

Antelope Valley Air Quality Management District

Management Report

June 30, 2023



C.J. Brown & Company CPAs
An Accountancy Corporation

Antelope Valley Air Quality Management District

Management Report

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CONFIDENTIAL

Governing Board
Antelope Valley Air Quality Management District
Lancaster, California

Dear Members of the Governing Board:

In planning and performing our audit of the basic financial statements of the Antelope Valley Air Quality Management District (District) as of and for the year ended June 30, 2023, 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.

Current Year Comment and Recommendation

Disclosure of Audit Adjustments and Reclassifications

As your external auditor, we assume that the books and records of the District are properly adjusted before the start of the audit. In many cases, however, audit adjustments and reclassifications are made in the normal course of the audit process to present the District's financial statements in conformity with accounting principles generally accepted in the United States of America.

Disclosure of Audit Adjustments and Reclassifications, continued

For the Board of Directors to gain a full and complete understanding and appreciation of the scope and extent of the audit process we have presented these audit adjustments and reclassifications as an attachment to this letter. There can be very reasonable explanations for situations of having numerous adjustments as well as having no adjustments at all. However, the issue is simply disclosure of the adjustments and reclassifications that were made and to provide the Board of Directors with a better understanding of the scope of the audit.

Management's Response

We have reviewed and approved all of the audit adjustment and reclassification entries provided by the auditor and have entered those entries into the District's accounting system as of June 30, 2023.

C.J. Brown & Company, CPAs

C.J. Brown & Company, CPAs

Cypress, California

April 16, 2024

APPENDIX

Antelope Valley Air Quality Management District

Audit/Finance Committee Letter

June 30, 2023



C.J. Brown & Company CPAs

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Governing Board
Antelope Valley Air Quality Management District
Lancaster, California

We have audited the financial statements of the Antelope Valley Air Quality Management District (District) as of and for the year ended June 30, 2023, and have issued our report thereon dated April 16, 2024. 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 April 28, 2023, 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 April 16, 2024.

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.

Required Risk Assessment Procedures per Auditing Standards

As auditors of the District, we are required per AU-C Section 240, “Consideration of Fraud in a Financial Statement Audit”, to “ordinarily” presume and consider the following risks in designing our audit procedures:

- 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 2023. 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 4 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 pages 6 and 7.

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 April 16, 2024.

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.

Other Matters

We applied certain limited procedures to the Management Discussion and Analysis, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Conclusion

We appreciate the cooperation extended us by Barbara Lods, Executive Director and the City of Lancaster Team in the performance of our audit testwork.

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to the District.

C.J. Brown & Company, CPAs

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

**Antelope Valley Air Quality Management District
Schedule of Client Adjusting Journal Entries
June 30, 2023**

Client Adjusting Journal Entries JE # 1

To reconcile 2022 general fund balance with 2023 general fund balance.

10-3300-00-0000 Unassigned Fund Balance	\$ 3,806.59	
10-7599-00-0000 Miscellaneous		3,806.59

Client Adjusting Journal Entries JE # 2

Client Journal Entry- Reverse the deletion of two vehicles that were not taken out of service.

10-1750-00-0000 Vehicles	40,895.14	
10-1755-00-0000 Acc Dep Vehicles		40,895.14

Client Adjusting Journal Entries JE # 3

Adjustment to depreciation and accumulated depreciation.

10-1775-00-0000 Acc Amort Software	14,873.39	
10-1745-00-0000 Acc Dep Machinery & Equipment		10,355.05
10-3700-00-0000 Investment in Capital Assets		4,518.34

Client Adjusting Journal Entries JE # 4

To book remaining balance of prepaid hours for software

10-1300-00-0000 Pre Paid Expenses	3,900.00	
10-7000-00-1999 Software Contract Transition	1,625.00	
10-1300-00-0000 Pre Paid Expenses		1,625.00
10-7000-00-1999 Software Contract Transition		3,900.00

Client Adjusting Journal Entries JE # 5

To adjust Carl Moyer Def Rev and Def Admin Rev to proper ending balance

30-2600-00-3120 Deferred Revenue LG	15,000.00	
30-2610-00-3120 Deferred Admn Rev LG		15,000.00

Client Adjusting Journal Entries JE # 6

To expense Questys Capture Server License.

10-8870-00-0000 Capital Exp Software	10,250.00	
10-1770-00-0000 Software	\$	10,250.00

Antelope Valley Air Quality Management District
Schedule of Audit Adjusting Journal Entries
June 30, 2023

Adjusting Journal Entries JE # 1

To adjust the prepaid and accounts payable balance

10-2000-00-0000	Accounts Payable System	\$ 21,617.00	
10-1310-00-0000	Pre Paid Insurance		19,815.58
10-7045-00-0000	Liability Insurance		1,801.42

Adjusting Journal Entries JE # 2

Reverse the adjustment made from PY audit adjustments as this adjustment was entered twice.

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

Adjusting Journal Entries JE # 3

Adjusting entry to fully dispose of asset and remove debit balance in accumulated depreciation.

10-1735-00-0000	Acc Dep Furniture & Fixtures	0.56	
10-4999-00-0000	Gain/Loss on Sale of Fixed Assets	342.28	
10-1730-00-0000	Furniture & Fixtures		0.56
10-1735-00-0000	Acc Dep Furniture & Fixtures		342.28

Adjusting Journal Entries JE # 4

Reclassifying depreciation from equity account to expense account

10-7685-00-0000	Depr Exp Other	69,433.00	
10-3700-00-0000	Investment in Capital Assets		69,433.00

Adjusting Journal Entries JE # 5

Adjust Carl Moyer Deferred Revenue, Revenue, and Expenses

30-2600-00-3100	Deferred Revenue EV	43,872.00	
30-7300-00-3100	Program Expenditures Round 23S	43,872.00	
30-4120-00-3090	Carl Moyer Revenue Round 23		43,872.00
30-4120-00-3100	Carl Moyer Revenue Round 23S		43,872.00

Adjusting Journal Entries JE # 6

To reclass Carl Moyer expense to its proper account.

10-1100-30-0000	Cash Held For Other Fund	21,116.99	
30-6000-10-3070	Program Staff Round 21	21,116.99	
10-6000-10-3070	Round 21		21,116.99
30-1100-10-0000	Cash Held For Other Fund	\$	21,116.99

**Antelope Valley Air Quality Management District
Schedule of Audit Adjusting Journal Entries, continued
June 30, 2023**

Adjusting Journal Entries JE # 7

To reclass Carl Moyer Expense to its proper account

10-1100-30-0000 Cash Held For Other Fund	\$ 79,406.17	
30-6000-10-3080 Program Staff Round 22	79,406.17	
10-6000-10-3080 Round 22		79,406.17
30-1100-10-0000 Cash Held For Other Fund		79,406.17

Adjusting Journal Entries JE # 8

To reclass Carl Moyer Expense to its proper account

10-1100-30-0000 Cash Held For Other Fund	18,924.30	
30-6000-10-3090 Program Staff Round 23	18,924.30	
10-6000-10-3090 Program Staff Round 23		18,924.30
30-1100-10-0000 Cash Held For Other Fund		18,924.30

Adjusting Journal Entries JE # 9

Reclassifying capital expense accounts due to already being capitalized.

10-3700-00-0000 Investment in Capital Assets	121,745.04	
10-8840-00-0000 Capital Exp Equipment		88,467.54
10-8870-00-0000 Capital Exp Software		6,887.50
10-8870-00-1999 Capital Exp Software Contract Transition		26,390.00

Adjusting Journal Entries JE # 10

Adjustment to recognize Carl Moyer revenue and reduce deferred revenue

30-2610-00-3080 Deferred Admn Rev Round 22	68,468.77	
30-2610-00-3090 Deferred Admn Rev Round 23	50,978.69	
30-4120-00-3080 Carl Moyer Revenue Round 22		68,468.77
30-4120-00-3090 Carl Moyer Revenue Round 23		50,978.69

Adjusting Journal Entries JE # 11

Adjustment to recognize Other Grant revenue and correct deferred revenue balances.

10-1250-00-0000 Due From Other Gov't	2,378.90	
10-2600-00-1197 Deferred Revenue AB197	2,228.87	
10-2600-00-1617 Deferred Revenue AB617	34,699.43	
10-4100-00-1134 Administrative Funding AB134	152,045.08	
10-4100-00-1230 Administrative Funding Farmers	45,296.85	
10-2610-00-1134 Deferred Admn Rev AB134		152,045.08
10-2610-00-1230 Deferred Admn Rev Farmers		45,296.85
10-4410-00-1197 State Contracts AB197		2,228.87
10-4410-00-1617 State Contracts AB617	\$	37,078.33