

**Antelope Valley Air Quality Management District**

**Management Report**

**June 30, 2019**



**Fedak & Brown LLP**

Certified Public Accountants

# Antelope Valley Air Quality Management District

## Management Report

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### **CONFIDENTIAL**

Governing Board  
Antelope Valley Air Quality Management District  
Lancaster, California

#### **Dear Members of the Governing Board:**

In planning and performing our audit of the financial statements of the governmental activities and each major fund of the Antelope Valley Air Quality Management District (District) as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and may not be detected by such controls. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

#### **Current Year Observation, Comment, and Recommendation**

We identified certain observation, comment, and recommendation for the current year. However, material weaknesses may exist that have not been identified.

#### ***Disclosure of Audit Adjustments and Reclassifications***

As your external auditor, we assume that the books and records of the District are properly adjusted before the audit begins. In many cases, however, audit adjustments and reclassifications are made in the normal course of the audit process to present the District's financial statements in conformity with accounting principles generally accepted in the United States of America or for comparison purposes with the prior year. For the Governing Board to gain a full and complete understanding and appreciation of the scope and extent of the audit process, we have presented these audit adjustments and reclassifications as an attachment to this letter. There can be very reasonable explanations for situations of having numerous adjustments as well as having no adjustments at all. However, the issue is simply disclosure of the adjustments and reclassifications that were made and to provide the Governing Board with a better understanding of the scope of the audit.

## **Current Year Observation, Comment, and Recommendation, continued**

### ***Disclosure of Audit Adjustments and Reclassifications, continued***

#### **Management's Response**

We have reviewed and approved all of the audit adjustment and reclassification entries provided by the auditor and have entered those entries into the District's accounting system to close-out the District's year-end trial balance.

## **Prior Year Observation, Comment, and Recommendation**

### ***Disclosure of Audit Adjustments and Reclassifications***

As your external auditor, we assume that the books and records of the District are properly adjusted before the audit begins. In many cases, however, audit adjustments and reclassifications are made in the normal course of the audit process to present the District's financial statements in conformity with accounting principles generally accepted in the United States of America or for comparison purposes with the prior year. For the Governing Board to gain a full and complete understanding and appreciation of the scope and extent of the audit process we have presented these audit adjustments and reclassifications as an attachment to this letter. There can be very reasonable explanations for situations of having numerous adjustments as well as having no adjustments at all. However, the issue is simply disclosure of the adjustments and reclassifications that were made and to provide the Governing Board with a better understanding of the scope of the audit.

#### **Management's Response**

We have reviewed and approved all of the audit adjustment and reclassification entries provided by the auditor and have entered those entries into the District's accounting system to close-out the District's year-end trial balance.

#### **Restriction on Use**

This communication is intended solely for the information and use of management, the audit committee, the Governing Board, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

We appreciate the courtesy and cooperation extended to us during our examination. We would be pleased to discuss the contents of this letter with you at your convenience. Please do not hesitate to contact us.

*Fedak & Brown LLP*

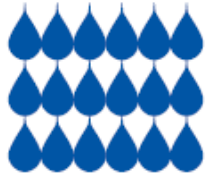
**Fedak & Brown, LLP**  
Cypress, California  
April 21, 2020

**APPENDIX**

**Antelope Valley Air Quality Management District**

**Audit/Finance Committee Letter**

**June 30, 2019**



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Governing Board  
Antelope Valley Air Quality Management District  
Lancaster, California

We have audited the financial statements of the Antelope Valley Air Quality Management District (District) for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated March 26, 2019. Professional standards also require that we communicate to you the following information related to our audit of the governmental activities and each major fund.

## Significant Audit Matters

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the basic financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2019. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the basic financial statements prepared by management and are based upon management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were:

Management's estimate of the fair value of cash and cash investments is based on information provided by financial institutions. We evaluated the key factors and assumptions used to develop the fair value of cash and investments in determining that they are reasonable in relation to the basic financial statements taken as a whole.

Management's estimate of capital assets depreciation is based on historical estimates of each capitalized item's useful life expectancy or cost recovery period. We evaluated the key factors and assumptions used to develop the capital asset depreciation calculations in determining that they are reasonable in relation to the basic financial statements taken as a whole.

Certain basic financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the basic financial statements were:

The disclosure of fair value of cash and investments in Note 2 to the basic financial statements represents amounts susceptible to market fluctuations.

The disclosure of capital assets, net in Note 3 to the financial statements is based on historical information which could differ from actual useful lives of each capitalized item.

The financial statement disclosures are neutral, consistent, and clear.

Significant Audit Matters, continued

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

*Disagreements with Management*

For the purpose of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representational letter dated April 21, 2020.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principal to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management discussion and analysis and budget comparison schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

We appreciate the cooperation extended us by management and the staff of the District in the performance of our audit testwork. We will be pleased to respond to any question you have about the foregoing. We appreciate the opportunity to continue to be of service to the District.

Restriction on Use, continued

This information is intended solely for the information and use of the Governing Board and management of the District and is not intended to be, and should not be, used by anyone other than the specified parties. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

*Fedak & Brown LLP*

**Fedak & Brown, LLP**  
Cypress, California  
April 21, 2020



**Antelope Valley Air Quality Management District**  
**Schedule of Adjusting and Reclassifying Journal Entries**  
**June 30 2019**

Account	Description	Debit	Credit
<b>Adjusting Journal Entries</b>			
<b>Adjusting Journal Entries JE # 1</b>			
To reconcile net position and book depreciation expense.			
10-7685-00-0000	Depr Exp Other	51,889.09	
10-1730-00-0000	Furniture & Fixtures		724.87
10-3700-00-0000	Investment in Capital Assets		51,164.22
<b>Total</b>		<b><u>51,889.09</u></b>	<b><u>51,889.09</u></b>
<b>Adjusting Journal Entries JE # 2</b>			
To record disposal of vehicle			
10-1755-00-0000	Acc Dep Vehicles	17,618.51	
10-1750-00-0000	Vehicles		17,618.51
<b>Total</b>		<b><u>17,618.51</u></b>	<b><u>17,618.51</u></b>
<b>Adjusting Journal Entries JE # 4</b>			
To capitalize capital outlay.			
10-1730-00-0000	Furniture & Fixtures	6,407.00	
10-8810-00-0000	Capital Exp Buildings		6,407.00
<b>Total</b>		<b><u>6,407.00</u></b>	<b><u>6,407.00</u></b>
	<b>Total Adjusting Journal Entries</b>	<b><u>75,914.60</u></b>	<b><u>75,914.60</u></b>
<b>Reclassifying Journal Entries</b>			
<b>Reclassifying Journal Entries JE # 3</b>			
To reclassify transfer in/out of administrative fees between funds.			
10-4100-00-3050	Administrative Funding Round 19	38,132.26	
10-4100-00-3060	Administrative Funding Round 20	32,984.74	
30-FB9999	Transfer in/out	71,117.00	
10-FB9999	Transfer in/out		71,117.00
30-4100-00-3050	Administrative Funding Round 19		38,132.26
30-4100-00-3060	Administrative Funding Round 20		32,984.74
<b>Total</b>		<b><u>142,234.00</u></b>	<b><u>142,234.00</u></b>
	<b>Total Reclassifying Journal Entries</b>	<b><u>142,234.00</u></b>	<b><u>142,234.00</u></b>
	<b>Total All Journal Entries</b>	<b><u>218,148.60</u></b>	<b><u>218,148.60</u></b>