ANTELOPE VALLEY AIR QUALITY MANAGEMENT DISTRICT

COUNTY OF LOS ANGELES
LANCASTER, CALIFORNIA

AUDITED FINANCIAL STATEMENTS
JUNE 30, 2015

BURKEY COX EVANS & BRADFORD
Accountancy Corporation
1058 West Avenue M-14, Suite B
Palmdale, CA 93551

ANTELOPE VALLEY AIR QUALITY MANAGEMENT DISTRICT
DISTRICT SUMMARY, GOVERNING BOARD AND PERSONNEL
JUNE 30, 2015

DISTRICT SUMMARY

The Antelope Valley Air Quality Management District was created pursuant to Health and Safety Code Section 40106 and became operational on July 1, 1997. The District has the primary responsibility for the control of air pollution from all sources other than vehicles within its jurisdiction. The Antelope Valley Air Quality Management District contracted with the Mojave Desert Air Quality Management District to provide air pollution control services for all aspects of administration and operation.

GOVERNMENT

The Antelope Valley Air Quality Management District Governing Board consists of seven members:

- Two members of the City of Lancaster City Council as appointed by the City Council
- Two members of the City of Palmdale City Council as appointed by the City Council
- Two persons appointed by the Los Angeles County Board of Supervisors who represent a majority of the population of the District
- One public member appointed by the members above

As of June 30, 2015, the Governing Board consisted of the following:

GOVERNING BOARD

MEMBER	OFFICE	REPRESENTED AREA
Marvin Crist	Chair	City of Lancaster
Mike Dispenza	Vice Chair	City of Palmdale
Ron Hawkins	Member	County District Supervisor Appointment
Vern Lawson	Member	County District Supervisor Appointment
James Ledford	Member	City of Palmdale
Ken Mann	Member	City of Lancaster
Newton Chelette	Member	Public Member

CONTRACTED SERVICES

Eldon Heaston - Executive Director / Air Pollution Control Officer

Bret Banks - Operations Manager

Crystal Goree - Clerk of the Board

Karen K. Nowak - District Counsel

Jean Bracy - Director of Administrative Services

ANTELOPE VALLEY AIR QUALITY MANAGEMENT DISTRICT
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FINANCIAL INFORMATION

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INDEPENDENT AUDITORS' REPORT

Governing Board
Antelope Valley Air Quality Management District
Lancaster, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Antelope Valley Air Quality Management District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

MEMBER: AMERICAN INSTITUTE AND CALIFORNIA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2015, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–7 and 26–29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 District's internal control over financial reporting and compliance.

Burkey & Cox CPAs

BURKEY COX EVANS & BRADFORD
Accountancy Corporation

Palmdale, California
December 1, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Antelope Valley Air Quality Management District
Management's Discussion and Analysis
June 30, 2015

Our discussion and analysis of the District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2015. Please read this in conjunction with the basic financial statements.

A. Financial Highlights

The assets of the District exceeded its liabilities at the close of the most recent fiscal year by $2,612,113 (*total net position*). Of this amount $557,583 (*unrestricted*) may be used to finance the District's day-to-day operations without constraints established by legal requirements.

The District's governmental funds reported total fund balances of $2,226,411 for the year; $182,280 represented the unassigned fund balance.

B. Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements have three components: 1) Government-Wide Financial Statements; 2) Fund Financial Statements, and 3) Notes to the Basic Financial Statements. The District's report also includes required supplementary information to the basic financial statements.

In general, the purpose of financial reporting is to provide the external parties that read the financial statements with information that will help them make decisions or draw conclusions about an entity. In order to address the needs of as many parties as reasonably possible, the District, in accordance with required reporting standards, presents government-wide financial statements and fund financial statements.

Government-Wide Financial Statements
The focus of government wide financial statements is the overall financial position and activities of the District. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to commercial enterprises or a private sector business. These financial statements include the *Statement of Net Position* and the *Statement of Activities*.

The *Statement of Net Position* reports all assets held and liabilities owed by the District on a full accrual basis. The difference between the two is reported as *net position*. This difference is comparable to the total stockholders' equity presented by a commercial enterprise. Over time, increases or decreases in net position may serve as a useful indicator or whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* reports the net cost of the District's activities by program and is prepared on the full accrual basis. Revenues and expenses are recognized as earned and incurred even though they may not have been received or paid in cash.

The focus of the *Statement of Activities* is the cost of various program activities performed by the District. The statement begins with a column that identifies the cost of each of the District's major programs. Another set of columns identifies the revenues that are specifically related to these activities. The difference between the expenses and the revenues related to specific program activities represents the net cost of benefit of the program activity.

The District's government-wide financial statements are presented on pages 8 to 9 of this report.

Fund Financial Statements

The focus of fund financial statements is directed to specific activities of the District rather than the District as a whole. These financial statements are presented on pages 10 to 13 of this report.

The fund financial statements consist of the *Balance Sheet* and *Statement of Revenues, Expenditures, and Changes in Fund Balance*. These are prepared on the modified accrual basis of accounting. The government-wide financial statements are prepared on the full accrual basis.

In general, these financial statements under the modified accrual basis have a short-term emphasis and for the most part, measure and account for cash and receivables collectible within a very short period of time, as reported on the balance sheet. The capital assets such as land and buildings are not reported.

Fund liabilities include amounts that are to be paid within a very short period of time after the end of the fiscal year. The long-term liabilities are not included. The difference between a fund's total assets and total liabilities are not included. The difference between a fund's total assets and total liabilities represents the fund balance. The unreserved portion of the fund balance indicates the amount available to finance future activities.

The operating statements for governmental funds report only those revenues and expenditures that were collected in cash or paid with cash during the current period or very shortly after the end of the year.

The District's *Balance Sheet* is presented on page 10 and *Statement of Revenues, Expenditures, and Changes in Fund Balances* is presented on page 12 of this report.

The focus of the fund financial statement is narrower than that of the government-wide financial statements. Since different accounting bases are used to prepare the above statements, reconciliation is required to facilitate the comparison between the fund statements and the government-wide statements. The reconciliation between the Statement of Revenues, Expenditures, and Changes in Fund Balance can be found on page 13 of this report.

The reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets can be found on page 11 of this report.

Notes to the Basic Financial Statements
The notes to the basic financial statements provide additional information that is essential to the 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 14 to 25 of this report.

Required Supplementary Information
In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the budgetary comparison schedule and budgetary reconciliation.

C. Government-Wide Financial Analysis

Our analysis focuses on the net assets and the changes in net assets of the District's governmental activities.

The following schedule is a condensed Statement of Net Position as of the year ending June 30, 2015, as compared to the prior year.

	6/30/2014	6/30/2015
Assets		
Current Assets	$2,766,438	$3,267,885
Capital Assets	401,651	385,702
Total Assets	$3,168,089	$3,653,587
Liabilities		
Current Liabilities	$230,599	$320,386
Deferred Inflows of Resources		
Unearned Revenues	893,033	721,088
Total Liabilities and Deferred Inflows of Resources	1,123,632	1,041,474
Net Position		
Investment in Capital Assets	401,651	385,702
Restricted for Special Purposes	1,129,770	1,668,828
Unrestricted	513,036	557,583
Total Net Position	2,044,457	2,612,113
Total Liabilities, Deferred Inflows of Resources, and Net Position	$3,168,089	$3,653,587

At the close of the most recent fiscal year, the District's assets exceeded liabilities by $2,612,113

Of the District's net position, (21%) is unrestricted, and unreserved, and may be used to meet the District's ongoing obligations in carrying out day-to-day operations. Capital assets (15%) reflect the District's investment in capital assets used by the District (e.g. land, buildings, equipment, and vehicles). The District uses these capital assets in carrying out its mission of protecting public health while being sensitive to the economic needs of local businesses. Consequently, these assets are not available for future spending. The remaining portion of the District's net assets (64%) is restricted. These funds are restricted to expenditures for specific purposes.

The following schedule is a condensed statement of Changes in Net Position as of fiscal year ending June 30, 2015, as compared to the prior year. In FY 14 the District issued grants with funds that had been accumulated from prior fiscal years resulting in a negative change in net position.

	6/30/2014	6/30/2015
Revenues:		
Program Revenues	$1,284,154	$1,015,529
Charges for Services	637,882	736,761
General Revenue	1,745,685	1,693,601
Total Revenues	3,667,721	3,445,891
Expenditures:		
Expenditures	5,352,136	2,878,235
Total Expenditures	5,352,136	2,878,235
Change in Net Position	$(1,684,415)	$567,656

Governmental Activities
The objective of the *Statement of Activities* is to report the full cost of providing government services for the year. The format also permits the reader to ascertain the extent to which each function is either self-financing or draws from the general funds of the District.

The *Statement of Activities* presents information showing how the District's net position changed during fiscal year 2014-15. All changes in net position are reported as soon as the underlying event occurs regardless of the timing of the cash flows.

Fees, grants, state subvention, penalties, and settlements predominantly support the governmental programs of the District. The primary governmental activities of the District include the following: Permit Services and Enforcement, Air Monitoring, Public Education, Air Quality Analysis, and the Mobile Source Emission Reduction Program.

D. Financial Analysis of the District's Funds

Governmental Funds
As of the end of the fiscal year, the District's Governmental Funds reported an ending balance of $3,499,563, an increase of $583,605 in comparison with the prior year. Approximately 95% of

this fund balance ($2,044,131) is restricted for specific purposes (grant programs). The long-term contractual commitments related to restricted programs often involve multiple-year spending. At the end of the fiscal year, the District's unassigned fund balance was $182,280, an increase of $10,120 in comparison with the prior year. Use of the unassigned fund balance is unrestricted.

E. Capital Assets

The District's investment in capital assets of $674,599 is for its governmental activities. The book value was $385,702 (net of accumulated depreciation of $288,897) as of June 30, 2015. This investment in capital assets includes land, buildings, and improvements, equipment for air monitoring stations, computer and office equipment, video conferencing equipment and District vehicles.

Additional information on the capital assets can be found in the "Notes to Financial Statements," page 22 (Note 5) of this report.

F. Economic Factors and Next Year's Budget

The FY 2015-16 budget estimates expenses (all funds) totaling $3,196,296 with sufficient funds to pay for those services. This is an overall decrease of 6.8% from the prior fiscal year and includes continuing projects to help streamline government and regulatory functions. The decrease is due in part to the reduction of contracted services. The District contracts all of its services from the Mojave Desert Air Quality Management District (MDAQMD). Under this contract, the MDAQMD will provide the full time equivalent (FTE) of 7.5 employees.

Revenues (all funds) for the District are projected to be $3,196,296; a 3.5% decrease over last year's projections due in part to a loss of revenue from an unrealized project. The revenue budget includes a 15% fee increase on all application and annual permit renewal fees adopted by the Governing Board for implementation January 1, 2015; and a 15% fee increase adopted on the same by the Governing Board for implementation January 1, 2016.

G. Requests for Information

This financial report is designed to provide a general overview of the District's finances for readers of the financial statements. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Deputy Director / Administration, Mojave Desert Air Quality Management District, contractor to the Antelope Valley Air Quality Management District, 43301 Division Street, Suite 206, Lancaster, CA 93535-4649.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

ANTELOPE VALLEY AIR QUALITY MANAGEMENT DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities
ASSETS	
Cash and Investments	$ 2,688,101
Receivables (net of allowances for uncollectibles)	574,481
Prepaid Items	5,303
Capital Assets (net of accumulated depreciation)	385,702
Total Assets	3,653,587
LIABILITIES	
Accounts Payable and Other Current Liabilities	320,386
DEFERRED INFLOWS OF RESOURCES	
Unearned Revenues	721,088
Total Liabilities and Deferred Inflows of Resources	1,041,474
NET POSITION	
Invested in Capital Assets	385,702
Restricted for Special Programs	1,668,828
Unrestricted	557,583
Total Net Position	$ 2,612,113

See accompanying notes to financial statements.

ANTELOPE VALLEY AIR QUALITY MANAGEMENT DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Functions / Programs	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
PRIMARY GOVERNMENT				
Governmental Activities:				
Public Safety:				
Services and Supplies	$ 2,283,521	$ 584,528	$ 805,696	$ (893,297)
Contributions to Other Participants	594,714	152,233	209,833	(232,648)
Total Governmental Activities	2,878,235	736,761	1,015,529	(1,125,945)
Total Primary Government	$ 2,878,235	$ 736,761	$ 1,015,529	(1,125,945)
General Revenues:				
AB 2766 and Other Program Revenues				1,678,316
Unrestricted Investment Earnings				14,808
Miscellaneous				477
Total General Revenues				1,693,601
Change in Net Position				567,656
Net Position - Beginning of Year				2,044,457
Net Position - End of Year				$ 2,612,113

See accompanying notes to financial statements.

FUND FINANCIAL STATEMENTS

ANTELOPE VALLEY AIR QUALITY MANAGEMENT DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund	Mobile Emissions Program (AB 2766)	Mobile Emissions Program (AB 923)	Carl Moyer Program	Total Governmental Funds
ASSETS					
Cash and Investments	$ 582,395	$ 512,901	$ 910,010	$ 682,795	$ 2,688,101
Receivables (net of allowances for uncollectibles)	477,189	-	-	97,292	574,481
Due from Other Funds	17,097	117,655	96,926	-	231,678
Prepaid Items	5,303	-	-	-	5,303
Total Assets	$ 1,081,984	$ 630,556	$ 1,006,936	$ 780,087	$ 3,499,563
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts Payable and Other Current Liabilities	$ -	$ -	$ 2,566	$ 8,000	$ 10,566
Payable to Related Parties	309,820	-	-	-	309,820
Due to Other Funds	214,581	-	-	17,097	231,678
Total Liabilities	524,401	-	2,566	25,097	552,064
DEFERRED INFLOWS OF RESOURCES					
Unearned Revenues	-	-	-	721,088	721,088
Total Deferred Inflows	-	-	-	721,088	721,088
FUND BALANCES					
Nonspendable	5,303	-	-	-	5,303
Restricted	-	630,556	1,004,370	33,902	1,668,828
Committed	370,000	-	-	-	370,000
Assigned	-	-	-	-	-
Unassigned	182,280	-	-	-	182,280
Total Fund Balances	557,583	630,556	1,004,370	33,902	2,226,411
Total Liabilities and Fund Balances	$ 1,081,984	$ 630,556	$ 1,006,936	$ 780,087	$ 3,499,563

See accompanying notes to financial statements.

ANTELOPE VALLEY AIR QUALITY MANAGEMENT DISTRICT
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

Total Fund Balances - Governmental Funds	$	2,226,411
Capital assets used or governmental activities are not financial resources and therefore are not reported as assets in Governmental Funds. The cost of the assets is $674,599 and the accumulated depreciation is $288,897.		385,702
Total Net Position - Governmental Activities	$	2,612,113

See accompanying notes to financial statements.

ANTELOPE VALLEY AIR QUALITY MANAGEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Mobile Emissions Program (AB2766)	Mobile Emissions Program (AB923)	Carl Moyer Program	Total Governmental Funds
REVENUES					
Application and Permit Fees	$ 723,883	$ -	$ -	$ -	$ 723,883
AB 2766 and Other Program Revenues	1,678,316	-	-	-	1,678,316
Grants	135,239	-	-	880,290	1,015,529
Fines	12,878	-	-	-	12,878
Investment Earnings	3,891	2,994	6,174	1,749	14,808
Miscellaneous	477	-	-	-	477
Total Revenues	2,554,684	2,994	6,174	882,039	3,445,891
EXPENDITURES					
Public Safety:					
Services and Supplies	1,374,086	-	-	880,290	2,254,376
Contributions to Other Participants	3,600	316,663	274,451	-	594,714
Capital Outlay					
Improvements and Equipment	13,196	-	-	-	13,196
Total Expenditures	1,390,882	316,663	274,451	880,290	2,862,286
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,163,802	(313,669)	(268,277)	1,749	583,605
Other Financing Sources (Uses)					
Operating Transfers In	-	559,711	559,544	-	1,119,255
Operating Transfers Out	(1,119,255)	-	-	-	(1,119,255)
Total Other Financing Sources (Uses)	(1,119,255)	559,711	559,544	-	-
Net Change in Fund Balances	44,547	246,042	291,267	1,749	583,605
Fund Balance - Beginning of Year	513,036	384,514	713,103	32,153	1,642,806
Fund Balance - End of Year	$ 557,583	$ 630,556	$ 1,004,370	$ 33,902	$ 2,226,411

See accompanying notes to financial statements.

ANTELOPE VALLEY AIR QUALITY MANAGEMENT DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Total Net Change in Fund Balances - Governmental Funds		$ 583,605
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.		
Capital Asset Additions	$ 13,196	
Current Year Depreciation	(29,145)	
Total		(15,949)
Total Change in Net Position - Governmental Activities		$ 567,656

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The basic financial statements of Antelope Valley Air Quality Management District (the District) include the accounts of all its operations. The Antelope Valley Air Quality Management District was created pursuant to Health and Safety Code Section 40106 and became operational on July 1, 1997. The District has the primary responsibility for the control of air pollution from all sources other than vehicles within its jurisdiction. The Antelope Valley Air Quality Management District contracted with the Mojave Desert Air Quality Management District to provide air pollution control services for all aspects of administration and operation.

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

- the organization is legally separate (can sue and be sued in its name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District
- the exclusion of the organization would result in misleading or incomplete financial statements

The Antelope Valley Air Quality Management District, for financial purposes, includes all funds relevant to the operations of the District. The Board of Directors has governance responsibilities over all activities related to the District. The District receives funding from local, county, state and federal government sources and must comply with the requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" since board members are elected officials appointed by their respective jurisdictions, or by an elected official, or by the sitting members of the governing board (Health and Safety Code 41310), and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

The District also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the District to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the District, its component units or its constituents; and 2) The District or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the District.

Based on these criteria, the District has no component units or potential component units.

B. Basis of Presentation

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

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

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

The District reports the following major governmental funds:

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

Mobile Emissions Program (AB2766) was established by the District to account for the retention of funds allocated for the support of the District's mobile emissions grant program.

Mobile Emissions Program (AB923) was established by the District to account for the retention of funds allocated for the support of the District's mobile emissions grant program.

Carl Moyer Program was established by the District to account for revenues received pursuant to the Carl Moyer Memorial Air Quality Standards Attainment Program. Expenditures are restricted to providing incentive for participating entities to undertake reduced-emission heavy-duty engine projects.

C. Basis of Accounting and Measurement Focus

Government-wide Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include fees, grants, entitlements, and donations. On an accrual basis, revenue from fees is recognized in the fiscal year for which the fees are charged. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting and Measurement Focus (Continued)

Revenues from local sources consist primarily of permit fees and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

D. Assets, Liabilities, Deferred Inflows of Resources, and Net Assets/Fund Balance

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand and short-term investments with original maturities of three months or less from the date of acquisition.

2. Investments

Investments are reported at fair value (generally based on quoted market prices) except for the position in the Los Angeles County Investment Pool. The District adopted an investment policy directing management to deposit funds in financial institutions. 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.

3. Inventories and Prepaid Items

The District records purchases of supplies as expenditures utilizing the purchase method of accounting for inventory.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Inflows of Resources, and Net Assets/Fund Balance (Continued)

4. 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 $1,000. Donated assets are recorded at estimated fair market value 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:

Description	Estimated Useful Lives
Buildings	20 - 50 years
Building and Improvements	20 years
Vehicles	5 years
Equipment	15 - 20 years
Computer Equipment	3 - 15 years

5. Accounts Receivable

Accounts receivable are deemed by management to be fully collectible at June 30, 2015, and therefore no allowance for doubtful accounts has been established.

6. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures of expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfer in and transfers out are netted and presented as a single "transfers" line on the government-wide statement of activities.

7. Deferred Inflows of Resources

Certain payments received for the Carl Moyer Fund reflect revenue applicable to future accounting periods and are recorded as deferred inflows of resources.

8. Fund Balance Reserves and Designations

Restricted Fund Balance The portion of fund balance representing resources subject to externally imposed and legally enforceable constraints imposed either by external resource providers, e.g., grantors or creditors, or by law through constitutional provisions or enabling legislation.

Mobile Emissions Reduction Grant (AB2766) These funds are collected on motor vehicle registrations ($4 each) in the Antelope Valley region. Funds are allocated on a competitive basis to local government entities and other organizations capable of effectively using funds to reduce mobile emissions. A Work Plan adopted by the Governing Board provides the grant program guidelines.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Inflows of Resources, and Net Assets/Fund Balance (Continued)

Incentive Based Emission Reduction Funding (AB 923) These funds are collected on motor vehicle registrations ($2 each) in the Antelope Valley region beginning October 1, 2005. Funds are granted by the Governing Board for specific projects as set forth in the Health and Safety Code Section 44229.

9. Fund Balance Reserves and Designations (Continued)

Carl Moyer Grant Program Funds These funds may be distributed by the California Air Resources Board for projects obligated by the District under this state regulated program. Projects are awarded on a competitive basis.

Committed Fund Balance The portion of fund balance representing resources whose use is constrained by limitations self-imposed by the District through formal action of its highest level of decision-making authority. The constraints can be modified or removed only through the same process by which they were imposed. The action imposing the constraint must be made by the end of the reporting period. The actual amounts may be determined at a later date, prior to the issuance of the financial statements.

Operating Cash Reserves The amount is set equivalent to 25% of the operating expenses from the combined budget totals for Salaries and Benefits and Supplies and Services. The fund may be increased to provide protection against uncertain economic times.

Unassigned Fund Balance The portion of fund balance not classified as restricted or committed.

In all governmental funds including the general fund, the excess of non-spendable, restricted, and committed fund balance over total fund balance (deficits), assigned amounts must be reduced or estimated if a deficit exists.

E. Use of Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures or expenses, as appropriate, during the reporting period. Actual results could differ from those estimates.

F. Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. Prior to the beginning of the fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted to obtain comments from those subject to District fees.

3. Prior to the start of the fiscal year, the budget is legally enacted through passage of a resolution by the Governing Board.

Once a budget is approved, it can be amended only by approval of a majority of the members of the Governing Board. As required by law, such amendments are made before the fact, reflected in the official minutes of the Governing Board and not made after fiscal year end. During the year, the budget was amended as necessary.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgets and Budgetary Accounting (Continued)

Budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). Budget amounts are as originally adopted; individual amendments were not material in relation to the original budget.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments consisted of the following at June 30, 2015:

	Unrestricted	Restricted			
	General Fund	Mobile Emissions Program (AB2766)	Mobile Emissions Program (AB923)	Carl Moyer	Total
Pooled Investments	$ 489,164	$ 512,901	$ 910,010	$ 682,795	$ 2,594,870
Cash in Bank	93,231	-	-	-	93,231
Total	$ 582,395	$ 512,901	$ 910,010	$ 682,795	$ 2,688,101

Investments Authorized by the California Government Code and the District's Investment Policy

The following table identifies the investment types that are authorized by the District in accordance with the California Government Code or the District's investment policy, where more restrictive. The table also identifies certain provisions of the California Government Code or the District's investment policy, where more restrictive that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio *	Minimum Quality Requirements
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State Obligations - CA And Others	5 years	None	None
CA Local Agency Obligations	5 years	None	None
U.S Agency Obligations	5 years	None	None
Bankers' Acceptances	180 days	40%	None
Commercial Paper—Pooled Funds	270 days	40% of the agency's money	*
Commercial Paper—Non-Pooled Funds	270 days	25% of the agency's money	*
Negotiable Certificates of Deposit	5 years	30% (combined with placement service CDs)	None
Non-negotiable Certificates of Deposit	5 years	None	None
Placement Service Deposits	5 years	30% (inclusive of placement service CDs)	None
Placement Service Certificates of Deposit	5 years	30% (combined with negotiable CDs)	None
Repurchase Agreements	1 year	None	None

NOTE 2 – CASH AND INVESTMENTS (Continued)

Reverse Repurchase Agreements and Securities Lending Agreements	92 days	20% of the base value of the portfolio	None
Medium-Term Notes	5 years	30%	"A" Rating
Mutual Funds And Money Market Mutual Funds	N/A	20%	Multiple
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass–Through Securities	5 years	20%	"A" Rating
County Pooled Investment Funds	N/A	None	None
Joint Powers Authority Pool	N/A	None	Multiple
Fund (LAIF)	N/A	None	None
Program Fund	N/A	None	None
Supranational Obligations	5 years	30%	"AA" Rating

* "A-1" if the issuer has issued long-term debt, it must be rated "A" without regard to modifiers

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the 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 the 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. 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 such as the State of California (LAIF) and Los Angeles County Investment Pools.

The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, 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 the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Of the bank balances, up to $250,000 is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

Investment in Los Angeles County Investment Pool

The District is a voluntary participant in the Los Angeles County Investment Pool that is regulated by the California Government Code under the oversight of the Treasurer of the County of Los Angeles. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by Los Angeles County for the entire Los Angeles County portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by Los Angeles County, which are recorded on an amortized cost basis.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market

NOTE 2 – CASH AND INVESTMENTS (Continued)

Interest Rate Risk (Continued)

interest rates. One of the ways the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio matures or comes close to maturity evenly over time as necessary to provide requirements for cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the District's investments to market rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity date.

Investments at June 30, 2015, consisted of the following:

Investment Type	Fair Value	Fair Value Adjustment	Carrying Amount *	Remaining Maturity (in Months) 12 months or less	Remaining Maturity (in Months) Over 12 months
Los Angeles County Investment Pool - Unrestricted	$ 484,277	$ 4,887	$ 489,164	$ 132,221	$ 356,943
Los Angeles County Investment Pool - Restricted - Mobile Emission AB 2766	507,777	5,124	512,901	138,637	374,264
Los Angeles County Investment Pool - Restricted - Mobile Emission AB 923	900,919	9,091	910,010	245,976	664,034
Los Angeles County Investment Pool - Restricted - Carl Moyer	675,974	6,821	682,795	184,559	498,236
Total	$ 2,568,947	$ 25,923	$ 2,594,870	$ 701,393	$ 1,893,477

* Due to the immaterial nature of the Fair Value Adjustment, the Los Angeles County Investment Pool balances are reflected at their carrying amount in the financial statements.

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. Presented below is the minimum rating required by, where applicable, the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of year-end for each investment type

Credit ratings as of June 30, 2015, consisted of the following:

Investment Type	Amount	Minimum Legal Rating	Exempt from Disclosure	Ratings AAA
Los Angeles County Investment Pool - Unrestricted	$ 489,164	N/A	$ 489,164	-
Los Angeles County Investment Pool - Restricted - Mobile Emission AB 2766	512,901	N/A	512,901	-
Los Angeles County Investment Pool - Restricted - Mobile Emission AB 923	910,010	N/A	910,010	-
Los Angeles County Investment Pool - Restricted - Carl Moyer	682,795	N/A	682,795	-
Total	$ 2,594,870		$ 2,594,870	

NOTE 3 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The excess of expenditures over appropriations as of June 30, 2015 were as follows:

General Fund	
Public Safety:	
Contributions to Other Participants	$ 3,600
Operating Transfers Out	$ 33,255

NOTE 4 – ACCOUNTS RECEIVABLE

Receivables at June 30, 2015, consist of the following:

	General Fund	Special Revenue	Totals
State Government:			
Department of Motor Vehicles	$ 290,806	$ 97,292	$ 388,098
Total State	290,806	97,292	388,098
Local Government:			
Local Sources	186,383	-	186,383
Total Local	186,383	-	186,383
Total Accounts Receivable	$ 477,189	$ 97,292	$ 574,481

NOTE 5 – CAPITAL ASSETS

The changes in capital assets for the year ended June 30, 2015, are shown below:

	Balance July 01, 2014	Additions	Deletions	Transfers	Balance June 30, 2015
Capital assets not being depreciated					
Work in Progress	$ 216,625	$ -	$ -	$ (216,625)	$ -
Total capital assets not being depreciated	216,625	-	-	(216,625)	-
Capital Assets being depreciated:					
Equipment	358,813	13,196	-	216,625	588,634
Vehicles	70,090	-	-	-	70,090
Improvements	15,875	-	-	-	15,875
Total capital assets being depreciated	444,778	13,196	-	216,625	674,599
Less accumulated depreciation for:					
Equipment	(204,986)	(19,744)	-	-	(224,730)
Vehicles	(48,813)	(7,814)	-	-	(56,627)
Improvements	(5,953)	(1,587)	-	-	(7,540)
Total accumulated depreciation	(259,752)	(29,145)	-	-	(288,897)
Total capital assets being depreciated, net	185,026	(15,949)	-	216,625	385,702
Governmental activities capital assets, net	$ 401,651	$ (15,949)	$ -	$ -	$ 385,702

Depreciation was charged to functions as follows:

Public Safety - Other	$ 29,145
Total Depreciation Expense	$ 29,145

NOTE 6 – INTERFUND TRANSACTIONS

Due From / Due To Other Funds – All interfund balances are expected to be repaid within the next fiscal year and are considered ordinary in nature. The composition of interfund balances as of June 30, 2015, is as follows:

	Interfund Receivables	Interfund Payables
General Fund	$ 17,097	$ 214,581
Mobile Emissions Program AB 2766	117,655	-
Mobile Emissions Program AB 923	96,926	-
Carl Moyer Program	-	17,097
Totals	$ 231,678	$ 231,678

Transfers In / Transfers Out – Individual fund interfund transfers for the fiscal year ended June 30, 2015, were as follows:

Transfers In	Transfers Out	Amount	Purpose
Mobile Emissions Fund (AB2766)	General Fund	$ 559,711	To transfer mobile emissions program revenue to the mobile emissions fund.
Mobile Emissions Fund (AB 923)	General Fund	559,544	To transfer mobile emissions program revenue to the mobile emissions fund.
	Total	$ 1,119,255	

NOTE 7 – RELATED PARTY TRANSACTIONS

The District reimburses Mojave Desert Air Quality Management District (MDAQMD) for the cost of providing administrative support. Amounts charged by MDAQMD are expensed during the period incurred. Amounts charged by MDAQMD and expensed during the year ended June 30, 2015, were $1,213,153 and payable to MDAQMD as of June 30, 2015, was $309,820.

NOTE 8 – LEASE OBLIGATIONS

The District has entered into operating leases for facilities and equipment as of June 30, 2015, that require payments extending for a period longer than twelve months. During the year ended June 30, 2015, rent expense totaled $55,340.

Future payments as of June 30, 2015, are as follows:

Year Ending June 30,	Amount
2016	$ 54,887
2017	54,887
2018	54,887
2019	54,887
2020	53,751
Total	$ 273,299

NOTE 9 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year ended June 30, 2015, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for any of the past three fiscal years.

The District is a participant in the Special District Risk Management Authority (SDRMA) formed for the purpose of providing insurance to its member agencies.

At June 30, 2015, SDRMA maintained general liability, automobile liability, property liability, and public officials' liability insurance coverage of $5,000,000 per occurrence with $500,000 self-insurance retention covered by a purchased policy. Inasmuch as SDRMA is acting as a broker obtaining low cost policies for its members, joint venture disclosure is not applicable.

NOTE 10 – UNEARNED REVENUE

The State of California Air Resources Board established the Carl Moyer Memorial Air Quality Standards Attainment Program to provide incentives for participating entities to undertake reduced-emission heavy-duty engine projects. The District applied for the Program and received funding under this program as follows:

	Round of Funding		
	XVI	XVI	Total
Grant Funding			
Amount Received to Date	$ 801,879	$ 637,511	$ 1,439,390
Amount Expended to Date	(723,371)	(134,239)	(857,610)
Total Grant Deferred	78,508	503,272	581,780
Administrative Support Funding			
Amount Received to Date	85,993	70,835	156,828
Amount Expended to Date	(17,520)	-	(17,520)
Total Administrative Deferred	68,473	70,835	139,308
Total Amount Deferred	$ 146,981	$ 574,107	$ 721,088

As of June 30, 2015, the District had identified and committed funds per grant requirements, but had not yet expended all of the program revenues. Since the District would be required to repay program revenue not used, the criteria for recognizing this program revenue as income is not met until District expenditures are actually made. The Carl Moyer Program income will be reflected as unearned revenue until the expenditures are made in subsequent periods.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

A. Contingencies

The District participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

NOTE 11 – COMMITMENTS AND CONTINGENCIES (Continued)

B. Litigation

The District may become involved in several matters of litigation that remain pending as June 30, 2015. The outcomes of these matters of litigation are uncertain as of June 30, 2015.

C. State and Federal Allowances, Awards and Grants

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

REQUIRED SUPPLEMENTARY INFORMATION

ANTELOPE VALLEY AIR QUALITY MANAGEMENT DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Application and Permit Fees	$ 654,500	$ 654,500	$ 723,883	$ 69,383
AB 2766 and Other Program Revenues	612,000	612,000	1,678,316	1,066,316
Grants and Donations	126,000	126,000	135,239	9,239
Fines	11,700	11,700	12,878	1,178
Investment Earnings	3,500	3,500	3,891	391
Miscellaneous	-	-	477	477
Total Revenues	1,407,700	1,407,700	2,554,684	1,146,984
EXPENDITURES				
Public Safety:				
Services and Supplies	1,477,250	1,477,250	1,374,086	(103,164)
Contributions to Other Participants	-	-	3,600	3,600
Capital Outlay:				
Improvements and Equipment	50,000	50,000	13,196	(36,804)
Total Expenditures	1,527,250	1,527,250	1,390,882	(136,368)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(119,550)	(119,550)	1,163,802	1,283,352
OTHER FINANCING SOURCES (USES)				
Operating Transfers Out	(1,086,000)	(1,086,000)	(1,119,255)	33,255
Total Other Financing Sources (Uses)	(1,086,000)	(1,086,000)	(1,119,255)	33,255
Net Change in Fund Balances	(1,205,550)	(1,205,550)	44,547	1,250,097
Fund Balance - Beginning of Year	513,036	513,036	513,036	-
Fund Balance - End of Year	$ (692,514)	$ (692,514)	$ 557,583	$ 1,250,097

See independent auditors' report.

ANTELOPE VALLEY AIR QUALITY MANAGEMENT DISTRICT
BUDGETARY COMPARISON SCHEDULE - MOBILE EMISSIONS PROGRAM (AB2766)
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Investment Earnings	$ 3,000	$ 3,000	$ 2,994	$ (6)
Total Revenues	3,000	3,000	2,994	(6)
EXPENDITURES				
Public Safety				
Services and Supplies	500,000	500,000	316,663	(183,337)
Total Expenditures	500,000	500,000	316,663	(183,337)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(497,000)	(497,000)	(313,669)	183,331
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	543,000	543,000	559,711	16,711
Total Other Financing Sources (Uses)	543,000	543,000	559,711	16,711
Net Change in Fund Balances	46,000	46,000	246,042	200,042
Fund Balance - Beginning of Year	384,514	384,514	384,514	-
Fund Balance - End of Year	$ 430,514	$ 430,514	$ 630,556	$ 200,042

See independent auditors' report.

ANTELOPE VALLEY AIR QUALITY MANAGEMENT DISTRICT
BUDGETARY COMPARISON SCHEDULE - MOBILE EMISSIONS PROGRAM (AB923)
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Investment Earnings	$ 7,000	$ 7,000	$ 6,174	$ (826)
Total Revenues	7,000	7,000	6,174	(826)
EXPENDITURES				
Public Safety				
Services and Supplies	500,000	500,000	274,451	(225,549)
Total Expenditures	500,000	500,000	274,451	(225,549)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(493,000)	(493,000)	(268,277)	224,723
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	543,000	543,000	559,544	16,544
Total Other Financing Sources (Uses)	543,000	543,000	559,544	16,544
Net Change in Fund Balances	50,000	50,000	291,267	241,267
Fund Balance - Beginning of Year	713,103	713,103	713,103	-
Fund Balance - End of Year	$ 763,103	$ 763,103	$ 1,004,370	$ 241,267

See independent auditors' report.

ANTELOPE VALLEY AIR QUALITY MANAGEMENT DISTRICT
BUDGETARY COMPARISON SCHEDULE - CARL MOYER PROGRAM
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Grants and Donations	$ 801,879	$ 801,879	$ 880,290	$ 78,411
Investment Earnings	2,335	2,335	1,749	(586)
Total Revenues	804,214	804,214	882,039	77,825
EXPENDITURES				
Public Safety:				
Services and Supplies	903,714	903,714	880,290	(23,424)
Total Expenditures	903,714	903,714	880,290	(23,424)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(99,500)	(99,500)	1,749	101,249
Net Change in Fund Balances	(99,500)	(99,500)	1,749	101,249
Fund Balance - Beginning of Year	32,153	32,153	32,153	-
Fund Balance - End of Year	$ (67,347)	$ (67,347)	$ 33,902	$ 101,249

See independent auditors' report.

OTHER INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' 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, each major fund, and the aggregate remaining fund information of Antelope Valley Air Quality Management District (the District) , as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 1, 2015.

Internal Control Over Financial Reporting

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

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Burkey & Cox CPAs

BURKEY COX EVANS & BRADFORD
Accountancy Corporation

Palmdale, California
December 1, 2015