



**Antelope Valley Air Quality Management  
District**

**Lancaster, California**

**Annual Financial Report  
For the Fiscal Year Ended  
June 30, 2023**



**Governing Board as of June 30, 2023**

<b>Name</b>	<b>Title</b>	<b>Elected/ Public</b>
Marvin Crist	Chair	Elected
Austin Bishop	Vice Chair	Elected
Ron Hawkins	Governing Board Member	Elected
Howard Harris	Governing Board Member	Elected
Andrea Alarcon	Governing Board Member	Elected
Ken Mann	Governing Board Member	Elected
Newton Chelette	Governing Board Member	Public

**Antelope Valley Air Quality Management District  
Barbara Lods, Executive Director  
2551 West Avenue H  
Lancaster, California 93536  
(661) 723-8070**

**Antelope Valley Air Quality Management District**

**Annual Financial Report**

**For the Fiscal Year Ended June 30, 2023**

# Antelope Valley Air Quality Management District

For the Fiscal Year Ended June 30, 2023

## Table of Contents

	<u>Page No.</u>
Table of Contents	i
<b>Financial Section</b>	
Independent Auditor’s Report	1-3
Management’s Discussion and Analysis	4-8
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements:	
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	11
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	12
Notes to the Basic Financial Statements	13-25
<b>Required Supplementary Information</b>	
Budget Comparison Schedule – General Fund	26
Budget Comparison Schedule – AB 2766 Fund	27
Budget Comparison Schedule – AB 923 Fund	28
Budget Comparison Schedule – Carl Moyer Fund	29
Notes to the Required Supplementary Information	30
<b>Report on Internal Controls and Compliance</b>	
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	31-32

# **Financial Section**

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

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**Independent Auditor's Report**

Governing Board  
Antelope Valley Air Quality Management District  
Lancaster, California

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

***Opinion***

We have audited 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, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Responsibilities of Management for the Financial Statements***

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

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

## **Independent Auditor's Report, continued**

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS, we:

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 and the required supplementary information on pages 26 through 30 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



## Independent Auditor's Report, continued

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

*C.J. Brown & Company, CPAs*

**C.J. Brown & Company, CPAs**  
Cypress, California  
April 16, 2024

**Antelope Valley Air Quality Management District  
Management’s Discussion and Analysis  
For the Fiscal Year Ended June 30, 2023**

The following Management’s Discussion and Analysis (MD&A) of activities and financial performance of the Antelope Valley Air Quality Management District (District) provides an introduction to the financial statements of the District for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here with additional information that we have furnished in the accompanying basic financial statements and related notes, which follow this section.

**Financial Highlights**

- In 2023, the District’s net position increased 25.98% or \$1,456,787 to \$7,064,258 from ongoing operations.
- In 2023, total revenues from all sources increased 0.73% or \$37,234 to \$5,118,933.
- In 2023, total expenses decreased 19.13% or \$866,337 to \$3,662,146.

**Using This Financial Report**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The Statement of Net Position includes all of the District’s investments in resources (assets), deferred outflows of resources, obligations to creditors (liabilities), and deferred inflows of resources. It also provides the basis for computing a rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District. All of the current year’s revenue and expenses are accounted for in the Statement of Activities. This statement measures the success of the District’s operations over the past year and can be used to determine the District’s profitability and credit worthiness.

**Government-wide Financial Statements**

**Statement of Net Position and Statement of Activities**

One of the most important questions asked about the District’s finances is, “Is the District better off or worse off as a result of this year’s activities?” The Statement of Net Position and the Statement of Activities report information about the District in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year’s revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District’s *net position* and changes in it. Think of the District’s net position – assets and deferred outflows of resources less liabilities and deferred inflows of resources – as one way to measure the District’s financial health or *financial position*. Over time, *increases or decreases* in the District’s net position is one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors to assess the *overall financial health* of the District.

**Antelope Valley Air Quality Management District  
Management's Discussion and Analysis, continued  
For the Fiscal Year Ended June 30, 2023**

**Fund Financial Statements**

**Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance**

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 13 through 25.

**Government-wide Financial Analysis**

**Statements of Net Position**

The following table is a summary of the statements of net position at June 30, 2023 and 2022.

	<u>2023</u>	<u>2022</u>	<u>Change</u>
<b>Assets:</b>			
Current assets	\$ 10,851,881	9,060,607	1,791,274
Capital assets, net	<u>258,244</u>	<u>336,660</u>	<u>(78,416)</u>
<b>Total assets</b>	<u>11,110,125</u>	<u>9,397,267</u>	<u>1,712,858</u>
<b>Liabilities:</b>			
Current liabilities	<u>4,045,867</u>	<u>3,706,100</u>	<u>339,767</u>
<b>Total liabilities</b>	<u>4,045,867</u>	<u>3,706,100</u>	<u>339,767</u>
<b>Net position:</b>			
Net investment in capital assets	258,244	336,660	(78,416)
Restricted	5,446,119	4,909,565	536,554
Unrestricted	<u>1,359,895</u>	<u>361,246</u>	<u>998,649</u>
<b>Total net position</b>	<u>\$ 7,064,258</u>	<u>5,607,471</u>	<u>1,456,787</u>

**Antelope Valley Air Quality Management District  
Management's Discussion and Analysis, continued  
For the Fiscal Year Ended June 30, 2023**

**Government-wide Financial Analysis, continued**

**Statements of Net Position, continued**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$7,064,258 as of June 30, 2023. The District's total net position is made-up of three components: (1) net investment in capital assets, (2) restricted, and (3) unrestricted.

**Statements of Activities**

The following table is a summary of the statements of activities for the years ended June 30, 2023 and 2022.

**Condensed Statements of Activities**

	<u>2023</u>	<u>2022</u>	<u>Change</u>
<b>Revenues:</b>			
<b>Program revenues:</b>			
Charges for services	\$ 1,338,715	1,196,687	142,028
Operating grants	<u>3,709,277</u>	<u>3,854,439</u>	<u>(145,162)</u>
<b>Total program revenues</b>	5,047,992	5,051,126	(3,134)
<b>General revenues</b>	<u>70,941</u>	<u>30,573</u>	<u>40,368</u>
<b>Total revenues</b>	<u>5,118,933</u>	<u>5,081,699</u>	<u>37,234</u>
<b>Expenses:</b>			
General	2,381,139	3,218,826	(837,687)
Mobile emission program AB 2766	445,327	266,783	178,544
Mobile emission program AB 923	215,082	429,914	(214,832)
Carl Moyer program	<u>620,598</u>	<u>612,960</u>	<u>7,638</u>
<b>Total expenses</b>	<u>3,662,146</u>	<u>4,528,483</u>	<u>(866,337)</u>
<b>Changes in net position</b>	1,456,787	553,216	903,571
<b>Net position – beginning of year</b>	<u>5,607,471</u>	<u>5,054,255</u>	<u>553,216</u>
<b>Net position – end of year</b>	<u>\$ 7,064,258</u>	<u>5,607,471</u>	<u>1,456,787</u>

**Antelope Valley Air Quality Management District  
Management’s Discussion and Analysis, continued  
For the Fiscal Year Ended June 30, 2023**

**Government-wide Financial Analysis, continued**

**Statements of Activities, continued**

In the case of the District, net position increased 25.98% or \$1,456,787 to \$7,064,258 from ongoing operations.

The District’s total revenues from all sources increased 0.73% or \$37,234 to \$5,118,933. Program revenues decreased \$3,134, primarily due to a decrease in operating grants of \$145,162, which was offset by an increase in charges for services of \$142,028. General revenues increased \$40,368, primarily due to increases in investment revenues of \$33,489, fines, forfeitures, and penalties of \$3,750, and other revenues of \$3,129.

The District’s total expenses decreased by 19.13% or \$866,337 to \$3,662,146, due primarily to decreases in general fund expenses of \$837,687 and mobile emissions program (AB 923) of \$214,832; which were offset by increases in mobile emissions program (AB 2766) of \$178,544 and Carl Moyer program expenses of \$7,638.

**Governmental Fund Balance**

The following table is a summary of the changes in fund balance for all governmental funds for the year ended June 30, 2023.

**Condensed Changes in Fund Balance**

	<u>General Fund</u>	<u>AB 2766</u>	<u>AB 923</u>	<u>Carl Moyer</u>	<u>Total</u>
Fund balance – beginning of year	\$ 2,551,013	1,020,598	1,757,312	65,829	5,394,752
Changes in fund balance	<u>846,875</u>	<u>186,795</u>	<u>377,592</u>	<u>-</u>	<u>1,411,262</u>
Fund balance – end of year	<u>\$ 3,397,888</u>	<u>1,207,393</u>	<u>2,134,904</u>	<u>65,829</u>	<u>6,806,014</u>

In 2023, total fund balance increased by 26.16% or \$1,411,262 to \$6,806,014. The General fund increased by 33.20% or \$846,875 to \$3,397,888; the mobile emissions program (AB2766) increased by 18.30% or \$186,795 to \$1,207,393; and the mobile emissions program (AB 923) increased by 21.49% or \$377,592 to \$2,134,904, and the Carl Moyer Fund program was unchanged at \$65,829.

**Governmental Activities Budgetary Highlights**

For the year ended June 30, 2023, the final actual expenditures were less than budgeted for the General fund by \$1,314,512, AB 2766 fund by \$174,673, AB 923 fund by \$330,918, and Carl Moyer fund by \$1,069,065. For the year ended June 30, 2023, actual revenues were more than budgeted for the AB 2766 fund by \$12,122, and AB 923 fund by \$46,674; and less than budgeted for the General fund by \$422,503 and Carl Moyer fund by \$1,069,065. At June 30, 2023, there were no differences between the original and final amended budgets. (See Budgetary Comparison Schedule for the General fund, AB 2766 fund, AB 923 fund, and Carl Moyer fund under Required Supplementary Information section on pages 26 through 30).

**Antelope Valley Air Quality Management District  
Management's Discussion and Analysis, continued  
For the Fiscal Year Ended June 30, 2023**

**Capital Asset Administration**

	<u>Balance 2022</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2023</u>
Capital assets:				
Depreciable assets	\$ 864,727	121,745	(387,633)	598,839
Total capital assets	864,727	121,745	(387,633)	598,839
Accumulated depreciation	<u>(528,067)</u>	<u>(109,678)</u>	<u>297,150</u>	<u>(340,595)</u>
Total capital assets, net	<u>\$ 336,660</u>	<u>12,067</u>	<u>(90,483)</u>	<u>258,244</u>

At the end of fiscal year 2023, the District's investment in capital assets amounted to \$258,244 (net of accumulated depreciation). This investment in capital assets includes building improvements, furniture and fixtures, machinery and equipment, vehicles, computers, and software. The capital assets of the District are more fully analyzed in Note 4 to the basic financial statements.

**Requests for Information**

This financial report is designed to provide the District's present users, including funding sources, customers, stakeholders, and other interested parties with a general overview of the District's finances and to demonstrate the District's accountability with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact Antelope Valley Air Quality Management District, 43301 Division Street, Suite 206, Lancaster, California 93535 or (661) 723-8070.

# **Basic Financial Statements**

**Antelope Valley Air Quality Management District**  
**Statement of Net Position**  
**June 30, 2023**

	<b>2023</b>
<b>Assets:</b>	
<b>Current assets:</b>	
Cash and cash equivalents (note 2)	\$ 4,972,728
Restricted cash and cash equivalent (note 2)	5,446,119
Accounts receivable	430,312
Prepaid expenses and other assets	2,722
<b>Total current assets</b>	<b>10,851,881</b>
<b>Non-current assets:</b>	
Capital assets – being depreciated, net (note 4)	258,244
<b>Total non-current assets</b>	<b>258,244</b>
<b>Total assets</b>	<b>11,110,125</b>
<b>Liabilities:</b>	
<b>Current liabilities:</b>	
Accounts payable and accrued expenses	638,516
Unearned revenues (note 5)	3,407,351
<b>Total current liabilities</b>	<b>4,045,867</b>
<b>Total liabilities</b>	<b>4,045,867</b>
<b>Net position (note 6):</b>	
Net investment in capital assets	258,244
Restricted	5,446,119
Unrestricted	1,359,895
<b>Total net position</b>	<b>\$ 7,064,258</b>

See accompanying notes to the basic financial statements



**Antelope Valley Air Quality Management District**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2023**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net Revenue and Changes in Net Position</u>
		<u>Charges for Service</u>	<u>Operating Grants</u>	
<b>Governmental activities</b>				
General	\$ 2,381,139	1,338,715	1,863,883	821,459
Mobile emission program AB 2766	445,327	-	632,122	186,795
Mobile emission program AB 923	215,082	-	592,674	377,592
Carl Moyer program	620,598	-	620,598	-
<b>Total governmental activities</b>	<b>\$ 3,662,146</b>	<b>1,338,715</b>	<b>3,709,277</b>	<b>1,385,846</b>
<b>General revenues:</b>				
				\$ 23,000
				44,812
				3,129
				<u>70,941</u>
				1,456,787
				<u>5,607,471</u>
				<u>\$ 7,064,258</u>

See accompanying notes to the basic financial statements

**Antelope Valley Air Quality Management District  
Reconciliation of the Balance Sheet of Governmental Funds to the  
Statement of Net Position  
June 30, 2023**

	<u>General Fund</u>	<u>AB 2766 Fund</u>	<u>AB 923 Fund</u>	<u>Carl Moyer Fund</u>	<u>Total Fund</u>
<b>Assets:</b>					
Cash and cash equivalents (note 2)	\$ 4,972,728	-	-	-	4,972,728
Restricted cash and cash equivalents (note 2)	-	1,058,115	2,075,991	2,312,013	5,446,119
Accounts receivable	430,312	-	-	-	430,312
Inter-fund receivable (note 3)	119,447	150,778	107,261	-	377,486
Prepaid expenses	2,722	-	-	-	2,722
<b>Total assets</b>	<u>\$ 5,525,209</u>	<u>1,208,893</u>	<u>2,183,252</u>	<u>2,312,013</u>	<u>11,229,367</u>
<b>Liabilities:</b>					
Accounts payable and accrued expenses	\$ 588,668	1,500	48,348	-	638,516
Inter-fund payable (note 3)	258,039	-	-	119,447	377,486
Unearned revenue	1,280,614	-	-	2,126,737	3,407,351
<b>Total liabilities</b>	<u>2,127,321</u>	<u>1,500</u>	<u>48,348</u>	<u>2,246,184</u>	<u>4,423,353</u>
<b>Fund balance (note 7):</b>					
Nonspendable	2,722	-	-	-	2,722
Restricted	-	1,207,393	2,134,904	65,829	3,408,126
Unassigned	3,395,166	-	-	-	3,395,166
<b>Total fund balance</b>	<u>3,397,888</u>	<u>1,207,393</u>	<u>2,134,904</u>	<u>65,829</u>	<u>6,806,014</u>
<b>Total liabilities and fund balance</b>	<u>\$ 5,525,209</u>	<u>1,208,893</u>	<u>2,183,252</u>	<u>2,312,013</u>	<u>11,229,367</u>

See accompanying notes to the basic financial statements

**Reconciliation:**

Total Fund Balance of Governmental Funds	\$ 6,806,014
Amounts reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, not in the governmental fund balance sheet. However, the statement of net position includes those capital position among the assets of the District as a whole as follows:	
Capital assets, net	<u>258,244</u>
Net Position of Governmental Activities	<u>\$ 7,064,258</u>

See accompanying notes to the basic financial statements

**Antelope Valley Air Quality Management District**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes**  
**in Fund Balance of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2023**

	<u>General Fund</u>	<u>AB 2766 Fund</u>	<u>AB 923 Fund</u>	<u>Carl Moyer Fund</u>	<u>Total Fund</u>
<b>Revenues:</b>					
Charge for services	\$ 1,338,715	-	-	-	1,338,715
Operating grants	1,863,883	632,122	592,674	620,598	3,709,277
Fine, forfeitures, and penalties	23,000	-	-	-	23,000
Investment earnings	44,812	-	-	-	44,812
Other revenue	3,129	-	-	-	3,129
<b>Total revenues</b>	<u>3,273,539</u>	<u>632,122</u>	<u>592,674</u>	<u>620,598</u>	<u>5,118,933</u>
<b>Expenditures:</b>					
Services and supplies	2,304,919	445,327	215,082	620,598	3,585,926
Capital outlay	121,745	-	-	-	121,745
<b>Total expenditures</b>	<u>2,426,664</u>	<u>445,327</u>	<u>215,082</u>	<u>620,598</u>	<u>3,707,671</u>
<b>Net change in fund balance</b>	846,875	186,795	377,592	-	1,411,262
<b>Fund balance – beginning of year</b>	<u>2,551,013</u>	<u>1,020,598</u>	<u>1,757,312</u>	<u>65,829</u>	<u>5,394,752</u>
<b>Fund balance – end of year</b>	<u>\$ 3,397,888</u>	<u>1,207,393</u>	<u>2,134,904</u>	<u>65,829</u>	<u>6,806,014</u>

See accompanying notes to the basic financial statements

**Reconciliation:**

Net Change in Fund Balance – Total Governmental Funds	\$ 1,411,262
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense as follows:	
Depreciation expense	(109,678)
Capital outlay	121,745
Some expenses reported in the statements of activities do not require the use of current financial resources and, therefore, are not reported as expenses in the governmental funds as follows:	
Lease rent payment	<u>33,458</u>
Changes in Net Position of Governmental Activities	<u>\$ 1,456,787</u>

See accompanying notes to the basic financial statements

**Antelope Valley Air Quality Management District**  
**Notes to the Basic Financial Statements**  
**June 30, 2023**

**(1) Reporting Entity and Summary of Significant Accounting Policies**

**A. Organization and Operations of the Reporting Entity**

The Antelope Valley Air Quality Management District (District) was created based on a program established in 1997 by the State Legislature and pursuant to Health and Safety Code Section 41300, which separated Antelope Valley, located in the northern Los Angeles County, from the South Coast Air Quality Management District. The District's primary responsibility is to develop, implement, monitor, and enforce air pollution control strategies and motor vehicle use reduction measures. The District represents the citizens within its jurisdiction covering the San Bernardino County line to the east, the Kern County line to the north, the San Gabriel Mountains to the south, and the Sierra Nevada Mountains to the west.

The District's mission is to work in partnership with the local communities to achieve and preserve a healthful environment through effective air quality programs by promoting community and individual responsibility for air quality while supporting strong-economic growth throughout the region. The District is an independent special district, governed by a seven-member Governing Board consisting of two City Council members of the City of Lancaster by appointment, two City Council members of the City of Palmdale by appointment, two members appointed by the Board of Supervisors of the County of Los Angeles, and one appointed public member.

The District reviews possible related party transactions and assesses the potential for conflicts of interest affecting the District's operations. The District is unaware of any related party transactions, or conflicts of interest, and believes that the District's system of internal controls mitigate the potential for such risks.

**B. Basis of Accounting and Measurement Focus**

The *basic financial statements* of the District are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

***Government-wide Financial Statements***

These statements are presented on an *economic resources* measurement focus and the accrual basis of accounting for governmental activities. Accordingly, all of the District's assets (including capital assets), deferred outflows of resources, liabilities, and deferred inflows of resources are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used; such as unbilled but utilized utility services that are recorded at year end. The Statement of Activities demonstrates the degree to which the program expenses of a given function are offset by program revenues. Program expenses are those that are clearly identifiable with a specific function. The types of transactions reported as program revenues for the District are to be reported in three categories, if applicable: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the District. Taxes and other items, properly not included among program revenues, are reported instead as general revenues.

***Fund Financial Statements***

These statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balance for all major governmental funds. Accompanying these statements is a schedule to reconcile and explain the differences in fund balance, as presented in these statements, to the net position presented in the Government-wide Financial Statements.

**Antelope Valley Air Quality Management District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2023**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**B. Basis of Accounting and Measurement Focus, continued**

*Fund Financial Statements, continued*

Governmental funds are accounted for on a spending or *current financial resources* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the current period.

Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60-days after year-end) are recognized when due. The primary sources susceptible to accrual for the District are interest earnings, investment revenue, and operating grant revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, exceptions to this rule include principal and interest on debt, which are recognized when due.

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity with a self-balancing set of accounts established for the purpose of carrying out specific activities or attaining certain objectives in accordance with specific regulations, restrictions, or limitations.

Funds are organized into two major categories: governmental and proprietary categories. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operational fund of the District or meets the following criteria:

- a) Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or proprietary fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b) Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or proprietary fund are at least 5 percent of the corresponding total for all governmental and proprietary funds combined; or
- c) The entity has determined that a fund is important to the financial statement user.

The governmental funds of the financial reporting entity are described below:

**General** – this fund is a government’s primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund when necessary.

**Mobile Emissions Program (AB 2766)** – this fund is a special revenue fund used to account for the retention of funds allocated for the support of the District’s mobile emissions grant program pursuant to Assembly Bill No. 2766.

**Mobile Emissions Program (AB 923)** – this fund is a special revenue fund used to account for the retention of funds allocated for the support of the District’s mobile emissions grant program pursuant to Assembly Bill No. 923.

**Carl Moyer Fund** – this fund is a special revenue fund used to account for revenues received pursuant to the Carl Moyer Air Quality Standards Attainment Program. Expenditures are restricted to providing incentive for participating entities to undertake reduced-emission heavy-duty engine projects.

**Antelope Valley Air Quality Management District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2023**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**C. Financial Reporting**

The District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The District has adopted the following GASB pronouncements in the current year:

In May 2019, the GASB issued Statement No. 91 – *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

In March 2020, the GASB issued Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction.

Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

In May 2020, the GASB issued Statement No. 96 – *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

**Antelope Valley Air Quality Management District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2023**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**C. Financial Reporting, continued**

In June 2020, the GASB issued Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 41 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

**D. Financial Statement Elements**

**1. Use of Estimates**

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and disclosures of contingent assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements and the reported changes in District net position during the reporting period. Actual results could differ from those estimates.

**2. Cash and Cash Equivalents**

Substantially all of the District’s cash is invested in interest bearing accounts. The District considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

**3. Investments and Investment Policy**

The District has adopted an investment policy to deposit funds in financial institutions. Investments are to be made in the following area:

- Los Angeles County Pooled Surplus Investments

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

**4. Accounts Receivable**

The District extends credit to customers in the normal course of operations. Management deems all accounts receivable as collectible at year-end. Accordingly, an allowance for doubtful accounts has not been recorded.

**5. Prepaid Expenses**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in both the government-wide and fund financial statements. The cost of prepaid items is recorded as an expense when consumed rather than when purchased.

**Antelope Valley Air Quality Management District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2023**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**D. Financial Statement Elements, continued**

**6. Internal Balances and Activities**

Internal activities and balances reported as inter-fund activity in the governmental fund financial statements are reclassified or eliminated in the preparation of the government-wide statements of net position and activities. This elimination will avoid the “grossing up” of amounts resulting from internal activity within the primary government.

**7. Capital Assets**

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at acquisition value and/or historical cost at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

- Buildings – 20 to 50 years
- Buildings and improvements – 20 years
- Vehicles – 5 years
- Machinery and equipment – 15 to 20 years
- Computer equipment – 3 to 15 years

**8. Unearned Revenues**

Certain receipts from customer reflect revenue applicable to future accounting periods and are recorded as unearned revenues in both the government-wide and fund financial statements.

**9. Net Position**

The government-wide financial statements utilize a net position presentation. Net position categories are as follows:

- **Net investment in capital assets** – consists of capital assets, net of accumulated depreciation and amortization, and reduced by debt balances outstanding or other long-term borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted** – consists of assets that have restrictions placed upon their use by external constraints imposed either by creditors (debt covenants), grantors, contributors, or laws and regulations of other governments or constraints imposed by law through enabling legislation.
- **Unrestricted** – consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the *net investment in capital assets* or *restricted* components of net position.



**Antelope Valley Air Quality Management District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2023**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**D. Financial Statement Elements, continued**

**10. Fund Balance**

The government fund financial statements report fund balance as non-spendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the District is bound to honor constraints on how specific amounts can be spent.

- **Nonspendable fund balance** – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.
- **Restricted fund balance** – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions enabling legislation.
- **Committed fund balance** – amounts that can only be used for specific purposes determined by formal action of the District’s highest level of decision-making authority (the Governing Board) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- **Assigned fund balance** – amounts that are constrained by the District’s intent to be used for specific purposes. The intent can be established at either the highest level of decision-making, or by a body or an official designated for that purpose.
- **Unassigned fund balance** – the residual classification for the District’s general fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

***Fund Balance Policy***

The Governing Board establishes, modifies, or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

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

The District believes that sound financial management principles require that sufficient funds be retained by the District to provide a stable financial base at all times. To retain this stable financial base, the District needs to maintain an unrestricted fund balance in its funds sufficient to fund cash flows of the District and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature. Committed, assigned, and unassigned fund balance are considered unrestricted.

The purpose of the District’s fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.

**Antelope Valley Air Quality Management District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2023**

**(2) Cash and Cash Equivalents**

Cash and cash equivalents as of June 30, are classified as follows:

	<b>2023</b>
Unrestricted cash and cash equivalents:	
General Fund	\$ 4,972,728
Total unrestricted cash and cash equivalents	4,972,728
Restricted cash and cash equivalents:	
AB 2766 Fund	1,058,115
AB 923 Fund	2,075,991
Carl Moyer Fund	2,312,013
Total restricted cash and cash equivalents	5,446,119
Total cash and cash equivalents	\$ 10,418,847

Cash and investments as of June 30, consisted of the following:

	<b>2023</b>
Deposits held with financial institutions	\$ 2,403,416
Deposits held with Los Angeles County Treasurer	8,015,431
Total	\$ 10,418,847

***Authorized Deposits and Investments***

Under the District’s investment policy and in accordance with Section 53601 of the California Government Code, the District invests in the Los Angeles County Pooled Surplus Investments.

Los Angeles County Pooled Surplus Investments complies with the California Government Code Sections 53601 and 53635, and the investment policy adopted by the Board of Supervisors of the County of Los Angeles. The Treasurer and Tax Collector of the Los Angeles County have the delegated authority to invest funds in the County Treasury.

***Custodial Credit Risk***

The custodial credit risk for *deposits* is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

The custodial credit risk for *investments* is the risk that, in the event of failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Code and the District’s investment policy contain legal and policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government’s indirect investment in securities through the use of mutual funds or government investment pools.

**Antelope Valley Air Quality Management District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2023**

**(2) Cash and Cash Equivalents, continued**

*Custodial Credit Risk, continued*

The California Government Code and the District’s investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by public agencies. Of the District’s bank balances, up to \$250,000 is federally insured and the remaining balance is collateralized in accordance with the code.

*Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The longer the maturity an investment has, the greater its fair value has sensitivity to changes in market interest rates. The District’s investment policy follows the Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. As of June 30, 2023, the District’s deposits in Los Angeles County Pooled Surplus Investments had an average of 933 days to maturity for the entire portfolio.

*Credit Risk*

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Los Angeles County Pooled Surplus Investments is not rated.

*Concentration of Credit Risk*

The District’s investment policy contains various limitations on the amounts that can be invested in any one governmental agency or non-governmental issuer as stipulated by the California Government Code. There were no investments in any one non-governmental issuer that represent 5.0% or more of the District’s total investments.

**(3) Internal Transfers**

*Inter-fund Operational Transfers*

Inter-fund receivables/payables are used to move financial resources between the General fund, AB 2766 fund, AB 923 fund, and the Carl Moyer fund as advances to temporarily support the operations of each respective fund.

As of June 30, 2023 inter-fund receivables/payables between the District’s funds were as follows:

<b>Receivable from</b>	<b>Payable to</b>	<b>2023</b>
General Fund	AB 2766 Fund	\$ 150,778
General Fund	AB 923 Fund	107,261
<b>General Fund payable</b>		<b>258,039</b>
Carl Moyer Fund	General Fund	119,447
<b>Inter-fund receivables/payables</b>		<b>\$ 377,486</b>

**Antelope Valley Air Quality Management District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2023**

**(4) Capital Assets**

The change in capital assets as of June 30 was as follows:

	<u>Balance 2022</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2023</u>
Depreciable assets:				
Improvements	\$ 22,282	-	(15,875)	6,407
Building lease	201,363	-	(201,363)	-
Furniture and fixtures	49,173	-	(49,173)	-
Machinery and equipment	94,122	88,467	(49,937)	132,652
Vehicles	98,757	-	-	98,757
Computers	19,483	-	(19,483)	-
Software	379,547	33,278	(51,802)	361,023
Total depreciable assets	<u>864,727</u>	<u>121,745</u>	<u>(387,633)</u>	<u>598,839</u>
Accumulated depreciation:				
Improvements	(19,800)	(1,282)	15,875	(5,207)
Building lease	(80,545)	(40,245)	120,790	-
Furniture and fixtures	(48,830)	-	48,830	-
Machinery and equipment	(61,337)	(17,409)	49,938	(28,808)
Vehicles	(48,539)	(15,729)	-	(64,268)
Computers	(19,483)	-	19,483	-
Software	(249,533)	(35,013)	42,234	(242,312)
Total accumulated depreciation	<u>(528,067)</u>	<u>(109,678)</u>	<u>297,150</u>	<u>(340,595)</u>
Total depreciable assets, net	<u>336,660</u>	<u>12,067</u>	<u>(90,483)</u>	<u>258,244</u>
Total capital assets, net	<u>\$ 336,660</u>			<u>258,244</u>

**(5) Unearned Revenues**

The change in unearned revenues as of June 30 was as follows:

	<u>Balance 2022</u>	<u>New Awards</u>	<u>Expenses/ Revenues</u>	<u>Balance 2023</u>
Carl Moyer	\$ 2,247,336	500,000	(620,599)	2,126,737
AB 134	897,313	755,159	(432,742)	1,219,730
Farmer	-	45,297	-	45,297
AB 197	11,715	8,583	(10,811)	9,487
AB 617	34,699	-	(34,699)	-
NSR Lockheed	6,500	-	(400)	6,100
Total unearned revenues	<u>\$ 3,197,563</u>	<u>1,309,039</u>	<u>(1,099,251)</u>	<u>3,407,351</u>

**Antelope Valley Air Quality Management District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2023**

**(6) Net Position**

Net investment in capital assets is calculated as follows:

	<b>2023</b>
Net investment in capital asset:	
Capital assets – being depreciated, net	\$ <u>258,244</u>
Total net investment in capital assets	\$ <u><u>258,244</u></u>

Restricted net position is calculated as follows:

	<b>2023</b>
Restricted:	
Restricted cash and cash equivalents	\$ <u>5,446,119</u>
Total restricted	\$ <u><u>5,446,119</u></u>

Unrestricted net position is calculated as follows:

	<b>2023</b>
Unrestricted:	
Non-spendable net position	
Prepaid expenses and other assets	\$ 2,722
Spendable net position	
Unrestricted	<u>1,357,173</u>
Total unrestricted	\$ <u><u>1,359,895</u></u>

**(7) Fund Balance**

Fund balance is presented in the following categories: non-spendable, restricted, committed, assigned, and unassigned (See Note 1.D.10 for a description of these categories). Fund balance and its funding composition at June 30, 2023, are as follows:

	<b>2023</b>
Nonspendable:	
Prepaid expenses and other asset	\$ <u>2,722</u>
Restricted:	
Mobile Emissions Program AB 2766	1,207,393
Mobile Emissions Program AB 923	2,134,904
Carl Moyer Program	<u>65,829</u>
Total restricted	<u><u>3,408,126</u></u>
Unassigned	
Operations	<u>3,395,166</u>
Total fund balance	\$ <u><u>6,806,014</u></u>

**Antelope Valley Air Quality Management District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2023**

**(8) Operating Lease**

***Woelfl Family Trust***

The District has entered into an operating lease with the Woelfl Family Trust (Trust) for office space located at 43301 Division Street, Suites 205 and 206, Lancaster, California. The operating lease calls for monthly rent of \$4,720 through 2025.

On December 8, 2022, the lease agreement between the District and the Trust was terminated by the District.

**(9) Risk Management**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Special District Risk Management Authority (SDRMA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California special districts. The purpose of the SDRMA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage.

At June 30, 2023, the District participated in the liability and property programs of the SDRMA as follows:

- Property coverage consists of general property and catastrophic loss of \$1 billion, boiler & machinery of \$100 million, and pollution of \$2 million per occurrence.
- General liability insurance covers bodily injury, property damage, employment benefits, employee and public officials errors and omission, and employment practices liability of \$2.5 million per occurrence; public officials personal of \$500,000 per occurrence; and employee and public officials dishonesty of \$1 million per occurrence.
- Auto liability consists of auto bodily injury and auto property damage of \$2.5 million per occurrence.

Settled claims, if any, have not exceeded any of the coverage amounts in the last fiscal year. There were no reductions in insurance coverage in fiscal year 2023. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no material IBNR claim payables as of June 30, 2023.

**(10) Governmental Accounting Standards Board Statements Issued, Not Yet Effective**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the issue date, that has effective dates that may impact future financial presentations.

***Governmental Accounting Standards Board Statement No. 99***

In April 2022, the GASB issued Statement No. 99 – *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of state and local government financial statements.

**Antelope Valley Air Quality Management District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2023**

**(10) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued**

***Governmental Accounting Standards Board Statement No. 99, continued***

The requirements of this Statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

***Governmental Accounting Standards Board Statement No. 100***

In June 2022, the GASB issued Statement No. 100 – *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections.

The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

***Governmental Accounting Standards Board Statement No. 101***

In June 2022, the GASB issued Statement No. 101 – *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences.

**Antelope Valley Air Quality Management District**  
**Notes to the Basic Financial Statements, continued**  
**June 30, 2023**

**(10) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued**

*Governmental Accounting Standards Board Statement No. 101, continued*

However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

*Governmental Accounting Standards Board Statement No. 102*

In December 2023, the GASB issued Statement No. 102 – Certain Risk Disclosures. The primary objective of this Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact to have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged.

**(11) Commitments and Contingencies**

*Grant Awards*

Grant funds received by the District are subject to audit by grantor agencies. Such an audit could lead to requests for reimbursements to grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

*Litigation*

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

**(12) Subsequent Event**

Events occurring after June 30, 2023, have been evaluated for possible adjustment to the financial statements or disclosure as of April 16, 2024, which is the date the financial statements were available to be issued. The District is not aware of any further subsequent events that would require recognition or disclosure in the financial statements.



## **Required Supplementary Information**

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**Antelope Valley Air Quality Management District  
Budget Comparison Schedule – General Fund  
For the Year Ended June 30, 2023**

	<u>Adopted Original Budget</u>	<u>Approved Changes</u>	<u>Revised Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>					
Charge for services	\$ 1,231,700	-	1,231,700	1,338,715	107,015
Operating grants	2,444,342	-	2,444,342	1,863,883	(580,459)
Fine, forfeitures, and penalties	10,000	-	10,000	23,000	13,000
Investment earnings	10,000	-	10,000	44,812	34,812
Other revenue	-	-	-	3,129	3,129
<b>Total revenues</b>	<u>3,696,042</u>	<u>-</u>	<u>3,696,042</u>	<u>3,273,539</u>	<u>(422,503)</u>
<b>Expenditures:</b>					
Services and supplies	3,691,176	-	3,691,176	2,304,919	1,386,257
Capital outlay	50,000	-	50,000	121,745	(71,745)
<b>Total expenditures</b>	<u>3,741,176</u>	<u>-</u>	<u>3,741,176</u>	<u>2,426,664</u>	<u>1,314,512</u>
<b>Net change in fund balance</b>	(45,134)	<u>-</u>	(45,134)	846,875	<u>892,009</u>
<b>Fund balance – beginning of year</b>	<u>2,551,013</u>		<u>2,551,013</u>	<u>2,551,013</u>	
<b>Fund balance – end of year</b>	<u>\$ 2,505,879</u>		<u>2,505,879</u>	<u>3,397,888</u>	

**Antelope Valley Air Quality Management District  
Budget Comparison Schedule – AB 2766 Fund  
For the Year Ended June 30, 2023**

	<u>Adopted Original Budget</u>	<u>Approved Changes</u>	<u>Revised Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>					
Operating grants	\$ 620,000	-	620,000	632,122	12,122
<b>Total revenues</b>	<u>620,000</u>	<u>-</u>	<u>620,000</u>	<u>632,122</u>	<u>12,122</u>
<b>Expenditures:</b>					
Services and supplies	620,000	-	620,000	445,327	174,673
<b>Total expenditures</b>	<u>620,000</u>	<u>-</u>	<u>620,000</u>	<u>445,327</u>	<u>174,673</u>
<b>Net change in fund balance</b>	-	<u>-</u>	-	186,795	<u>186,795</u>
<b>Fund balance – beginning of year</b>	<u>1,020,598</u>		<u>1,020,598</u>	<u>1,020,598</u>	
<b>Fund balance – end of year</b>	\$ <u>1,020,598</u>		<u>1,020,598</u>	<u>1,207,393</u>	

**Antelope Valley Air Quality Management District  
Budget Comparison Schedule – AB 923 Fund  
For the Year Ended June 30, 2023**

	<u>Adopted Original Budget</u>	<u>Approved Changes</u>	<u>Revised Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>					
Operating grants	\$ 546,000	-	546,000	592,674	46,674
<b>Total revenues</b>	<u>546,000</u>	<u>-</u>	<u>546,000</u>	<u>592,674</u>	<u>46,674</u>
<b>Expenditures:</b>					
Services and supplies	546,000	-	546,000	215,082	330,918
<b>Total expenditures</b>	<u>546,000</u>	<u>-</u>	<u>546,000</u>	<u>215,082</u>	<u>330,918</u>
<b>Net change in fund balance</b>	-	<u>-</u>	-	377,592	<u>377,592</u>
<b>Fund balance – beginning of year</b>	<u>1,757,312</u>		<u>1,757,312</u>	<u>1,757,312</u>	
<b>Fund balance – end of year</b>	\$ <u>1,757,312</u>		<u>1,757,312</u>	<u>2,134,904</u>	

**Antelope Valley Air Quality Management District  
Budget Comparison Schedule – Carl Moyer Fund  
For the Year Ended June 30, 2023**

	<u>Adopted Original Budget</u>	<u>Approved Changes</u>	<u>Revised Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>					
Operating grants	\$ 1,655,061	-	1,655,061	620,598	(1,034,463)
Investment earnings	34,602	-	34,602	-	(34,602)
<b>Total revenues</b>	<u>1,689,663</u>	<u>-</u>	<u>1,689,663</u>	<u>620,598</u>	<u>(1,069,065)</u>
<b>Expenditures:</b>					
Services and supplies	1,689,663	-	1,689,663	620,598	1,069,065
<b>Total expenditures</b>	<u>1,689,663</u>	<u>-</u>	<u>1,689,663</u>	<u>620,598</u>	<u>1,069,065</u>
<b>Net change in fund balance</b>	-	<u>-</u>	-	-	<u>-</u>
<b>Fund balance – beginning of year</b>	<u>65,829</u>		<u>65,829</u>	<u>65,829</u>	
<b>Fund balance – end of year</b>	\$ <u>65,829</u>		<u>65,829</u>	<u>65,829</u>	

**Antelope Valley Air Quality Management District  
Notes to the Required Supplementary Information  
June 30, 2023**

**Budgets and Budgetary Data**

The District follows specific procedures in establishing the budgetary data reflected in the financial statements. Each year, the District's Executive Director will prepare and submit an operating budget to the Governing Board and the operating budget is adopted no later than June of each year. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government funds. Annual budgets are adopted on the modified accrual basis of accounting for government fund types. The adopted budget becomes operative on July 1.

The Governing Board must approve all supplemental appropriations to the budget and transfers between major funds. The legal level of budgetary control is at the fund level. Budget information is presented as required supplementary information for the General fund, Mobile Emissions Program (AB 2766) fund, Mobile Emissions Program (AB 923) fund, and the Carl Moyer fund.

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# **Report on Internal Controls and Compliance**

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

**Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

Governing Board  
Antelope Valley Air Quality Management District  
Lancaster, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Antelope Valley Air Quality Management District (District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 16, 2024.

**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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 or other matters that are required to be reported under *Government Auditing Standards*.

**Independent Auditor's Report on Internal Controls Over Financial Reporting  
And on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*, continued**

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

*C.J. Brown & Company, CPAs*

**C.J. Brown & Company, CPAs**  
Cypress, California  
April 16, 2024