicated by requiring the reader to bounce around too much. It could easily be its own entire section titled "Abbreviated Reporting for Certain Gas Stations and Generator Engines," or even a separate regulation. Once the section is located somewhat into the second half of §93403, the reader is directed to four other sections to reference. The first of these is §93401(a)(4)(C), which references the reader to Appendix A, Table A-3, which itself is quite complicated. The second referenced section in §93403(b) is §93401(a) in general, which contains references to more than 25 other sections of Title 17, plus several sections of the Health and Safety Code and OEHHA Guidelines. Those, in turn, reference more sections. The third section referenced in §93403(b) is itself. The fourth section referenced in §93403(b) is §93404(c), which is entirely dedicated to Abbreviated Report Contents. Why not include it under §93403(b) for simplicity? §93404(c) references 5 other sections, which of course reference additional sections. §93404(c)(2) references §93404(d) as a whole and then specifically references 2 subsections within §93404(d), but in standard practice a reference to §93404(d) includes all of its subsections. §93404(c)(2) could just reference §93404(d) except §93404(d)(3) and §93404(d)(4).

As can be seen from the preceding paragraph, the regulation is just too convoluted for the average person to easily understand. Tightly packed references among the various sections and other legislation are woven and tangled in every direction like noodles in a bowl of spaghetti. The entire proposed regulation should be rewritten with an end product clearly in mind, so that it can be constructed in a more linear fashion with far fewer references to other sections and other legislative documents.

#### **Burden on Air Districts**

§93401(4) specifies that of the facilities listed in Appendix A, Table A-3 (with specified activity levels), only those facilities with permits to operate issued by air districts are

subject to the applicability criteria. Since air districts have varying practices and emissions thresholds for permitting, the work load imposed by the proposed regulation varies among districts accordingly. Similarly, air districts have varying public notification thresholds for HRA-derived risk factors, which affects their work load under the proposed regulation.

Nonetheless, the regulation would result in a vastly increased workload for local air districts. Even coming up with a plan to implement the new requirements would take significant time. Fielding questions from sources, providing both general education on the regulation and specific education based on specifics of facilities, making sure all sources have equal access to the requirements and assistance in fulfilling them, ensuring accuracy, maintaining records, reporting data, digging through source files ... at first look, the number of new tasks involved at the district level would probably require at least a full-time position for the Northern Sierra AQMD, which currently employs only 5 people including the APCO.

Sources currently doing business in the NSAQMD that would be subject to the article are preliminarily estimated to include 7 human and animal crematories; 7 remote gravel quarries; 2 asphalt plants; 2 paint spray booths; 3 Title V sources; 150 diesel generators and 63 gas stations. There could well be more once some of the ambiguities in the requirements are worked out. It's not clear if a hospital that has a standby diesel generator under permit would be subject to reporting for using natural gas as a heat source. It's also not clear if a source with multiple permits that include some below the reporting threshold and some above must report for those below if they are reporting for those above the thresholds.

While the Northern Sierra Air Quality Management District supports all efforts to ensure that the health of the residents in Plumas, Sierra and Nevada counties is protected from the effects of air pollution, CARB's proposed changes are not supported by the District.

In conclusion, the NSAQMD supports comments made by other districts regarding the aspects of the proposed regulation that should be considered and clarified, revised or removed. The shortcomings and ambiguities in the proposed regulation warrant a more thorough process of revisions and considerations than currently appears to be planned. Also, it really should undergo a cost/benefit analysis and be published for review by air districts and then the public in its final form. Making the document public once it is in final proposed form and before final approval is important, especially since it would indirectly establish new fees for thousands of California businesses.

Sincerely,



Gretchen Bennett, Executive Director  
Northern Sierra Air Quality Management District

Cc: California Air Pollution Control Officers Association



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## IMPORTANT INFORMATION ABOUT THE CALIFORNIA AIR RESOURCES BOARD'S CRITERIA AND TOXICS REPORTING REGULATION

This advisory provides Northern Sierra Air Quality Management District's permitted business owners and operators information about emissions reporting regulations currently being developed by the California Air Resources Board (CARB) that would have a significant impact on most permitted businesses within the district.

### Background

On March 5, 2019 CARB released proposed regulatory text which is available at: <https://ww2.arb.ca.gov/our-work/programs/criteria-and-toxics-reporting>. It is called the "Regulation for the Reporting of Criteria Air Pollutants and Toxics Air Contaminants" (or CTR Regulation). Comments are encouraged, and are due by **March 29, 2019** to [ctr-report@arb.ca.gov](mailto:ctr-report@arb.ca.gov).

### Increased Emissions Reporting

CARB staff are proposing that most of the permitted sources in the state will be subject to increased annual emissions reporting requirements. Compliance with this new reporting mandate is expected to cost businesses money and time. The proposed reporting requirements are extensive, and the regulation includes authorization for unspecified new fees.

### Direct Enforcement by CARB

The proposal includes a provision for CARB to assess penalties on businesses for "failure to comply with any of the requirements."

Please note that while the Northern Sierra Air Quality Management District supports all efforts to ensure the health of residents in Plumas, Sierra and Nevada counties is protected from the effects of air pollution, CARB's proposed changes are **NOT** supported by our district or most air districts in California.

Should you wish to learn more about CARB's regulation, please visit CARB's website listed above. If you have questions or wish to submit comments on the proposed regulation, please contact CARB staff at [ctr-report@arb.ca.gov](mailto:ctr-report@arb.ca.gov) or **Patrick Gaffney** at **916-322-7303**.

**To:** Northern Sierra Air Quality Management District Board of Directors  
**From:** Gretchen Bennitt, Air Pollution Control Officer  
**Date:** February 25, 2019

**Agenda Item: V.D**

**Agenda Description: Forest Health Issues**

**Issues:**

The Board requested that this Agenda Item be a standing item.

**SB1260/901**

Last year SB1260/901 made changes in law to help increase prescribed burning across the state, provided funding for some programs and tried to remove barriers to increase prescribed burning.

CAL FIRE received a large amount of funds to increase prescribed burning. Air districts were awarded \$2 million of those funds to anticipate and fund the increased work load due to the increase in burning. CAPCOA is currently working with the California Air Resources Board to design a program in which the funds support the increase in burning. The Executive Director will update the Board during the meeting.

**Requested Action:** None, informational only

**Attachments:** none

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**To:** Northern Sierra Air Quality Management District Board of Directors  
**From:** Gretchen Bennett, Air Pollution Control Officer  
**Date:** February 25, 2019

**Agenda Item: V.E**

**Agenda Description:** FARMER Agricultural Survey

**Issues:**

**The 2019 Agricultural Tractor and Mobile Equipment Survey** is now online. This is a survey run by CalPoly San Luis Obispo to collect information from producers in the field, custom operators, and first processing facilities, and covers all **mobile ag equipment** using any type of fuel or electricity, of any horsepower in California.

The survey is very important because it helps determine the allocation of hundreds of millions of dollars in incentive funding in both regional and federal incentives that go to tractors (and other ag equipment) replacement projects. The survey results will also be used by the State of California to estimate equipment populations and fuel use from ag equipment, but the state will never receive anything but **completely anonymous information**.

This survey may be completed on a computer or phone in just a few minutes for most farms or processing facilities, slightly longer for very large operations.

Online Survey: <https://aqb.calpoly.edu/2018-equip-survey>

Contact for questions: [offroadinventory@arb.ca.gov](mailto:offroadinventory@arb.ca.gov)

CalPoly will handle and **completely** anonymize all survey data, which includes removal of all identifying information.

**Requested Action:**

None, informational only

**Attachments:**

None

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