

**Antelope Valley Air Quality Management District**

**Management Report**

**June 30, 2022**



**C.J. Brown & Company CPAs**  
An Accountancy Corporation

# **Antelope Valley Air Quality Management District**

## **Management Report**

### **Table of Contents**

<u>Item</u>	<u>Page No.</u>
General Introduction	1
<b>Appendix:</b>	
Audit/Finance Committee Letter	1-3
Schedule of Audit Adjusting and Reclassifying Journal Entries	5



Christopher J. Brown, CPA, CGMA  
Jonathan Abadesco, CPA  
Jeffrey Palmer

# C.J. Brown & Company CPAs

## An Accountancy Corporation

**Cypress Office:**  
10805 Holder Street, Suite 150  
Cypress, California 90630  
(657) 214-2307

**Riverside Office:**  
5051 Canyon Crest Drive, Suite 203  
Riverside, California 92507  
(657) 214-2307

### **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 basic financial statements of the Antelope Valley Air Quality Management District (District) as of and for the year ended June 30, 2022, 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, we considered 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of District's internal control over financial reporting.

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 over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this communication, which is an integral part of our audit, is to describe, for management and those charged with governance, the scope of our testing of internal control and the results of that testing. Accordingly, this communication is not intended to be and should not be used for any other purpose.

*C.J. Brown & Company, CPAs*

**C.J. Brown & Company CPAs**  
Cypress, California  
February 21, 2023

## **APPENDIX**

**Antelope Valley Air Quality Management District**

**Audit/Finance Committee Letter**

**June 30, 2022**



Christopher J. Brown, CPA, CGMA  
Jonathan Abadesco, CPA  
Jeffrey Palmer

# C.J. Brown & Company CPAs

## An Accountancy Corporation

**Cypress Office:**  
10805 Holder Street, Suite 150  
Cypress, California 90630  
(657) 214-2307

**Riverside Office:**  
5051 Canyon Crest Drive, Suite 203  
Riverside, California 92507  
(657) 214-2307

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) as of and for the year ended June 30, 2022, and have issued our report thereon dated February 21, 2023. Professional standards require that we advise you of the following matters relating to our audit.

### **Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated March 16, 2022, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding significant control deficiencies over financial reporting, if applicable, and material noncompliance, and other matters noted during our audit in a separate letter to you dated February 21, 2023.

### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

An auditor that is not involved in the engagement performed an independent review of the financial statements that was prepared by us based on the information provided by management. This safeguard reduces the threat of self-review risk to an acceptable level.

### **Significant Risks Identified**

We have identified the following significant risks:

- Management override of controls
- Revenue recognition

### **Qualitative Aspects of the Entity's Significant Accounting Practices**

#### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2022. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

#### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. The most sensitive accounting estimates affecting the financial statements are as follows:

- Management's estimate of the fair value of cash and investments which 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 financial statements taken as a whole.
- Management's estimate of capital assets depreciation which 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 financial statements taken as a whole.

#### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the District's financial statements relate to:

- The disclosure of fair value of cash and investments in Note 2 to the basic financial statements which represents amounts susceptible to market fluctuations.
- The disclosure of capital assets, net in Note 3 to the basic financial statements which is based on historical information which could differ from actual useful lives of each capitalized item.

### **Significant Unusual Transactions**

For purposes of this communication, professional standards require us to communicate to you significant unusual transactions identified during our audit. No significant unusual transactions were identified as a result of our audit procedures that were brought to the attention of management.

### **Identified or Suspected Fraud**

We have not identified or have not obtained information that indicates that fraud may have occurred.

### **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. There were no uncorrected misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. All journal entries, including material misstatements (if any), that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management and are included on the Schedule of Audit Adjusting and Reclassifying Journal Entries on page 5.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the District's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

### **Circumstances that Affect the Form and Content of the Auditor's Report**

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. There were no circumstances that affect the form and content of the auditor's report.

### **Representations Requested from Management**

We have requested certain written representations from management, which are included in the attached letter dated February 21, 2023.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

**Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditors.

*C.J. Brown & Company, CPAs*

**C.J. Brown & Company CPAs**

Cypress, California

February 21, 2023



**Antelope Valley Air Quality Management District  
Schedule of Adjusting and Reclassifying Journal Entries  
June 30, 2022**

**Adjusting Journal Entries JE # 1**

To reconcile prior ending and current year beginning net position.

10-1720-00-0000	Improvements Not Buildings	284.00	
10-3700-00-0000	Investment in Capital Assets	1,329.00	
30-2600-00-3080	Deferred Revenue Round 22	4,776.28	
30-2610-00-3080	Deferred Admn Rev Round 22	32,806.23	
10-1730-00-0000	Furniture & Fixtures		1,613.00
30-3000-00-0000	Restricted Fund Balance		37,582.51
<b>Total</b>		<b>39,195.51</b>	<b>39,195.51</b>

**Adjusting Journal Entries JE # 2**

To implement GASB 87.

10-1720-00-0000	Improvements Not Buildings	201,363.13	
10-3700-00-0000	Investment in Capital Assets	2,064.29	
10-3700-00-0000	Investment in Capital Assets	40,272.63	
10-3700-00-0000	Investment in Capital Assets	3,776.92	
10-FB2700	Lease Obligation	39,213.68	
10-1725-00-0000	Acc Dep Improvements Not Bldgs		40,272.63
10-1725-00-0000	Acc Dep Improvements Not Bldgs		40,272.63
10-3700-00-0000	Investment in Capital Assets		42,990.60
10-FB2700	Lease Obligation		163,154.79
<b>Total</b>		<b>286,690.65</b>	<b>286,690.65</b>

**Reclassifying Journal Entries JE # 201**

To reclassify intrabank transfer.

10-1010-00-0000	Wells Fargo Operating	74,338.41	
10-2000-00-0000	Accounts Payable System	35,801.02	
10-1290-00-0000	Bank Transfers		110,139.43
<b>Total</b>		<b>110,139.43</b>	<b>110,139.43</b>