

KINGS COUNTY ASSOCIATION OF GOVERNMENTS

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORTS**

**FOR THE YEAR ENDED
JUNE 30, 2021**

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INDEPENDENT AUDITORS' REPORT

To the Kings County Association of Governments Commission
Kings County Association of Governments

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of the Kings County Association of Governments (KCAG) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the 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.

Auditors' Responsibility

Our responsibility is to express an opinion 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.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of KCAG, as of June 30, 2021, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of KCAG's proportionate share of the net pension liability, and the schedule of KCAG's contributions be presented to supplement the financial statements. Management has omitted the management's discussion and analysis and budgetary comparison information. 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 financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

We have applied certain limited procedures to the schedule of KCAG's proportionate share of the net pension liability and the schedule of KCAG's contributions 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 financial statements, and other knowledge we obtained during our audit of the 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise KCAG's financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The schedule of federal awards has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2022, on our consideration of KCAG'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 KCAG's internal control over financial reporting and compliance.

HUDSON HENDERSON & COMPANY, INC.

A handwritten signature in blue ink that reads "Hudson Henderson & Company, Inc." The signature is written in a cursive, flowing style.

Fresno, California
March 1, 2022

**KINGS COUNTY ASSOCIATION OF GOVERNMENTS
STATEMENT OF NET POSITION
JUNE 30, 2021**

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 273,518
Receivables	308,744
Capital assets, net	<u>338</u>
Total Assets	<u>582,600</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pensions	<u>225,356</u>
Total Deferred Outflows Of Resources	<u>225,356</u>
LIABILITIES	
Accrued expenses	105,967
Due to other agencies	1,212
Long-term liabilities	
Portion due within one year:	
Compensated absences	22,058
Portion due in more than one year:	
Compensated absences	99,418
Net pension liability	<u>130,718</u>
Total Liabilities	<u>359,373</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred pensions	<u>14,759</u>
Total Deferred Inflows Of Resources	<u>14,759</u>
NET POSITION	
Net investment in capital assets	338
Unrestricted	<u>433,486</u>
Total Net Position	<u><u>\$ 433,824</u></u>

The accompanying notes are an integral part of the financial statements.

**KINGS COUNTY ASSOCIATION OF GOVERNMENTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

Functions/Programs	Expenses	Program Revenues		Net (Expense) and Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Transportation planning	\$ 1,264,620	\$ 14,968	\$ 1,306,287	\$ 56,635
Totals	\$ 1,264,620	\$ 14,968	\$ 1,306,287	56,635
General Revenues:				
Interest and investment earnings				3,357
Total General Revenues				3,357
Change in Net Position				59,992
Net Position, Beginning of Year				373,832
Net Position, End of Year				\$ 433,824

The accompanying notes are an integral part of the financial statements.

**KINGS COUNTY ASSOCIATION OF GOVERNMENTS
BALANCE SHEET
JUNE 30, 2021**

ASSETS

Cash and investments	\$ 273,518
Receivables	<u>308,744</u>
Total Assets	<u><u>\$ 582,262</u></u>

LIABILITIES AND FUND BALANCE

Liabilities	
Accrued expenses	\$ 105,967
Due to other agencies	<u>1,212</u>
Total Liabilities	<u>107,179</u>
Fund Balance	
Restricted	<u>475,083</u>
Total Fund Balance	<u>475,083</u>
Total Liabilities and Fund Balance	<u><u>\$ 582,262</u></u>

The accompanying notes are an integral part of the financial statements.

**KINGS COUNTY ASSOCIATION OF GOVERNMENTS
RECONCILIATION OF GOVERNMENTAL FUND BALANCE
SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2021**

Reconciliation of the Balance Sheet of the Governmental Fund
to the Statement of Net Position:

Total Fund Balance	\$	475,083
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund (net of accumulated depreciation of \$54,082).		338
Deferred outflows of pension reported in the Statement of Net Position.		225,356
Long-term liabilities are not due in the current period and, therefore, are not included in the governmental fund (Net Pension Liability- \$130,718; Compensated Absences- \$121,476).		(252,194)
Deferred inflows of pension reported in the Statement of Net Position.		<u>(14,759)</u>
Total Net Position - Governmental Activities	\$	<u><u>433,824</u></u>

The accompanying notes are an integral part of the financial statements.

**KINGS COUNTY ASSOCIATION OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2021**

REVENUES

Federal Aid Metropolitan Planning Organization (MPO)	\$ 901,464
Local Transportation Fund allocation	192,000
Abandoned Vehicle Abatement grant	43,390
Interest and investment earnings	3,357
Miscellaneous services	14,968
Other revenue	<u>169,433</u>
 Total Revenues	 <u>1,324,612</u>

EXPENDITURES

Salaries and employee benefits	609,457
Equipment	6,677
Consultant services	530,899
Office expense and clerical support	47,212
Rent	28,800
Travel expenses	390
Communication and utilities	14,967
Postage	1,697
Publications and legal notices	2,066
Purchasing charges	1,952
Special department expense	<u>6,550</u>
 Total Expenditures	 <u>1,250,667</u>

Net Change in Fund Balance	73,945
 Fund Balance, Beginning of Year	 <u>401,138</u>
 Fund Balance, End of Year	 <u><u>\$ 475,083</u></u>

The accompanying notes are an integral part of the financial statements.

**KINGS COUNTY ASSOCIATION OF GOVERNMENTS
RECONCILIATION OF THE CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balance of the Governmental Fund to the Statement of Activities:

Net change in Fund Balance	\$	73,945
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$4,059) exceeded capital outlay (\$0) in the current period.</p>		
		(4,059)
<p>Long-term liabilities are not due during the current year and, therefore, the change is not recorded in the governmental fund.</p>		
		<u>(9,894)</u>
Change in Net Position - Governmental Activities	\$	<u>59,992</u>

The accompanying notes are an integral part of the financial statements.

**KINGS COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: The Kings County Association of Governments (KCAG) is the Regional Transportation Planning Agency (RTPA) that is responsible for transportation planning activities as well as administration of the Local Transportation Fund (LTF) and State Transit Assistance (STA) Fund. The LTF was created under the Transportation Development Act (TDA) to collect ¼ cent of the State’s 7.5 percent retail sales tax collected statewide. The ¼ cent is returned by the State Board of Equalization to each county based on the amount of tax collected in the county. The STA Fund is a second source of TDA funding for transportation planning and mass transportation purposes as specified by California legislation.

The financial statements included in this report are intended to present the financial position and results of operations of only KCAG. They are not intended to present the financial position and the results of operations of the County of Kings taken as a whole. For additional information regarding the County of Kings, please refer to the Annual Comprehensive Financial Report available from the County of Kings.

Measurement Focus, Basis of Accounting and Financial Statement Presentation: The basic financial statements of KCAG are prepared on the basis of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – Management Discussion and Analysis – for State and Local Governments*, and related standards. GASB Statement No. 34 established standards for external financial reporting for all state and local government entities. The financial statements consist of the following:

- Government-Wide Financial Statements-

The Statement of Net Position and the Statement of Activities display information about KCAG as a whole. The Statement of Net Position presents the financial condition of the governmental activities of KCAG at fiscal year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of KCAG’s governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of KCAG, with certain limited exceptions.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

- Fund Financial Statements-

The governmental fund of KCAG is accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are generally included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balance reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the governmental fund of KCAG considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under the accrual basis of accounting. However, compensated absences are recorded only when payment is due.

When both restricted and unrestricted resources are available for use, it is the KCAG’s policy to use restricted resources first, then unrestricted resources as they are needed. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared.

**KINGS COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued): Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the fund financial statements for the governmental fund.

KCAG reports the following major governmental fund:

The **General Fund** is the general operating fund of KCAG and accounts for all revenues and expenditures of KCAG.

Cash and Investments: KCAG maintains its cash account with the County of Kings (the County) Treasury as part of the common investment pool. The County is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer’s investment pool, bankers’ acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

State statutes and the County’s investment policy authorize the County Treasury to invest in U.S. Government Treasury and Agency Securities, bankers’ acceptances, commercial paper, corporate bonds and notes, repurchase agreements, and the State Treasurer’s Local Agency Investment Fund (LAIF). In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held by the County Treasury are stated at fair value. The fair value of pooled investments is determined quarterly and is based on current market prices received from the securities custodian. The balance available for withdrawal is based on the accounting records maintained by the County Treasury.

Credit quality ratings are not available for KCAG investments as all cash is invested as part of the common investment pool of the County. The RTPA Fund of KCAG has one outside deposit account with a financial institution as of June 30, 2021.

Accounts Receivable: KCAG utilizes the allowance method of accounting for and reporting uncollectible or doubtful accounts. At June 30, 2021, management considered all accounts to be fully collectible and, therefore, no allowance was recorded in the accompanying financial statements.

Capital Assets: Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Additions, improvements, and other capital outlays that significantly extend the useful life of the asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Equipment: 3-7 years

Non-Exchange Transactions: Non-exchange transactions, in which KCAG gives or receives value without directly receiving or giving equal value in exchange, include Article 8 allocations under Public Utilities Code Section 99400(a) of the TDA. With the accrual basis of accounting, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**KINGS COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Outflows and Inflows of Resources: Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, KCAG recognizes deferred outflows and inflows of resources.

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by KCAG that is applicable to a future reporting period.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by KCAG that is applicable to a future reporting period.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 expenses during the reporting period. Actual results could differ from those estimates.

Compensated Absences: KCAG employees earn vacation and sick leave with pay every year. The amount of vacation and sick leave earned is based on the service hours vested at KCAG. All vacation pay is accrued when incurred, while management only employees are generally vested at 40 percent of their sick leave balance for accrual purposes. There is a cap on the maximum amount of vacation hours an employee can accrue ranging from 160 to 320 hours based on years of service.

Management employees hired January 1, 1999 or later, who retire in good standing from PERS at the time of their separation from KCAG employment (or in the event of death of an employee, were eligible to retire) will receive a percentage of the dollar value of accrued sick leave put into an “account” to be used toward all or part of the total future post-retirement health insurance premiums. Management employees hired prior to January 1, 1999 shall be allowed a one-time irrevocable election to decide whether to receive the post-retirement health insurance benefit or cash. Management employees shall have, at their option, the ability to apply to PERS for retirement service credit for unused sick leave.

Once the maximum accrual for vacation has been reached, employees stop earning additional vacation hours until the accumulation level drops below the established limits. At the close of each fiscal year, the balance of this accumulated time at the last pay period is computed for each employee at the current salary range. In the basic financial statements, these amounts are referred to as “Compensated Absences.” In the governmental fund financial statements, a liability for these amounts is reported only if they have matured, for example, as a result of employee resignations or retirements prior to year-end, and payment of the liability is made subsequent to year-end. This is in accordance with GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

**KINGS COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance: In the fund financial statements, in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which KCAG is bound to honor constraints on how specific amounts can be spent.

- *Nonspendable* – Amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- *Restricted* – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- *Committed* – Amounts constrained to specific purposes by the RTPA Fund of KCAG itself, using its highest level of decision-making authority (KCAG Commission). To be reported as committed, amounts cannot be used for any other purpose unless KCAG takes the same highest level action to remove or change the constraint.
- *Assigned* – Amounts KCAG intends to use for a specific purpose. Intent can be expressed by KCAG or by an official or body to which the Transportation Planning Committee delegates the authority.
- *Unassigned* – Amounts that are available for any purpose. Positive amounts are reported only in the General Fund of the entity.

KCAG establishes and modifies or rescinds fund balance commitments by passage of an ordinance or policy. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget as a designation or commitment of the fund, such as approved contracts. Assigned fund balance is established by the RTPA Fund of KCAG through adoption or amendment of the budget, or future year budget, plan as intended for a specific purpose. KCAG's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Net Position: Net position represents the residual interest in KCAG's assets after liabilities are deducted. In accordance with GASB Statement No. 34, the fund equity section on the statement of net position was combined to report total net position and present it in three broad components: net investment in capital assets, restricted, and unrestricted. Net position, net investment in capital assets includes capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Net position is restricted when constraints are imposed by third parties or by law through constitutional provisions or enabling legislation. All other net position is unrestricted. KCAG's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Budgeting Procedures: Each year management of KCAG prepares a proposed budget, which is presented to the Transportation Policy Committee. The annual budget is then legally enacted through adoption of a budget resolution.

An operating budget is adopted each fiscal year on the modified accrual basis of accounting. Additionally, encumbrance accounting is utilized to assure effective budgetary control. Operating budgets that have not been encumbered lapse at the end of the fiscal year.

**KINGS COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Accounting Standards Update: During the year ending June 30, 2021, KCAG implemented the following standards with no financial impact:

GASB Statement No. 84 – *Fiduciary Activities*. The requirements of this statement are effective for reporting periods beginning after December 15, 2018. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after December 15, 2019.

GASB Statement No. 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period*. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after December 15, 2020.

GASB Statement No. 90 – *Majority Equity Interests- an amendment of GASB Statements No. 14 and No 61*. The requirements of this statement are effective for reporting periods beginning after December 15, 2018. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after December 15, 2019.

Released GASB Statements to be implemented in future financial statements are as follows:

GASB Statement No. 87 – *Leases*. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after June 15, 2021.

GASB Statement No. 91 – *Conduit Debt Obligations*. The requirements of this statement are effective for reporting periods beginning after December 15, 2020. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to reporting periods beginning after December 15, 2021.

GASB Statement No. 92 – *Omnibus 2020*. The requirements of this statement are effective for reporting periods beginning after June 15, 2020. Subsequent to issuance, GASB Statement No. 95 postponed the requirements of this statement to June 15, 2021.

GASB Statement No. 93 – *Replacement of Interbank Offered Rates*. The requirements of this statement are effective for reporting periods beginning after June 15, 2021. Subsequent to issuance, GASB Statement No. 95 postponed the certain requirements of this statement to reporting periods beginning after June 15, 2022.

GASB Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements*. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The requirements of this statement are effective for reporting periods beginning after June 15, 2021.

Subsequent Events: In compliance with accounting standards, management has evaluated events that have occurred after year-end to determine if these events are required to be disclosed in the financial statements. Management has determined that no events require disclosure in accordance with accounting standards. These subsequent events have been evaluated through March 1, 2022, which is the date the financial statements were available to be issued.

**KINGS COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 2 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2021, consists of the following:

Cash in County of Kings Treasury	\$	232,116	
Deposits with financial institution		41,402	
Total		273,518	
Total Interest and Investment Earnings from County of Kings		3,357	

See the County of Kings Annual Comprehensive Financial Report for disclosures related to risks and fair value measurements.

NOTE 3 – TRANSPORTATION DEVELOPMENT ACT ALLOCATIONS

The RTPA Fund receives TDA funds from the County of Kings LTF in accordance with resolutions by the KCAG. The amounts identified are to be expended in accordance with Public Utilities Code Section 99400(a).

NOTE 4 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2021 is as follows:

	Beginning Balance	Additions	Adjustments/ Deletions	Ending Balance
Equipment	\$ 54,420	\$ -	\$ -	\$ 54,420
Less accumulated depreciation	(50,023)	(4,059)	-	(54,082)
Total	\$ 4,397	\$ (4,059)	\$ -	\$ 338

Depreciation expense for the year ended June 30, 2021, was \$4,059.

NOTE 5 – LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended June 30, 2021 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences	\$ 106,930	\$ 78,378	\$ (63,832)	\$ 121,476	\$ 22,058
Total	\$ 106,930	\$ 78,378	\$ (63,832)	\$ 121,476	\$ 22,058

**KINGS COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 6 – EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN

Plan Description: KCAG contributes to the California Public Employees' Retirement System (CalPERS), an agent multiple-employer defined benefit pension plan in which all full-time employees of KCAG are eligible to participate. CalPERS acts as a common investment agent for participating public entities within the State of California and is administered by the CalPERS Board of Administration according to the provisions set forth in the California Public Employees Retirement Law. Benefit provisions under the plan are established by State statute and KCAG resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Members: KCAG has two classes of members participating in CalPERS. 1) New Members - Employees hired on or after January 1, 2013 and designated as "new members" to CalPERS are eligible for the PERS 2% at 62 Miscellaneous Plan pursuant to AB 340/SB197 (Pension Reform Act 2013). These employees pay the entire employee contribution rate reviewed and set annually by CalPERS, currently 6.25% of salary. Such payment shall vest to the employee. 2) Classic Members - Employees hired prior to January 1, 2013, or those hired on or after that date that are not designated as "new members" to CalPERS by the Pension Reform Act of 2013, are eligible for the 2% at 55 Miscellaneous Plan. These employees are entitled to contributions of 7% of their total salary. Of these contributions, employees are responsible for 3% of the total salary and KCAG is responsible for 4% of the total salary. Such payment shall vest to the employee. The Miscellaneous Plan includes for employees to have, at their option, the ability to apply to PERS for retirement service credit for their unused sick leave balance. However, KCAG limits the use of this provision to employees who have not cashed out their sick leave or opted for the Retiree Health benefit.

Contributions: Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1st following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. KCAG is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the year ended June 30, 2021, the contributions recognized as part of pension expense for the plan were \$63,992.

Net Pension Liability: KCAG's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability for the Plan is measured as of June 30, 2020, using an annual actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown next.

Actuarial Assumptions: The total pension liability in the June 30, 2019 actuarial valuation were determined using the following actuarial assumptions:

Valuation Date:	June 30, 2019
Measurement Date:	June 30, 2020
Actuarial Cost Method:	Entry Age Normal Cost Method
Actuarial Assumptions:	
Investment Rate of Return-	7.15%
Inflation-	2.50%
Payroll Growth Rate-	3.00%
Salary Increases-	Varies by entry age and service
Mortality Rate Table ¹ -	Derived using CalPERS' Membership Data for all Funds

¹The mortality table used was developed based on CalPERS' Experience Study for the period from 1997 to 2015. The table includes 15 years of projected mortality improvement using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the 2017 experience study report.

**KINGS COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 6 – EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN (continued)

Discount Rate: The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets.

Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.15 percent investment return assumption used in this accounting valuation is gross of administrative expenses.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1-10*	Real Return Years 11+**
Global Equity	50.00%	4.80%	5.98%
Global Fixed Income	28.00	1.00	2.62
Inflation Sensitive	0.00	0.77	1.81
Private Equity	8.00	6.30	7.23
Real Estate	13.00	3.75	4.93
Liquidity	1.00	0.00	0.92
Total	<u><u>100.00%</u></u>		

* An expected inflation of 2% used for this period

** An expected inflation of 2.92% used for this period

**KINGS COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 6 – EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2021, KCAG reported a liability of \$130,718 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the liability used to calculate the net pension liability was determined by an actuarial valuation date of June 30, 2019, updated to June 30, 2020. KCAG’s proportion of the net pension liability was based on a projection of KCAG’s long-term share of contributions to the pension plan relative to the projected contributions of all Pension Plan participants, actuarially determined. At June 30, 2021, KCAG’s proportion was 0.00310%, compared to 0.00251% at June 30, 2020, an increase of 0.00059%.

For the year ended June 30, 2021, KCAG recognized a pension expense of \$109,004. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions, or method and plan benefits. At June 30, 2021, KCAG reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 932
Difference between expected and actual experience	6,736	-
Difference between projected and actual earnings	3,883	-
Differences between actual vs. proportionate contributions	80,133	-
Change in proportionate share	20,947	13,827
Contributions subsequent to the measurement date	113,657	-
	\$ 225,356	\$ 14,759

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner. KCAG’s contributions of \$113,657 made subsequent to the measurement date are reported as deferred outflows of resources for the fiscal year ending June 30, 2021, and will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2022.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2022	\$ 41,674
2023	33,026
2024	20,378
2025	1,862
Total	\$ 96,940

Pension Plan Fiduciary Net Position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

**KINGS COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 6 – EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN (continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of KCAG, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	Discount Rate - 1% (6.15%)	Current Discount Rate 7.15%	Discount Rate + 1% (8.15%)
Net Pension Liability (Asset)	\$ 293,875	\$ 130,718	\$ (4,093)

NOTE 7 – OPERATING LEASES

KCAG leases its office facilities under a six (6) year operating lease that began on December 1, 2015. The lease includes a renewal option for an additional five (5) years. The monthly rental as of June 30, 2021 was \$2,400. Annual future minimum rentals are as follows:

Year Ending June 30,	Amount
2022	12,000
Total	\$ 12,000

Total lease expense for the year ended June 30, 2021 was \$28,800.

NOTE 8 – CONCENTRATIONS AND CONTINGENCIES

Concentration: KCAG received \$901,466, or 68.06% of its revenue and has 96.68% of its account receivable balance for metropolitan planning from the Federal Highway Administration and the Federal Transit Administration for the year ended June 30, 2021. Discontinuance of funding from this source could have a material effect on the operations of KCAG.

Coronavirus Pandemic: Management has determined the events regarding the Novel Coronavirus (COVID-19) require disclosure in accordance with accounting standards. On March 4, 2020 Governor Newsom issued an emergency proclamation declaring a state of emergency in California due to COVID-19. The COVID-19 outbreak is ongoing, and the ultimate geographic spread of the virus, the duration and severity of the outbreak and the economic and other actions that may be taken by government authorities to contain the outbreak or treat its impact are uncertain. A vaccination has been created and is being administered throughout the state, including KCAG's service area. The ultimate impact of COVID-19 on the operations and finances of KCAG remain unknown.

KINGS COUNTY ASSOCIATION OF GOVERNMENTS

REQUIRED SUPPLEMENTARY INFORMATION

**KINGS COUNTY ASSOCIATION OF GOVERNMENTS
SCHEDULE OF KCAG'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2021
LAST 10 YEARS***

	2021	2020	2019	2018	2017	2016	2015
KCAG's proportion of the net pension liability (asset)	0.003100%	0.002510%	0.003400%	0.003330%	0.002830%	0.002480%	0.002480%
KCAG's proportionate share of the net pension liability (asset)	\$ 130,718	\$ 100,647	\$ 128,113	\$ 131,258	\$ 98,480	\$ 53,136	\$ 45,347
KCAG's covered-employee payroll	\$ 464,631	\$ 441,848	\$ 404,680	\$ 370,050	\$ 354,514	\$ 294,781	\$ 390,205
KCAG's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	28.13%	22.78%	31.66%	35.47%	27.78%	18.03%	11.62%
Plan fiduciary net position as a percentage of the total pension liability (asset)	77.71%	77.73%	77.69%	75.39%	83.36%	90.13%	91.22%

Notes to Schedule:

* Fiscal year 2015 was the 1st year of implementation, therefore only seven years are shown. As time passes, additional years will be shown until a full ten-year history is available.

**KINGS COUNTY ASSOCIATION OF GOVERNMENTS
SCHEDULE OF KCAG'S CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2021
LAST 10 YEARS***

	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 113,657	\$ 110,981	\$ 103,756	\$ 45,866	\$ 44,112	\$ 16,979	\$ 12,460
Contributions in relation to the actuarially determined contribution	113,657	110,981	103,756	45,866	44,112	16,979	12,460
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Commission's covered-employee payroll	\$ 432,455	\$ 464,631	\$ 441,848	\$ 404,680	\$ 370,050	\$ 354,514	\$ 294,781
Contributions as a percentage of covered-employee payroll	26.28%	23.89%	23.48%	11.33%	11.92%	4.79%	4.23%

Notes to Schedule:

* Fiscal year 2015 was the 1st year of implementation, therefore only seven years are shown. As time passes, additional years will be shown until a full ten-year history is available.

KINGS COUNTY ASSOCIATION OF GOVERNMENTS

SUPPLEMENTARY INFORMATION

**KINGS COUNTY ASSOCIATION OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Transportation			
Pass-through programs from:			
State of California - Department of Transportation			
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.205	74A0811	<u>\$ 901,464</u>
Total U.S. Department of Transportation			<u>901,464</u>
Total Expenditures of Federal Awards			<u><u>\$ 901,464</u></u>

**KINGS COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Kings County Association of Governments (KCAG) and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, KCAG's financial statements.

NOTE 2 – SCHEDULE OF THE TOTAL FEDERAL AWARDS PROVIDED TO SUB-RECIPIENTS FROM EACH FEDERAL PROGRAM

Of the federal expenditures presented in the Schedule of Expenditures of Federal Awards, KCAG provided no federal awards to sub-recipients for the fiscal year ended June 30, 2021.

NOTE 3 – INDIRECT COST RATE

KCAG has elected not to use the 10 percent de minimus cost rate allowed under the Uniform Guidance.

**KINGS COUNTY ASSOCIATION OF GOVERNMENTS
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2021**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness identified? ___ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? ___ Yes X No

Noncompliance material to financial statements noted? ___ Yes X No

Federal Awards

Type of auditor’s report issued on compliance for major programs: Unmodified

Internal control over major federal programs:

- Material weakness identified? ___ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? ___ Yes X No

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of the Uniform Guidance? ___ Yes X No

Identification of major programs:

<u>CFDA #(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research

The threshold for distinguishing type A and B programs was \$750,000.

Auditee qualified as low-risk auditee? X Yes ___ No

**KINGS COUNTY ASSOCIATION OF GOVERNMENTS
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (continued)
FOR THE YEAR ENDED JUNE 30, 2021**

SECTION II – FINANCIAL STATEMENT FINDINGS

There are no reportable financial statement findings to be reported in accordance with *Government Auditing Standards*.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no federal award findings or questioned costs to be reported in accordance with the Uniform Guidance.

**KINGS COUNTY ASSOCIATION OF GOVERNMENTS
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2020**

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no reportable findings as required by *Government Auditing Standards* for the year ended June 30, 2020.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no federal award findings or questioned costs to be reported in accordance with the Uniform Guidance.

**KINGS COUNTY ASSOCIATION OF GOVERNMENTS
SCHEDULE OF EXPENDITURES BY WORK ELEMENT BY FUNDING SOURCE
BUDGET AND ACTUAL – PLANNING AND ADMINISTRATION FUND
FOR THE YEAR ENDED JUNE 30, 2021**

	Budget	LTF	PL Funds	FTA Funds	PPM Funds
405.01 Area-Wide Clearinghouse Review	\$ 6,000	\$ -	\$ -	\$ -	\$ -
406.01 Regional Housing Needs Plan	50,000	-	-	-	-
407.01 Census Data Center	30,000	-	23,057	-	-
501.01 MPO Administration	54,000	4,176	6,681	-	-
501.02 Overall Work Program	63,524	6,863	52,970	-	-
501.03 FAST Act Programs	20,000	-	15,691	-	-
501.04 Federal Transit Act (FTA) Programs	50,000	-	-	19,816	-
502.01 Regional Transportation Plan (RTP) Review	317,197	-	80,599	-	-
502.02 Travel Model	125,000	-	47,257	-	-
502.03 Transit Station Site Selection	176,722	-	100,530	52,151	-
502.04 Traffic Counts	40,000	-	6,699	-	-
502.05 Air Quality Planning	200,000	-	191,985	-	-
502.07 Project Study Report	225,000	-	-	-	114,743
502.08 Corcoran Transit Study	70,000	-	46,817	-	-
502.09 Regional Corridor Needs Study	330,000	-	93,471	-	-
502.10 Transit Asset Management Plan	300,000	-	37,026	-	-
502.11 Transportation Performance Measures	40,000	-	29,133	-	-
502.12 Regional Pavement Management System	67,000	-	24,391	-	-
503.01 Regional Transportation Improvement Program (RTIP)/Federal Transportation Improvement Program (FTIP)	80,000	-	73,190	-	-
504.01 TDA Administration	165,000	90,599	-	-	-
505.01 Abandoned Vehicle Abatement (AVA) Administration	42,000	-	-	-	-
TOTAL	\$ 2,451,443	\$ 101,638	\$ 829,497	\$ 71,967	\$ 114,743

**KINGS COUNTY ASSOCIATION OF GOVERNMENTS
SCHEDULE OF EXPENDITURES BY WORK ELEMENT BY FUNDING SOURCE
BUDGET AND ACTUAL – PLANNING AND ADMINISTRATION FUND (continued)
FOR THE YEAR ENDED JUNE 30, 2021**

	State Grant	AVA Funds	Local Funds	Total Expenditures	Variance
405.01 Area-Wide Clearinghouse Review	\$ -	\$ -	\$ 716	\$ 716	\$ 5,284
406.01 Regional Housing Needs Plan	9,658	-	-	9,658	40,342
407.01 Census Data Center	-	-	-	23,057	6,943
501.01 MPO Administration	-	-	12,397	23,254	30,746
501.02 Overall Work Program	-	-	-	59,833	3,691
501.03 FAST Act Programs	-	-	-	15,691	4,309
501.04 Federal Transit Act (FTA) Programs	-	-	-	19,816	30,184
502.01 Regional Transportation Plan (RTP) Review	-	-	-	80,599	236,598
502.02 Travel Model	-	-	-	47,257	77,743
502.03 Transit Station Site Selection	-	-	-	152,681	24,041
502.04 Traffic Counts	-	-	-	6,699	33,301
502.05 Air Quality Planning	-	-	-	191,985	8,015
502.07 Project Study Report	-	-	-	114,743	110,257
502.08 Corcoran Transit Study	-	-	-	46,817	23,183
502.09 Regional Corridor Needs Study	-	-	-	93,471	236,529
502.10 Transit Asset Management Plan	-	-	-	37,026	262,974
502.11 Transportation Performance Measures	-	-	-	29,133	10,867
502.12 Regional Pavement Management System	-	-	-	24,391	42,609
503.01 Regional Transportation Improvement Program (RTIP)/Federal Transportation Improvement Program (FTIP)	-	-	-	73,190	6,810
504.01 TDA Administration	-	-	-	90,599	74,401
505.01 Abandoned Vehicle Abatement (AVA) Administration	-	39,912	-	39,912	2,088
TOTAL	\$ 9,658	\$ 39,912	\$ 13,113	\$ 1,180,528	\$ 1,270,915

**KINGS COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO SUPPLEMENTARY INFORMATION**

NOTE 1 – REGIONAL PLANNING ASSISTANCE FUNDS – SCHEDULE OF EXPENDITURES BY FUNDING SOURCE

The Schedule of Expenditures by Work Element by Funding Source is presented to account for the revenues received from the Regional Planning Assistance Programs and the categorized expenditures made with those funds along with original budgeted amounts.

NOTE 2 – RELATIONSHIP TO THE FINANCIAL STATEMENTS

Amounts reported in the Schedule of Expenditures by Work Element by Funding Source includes estimated amounts for labor costs charged to work elements and are presented on the budgetary basis. Therefore, there will be differences between this schedule and the Statement of Revenues, Expenditures and Changes in Fund Balance.

KINGS COUNTY ASSOCIATION OF GOVERNMENTS

OTHER REPORTS



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE WITH THE TRANSPORTATION DEVELOPMENT ACT AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Kings County Association of Governments Commission
Kings County Association of Governments

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 major fund of the Kings County Association of Governments (KCAG) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise KCAG's financial statements, and have issued our report thereon dated March 1, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered KCAG'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 KCAG's internal control. Accordingly, we do not express an opinion on the effectiveness of KCAG'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 KCAG's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including, the applicable provisions of the TDA, including Public Utilities Code Section 99245 as enacted and amended by statute through June 30, 2021; and the allocation instructions and resolutions of the Transportation Planning Agency as required by Section 6666 of the California Administrative Code, 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 KCAG's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering KCAG's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HUDSON HENDERSON & COMPANY, INC.

Hudson Henderson & Company, Inc.

Fresno, California
March 1, 2022



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Kings County Association of Governments Commission
Kings County Association of Governments

Report on Compliance for Each Major Federal Program

We have audited the Kings County Association of Governments' (KCAG) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (*OMB Compliance Supplement*) that could have a direct and material effect on each of KCAG's major federal programs for the year ended June 30, 2021. KCAG's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of KCAG's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about KCAG's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of KCAG's compliance.

Opinion on Each Major Federal Program

In our opinion, KCAG complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of KCAG is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered KCAG's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of KCAG's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

HUDSON HENDERSON & COMPANY, INC.

A handwritten signature in blue ink that reads "Hudson Henderson & Company, Inc." in a cursive script.

Fresno, California

March 1, 2022