

KINGS COUNTY ASSOCIATION OF GOVERNMENTS

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORTS**

**FOR THE YEAR ENDED
JUNE 30, 2022**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the governmental activities and major fund of the Kings County Association of Governments (KCAG) for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the financial statements as listed in the table of contents.

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, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2022, KCAG adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise KCAG's financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is 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 information 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the schedule of expenditures by work element by funding source – budget and actual – planning and administration fund but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2023, on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the KCAG's 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 16, 2023

**KINGS COUNTY ASSOCIATION OF GOVERNMENTS
STATEMENT OF NET POSITION
JUNE 30, 2022**

	Governmental Activities
ASSETS	
Cash and investments	\$ 30,884
Receivables	673,245
Net pension asset	103,936
Capital assets, net of accumulated depreciation	-
Right-to-use asset, net of accumulated amortization	40,705
Total Assets	848,770
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pensions	282,506
Total Deferred Outflows Of Resources	282,506
LIABILITIES	
Accrued expenses	156,433
Due to other agencies	181,766
Long-term liabilities	
Portion due within one year:	
Lease liability	28,745
Compensated absences	55,359
Portion due in more than one year:	
Lease liability	11,994
Compensated absences	68,790
Total Liabilities	503,087
DEFERRED INFLOWS OF RESOURCES	
Deferred pensions	7,370
Total Deferred Inflows Of Resources	7,370
NET POSITION	
Net investment in capital assets	(34)
Unrestricted	620,853
Total Net Position	\$ 620,819

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, 2022**

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	\$ 1,255,685	\$ 15,472	\$ 1,423,047	\$ 182,834
Totals	<u>\$ 1,255,685</u>	<u>\$ 15,472</u>	<u>\$ 1,423,047</u>	<u>182,834</u>
General Revenues:				
Interest and investment earnings				<u>4,161</u>
Total General Revenues				<u>4,161</u>
Change in Net Position				186,995
Net Position, Beginning of Year				<u>433,824</u>
Net Position, End of Year				<u>\$ 620,819</u>

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

**KINGS COUNTY ASSOCIATION OF GOVERNMENTS
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2022**

ASSETS

Cash and investments	\$ 30,884
Receivables	<u>673,245</u>
Total Assets	<u><u>\$ 704,129</u></u>

LIABILITIES AND FUND BALANCE

Liabilities	
Accrued expenses	\$ 156,433
Due to other agencies	<u>181,766</u>
Total Liabilities	<u>338,199</u>
Fund Balance	
Restricted	<u>365,930</u>
Total Fund Balance	<u>365,930</u>
Total Liabilities and Fund Balance	<u><u>\$ 704,129</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, 2022**

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

Total Fund Balance	\$	365,930
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		-
Right-to-use assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds (net of accumulated amortization of \$28,733)		40,705
Deferred Inflows of Resources and Deferred Outflows of Resources: Deferred outflows of resources are not current assets of financial resources and deferred inflows of resources are not due and payable in the current period and therefore are not reported in the governmental funds:		
Deferred outflows of resources		282,506
Deferred inflows of resources		(7,370)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:		
Compensated absences		(124,149)
Net pension asset		103,936
Lease liability		(40,739)
		(61,952)
Total Net Position - Governmental Activities	\$	620,819

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
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2022**

REVENUES

Federal Aid Metropolitan Planning Organization (MPO)	\$ 982,893
Local Transportation Fund allocation	300,000
Abandoned Vehicle Abatement grant	15,154
Interest and investment earnings	4,161
Miscellaneous services	15,472
Other revenue	<u>125,000</u>

Total Revenues	<u>1,442,680</u>
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EXPENDITURES

Salaries and employee benefits	591,838
Equipment	4,292
Consultant services	826,253
Office expense and clerical support	57,812
Travel expenses	1,679
Communication and utilities	18,041
Postage	2,077
Publications and legal notices	1,509
Purchasing charges	1,883
Special department expense	17,649
Capital outlay	
Lease right-to-use	69,438
Debt service	
Interest	101
Principal retirement	<u>28,699</u>

Total Expenditures	<u>1,621,271</u>
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OTHER FINANCING SOURCES (USES)

Lease and other financing proceeds	<u>69,438</u>
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Total Other Financing Sources (Uses)	<u>69,438</u>
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Net Change in Fund Balance	(109,153)
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Fund Balance, Beginning of Year	<u>475,083</u>
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Fund Balance, End of Year	<u><u>\$ 365,930</u></u>
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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, 2022**

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	\$	(109,153)
<p>Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$338) exceeded capital outlay (\$0), adjustments (\$0) and retirements (\$0) in the current period.</p>		
		(338)
<p>Governmental funds report capital leases as expenditures. However, in the Statement of Activities, the lease is capitalized as a right of use asset along with a corresponding lease liability to reflect the future obligation. This is the amount by which lease right-to-use asset capital outlay expense (\$69,438) in the current period exceeded amortization expense (\$28,733).</p>		
		40,705
<p>Governmental funds report principle payments on lease liabilities as expenditures but are recorded as a reduction in the lease liabilities in the governmental activities.</p>		
		28,699
<p>Governmental funds report lease and other financing proceeds as revenues. However, lease and other financing proceeds are not reported in the Statement of Activities.</p>		
		(69,438)
<p>Compensated absences are measured by the amounts paid during the period in governmental funds. In the Statement of Activities, compensated absences are measured by the amounts earned. This is the difference between compensated absences paid and those earned in the current period.</p>		
		(2,673)
<p>Certain pension expenses (benefits) in the Statement of Activities are recognized on the accrual basis of accounting in accordance with GASB Statement No. 68 and are not due during the current year and, therefore, the change is not recorded in the governmental fund.</p>		
		299,193
Change in Net Position - Governmental Activities	\$	186,995

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, 2022.

Accounts Receivable: KCAG utilizes the allowance method of accounting for and reporting uncollectible or doubtful accounts. At June 30, 2022, 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*.

Right-to-Use Asset: KCAG has recorded right-to-use lease assets as a result of implementing GASB 87. The right-to-use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right-to-use assets are intangible capital assets and are amortized on a straight-line basis over the life of the related lease.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Lease Liability: KCAG's lease liability is measured at the present value of payments expected to be made by KCAG during the lease term. As lease payments are made KCAG will reduce the liability (principal portion of payment) and recognize interest expense.

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, 2022, KCAG implemented the following standards:

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. 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. 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.

GASB Statement No. 98 – *The Annual Comprehensive Financial Report*. The requirements of this statement are effective for reporting periods beginning after December 15, 2021.

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

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. 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. 99 – *Omnibus 2022*. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB Statement No. 100 – *Accounting Changes and Error Corrections*. The requirements of this statement are effective for reporting periods beginning after June 15, 2023.

GASB Statement No. 101 – *Compensated Absences*. The requirements of this statement are effective for reporting periods beginning after December 15, 2023.

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 16, 2023, 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, 2022, consists of the following:

Deposits with a financial institution	<u>\$</u>	<u>30,884</u>
Total	<u>\$</u>	<u>30,884</u>
Total Interest and Investment Earnings from County of Kings	<u>\$</u>	<u>4,161</u>

At June 30, 2022, KCAG had an overdraft balance in the County of Kings Treasury in the amount of \$178,826, which is included in Due to Other Agencies in the Statement of Net Position. See the County of Kings Annual 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, 2022 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Adjustments/ Deletions</u>	<u>Ending Balance</u>
Capital Assets Being Depreciated:				
Equipment	\$ 54,420	\$ -	\$ -	\$ 54,420
Less accumulated depreciation	<u>(54,082)</u>	<u>(338)</u>	<u>-</u>	<u>(54,420)</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 338</u>	<u>\$ (338)</u>	<u>\$ -</u>	<u>\$ -</u>

Depreciation expense for the year ended June 30, 2022, was \$338.

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

NOTE 5 – LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended June 30, 2022 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences	\$ 121,476	\$ 55,800	\$ (53,127)	\$ 124,149	\$ 55,359
Total	<u>\$ 121,476</u>	<u>\$ 55,800</u>	<u>\$ (53,127)</u>	<u>\$ 124,149</u>	<u>\$ 55,359</u>

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, 2022, the contributions recognized as part of pension expense for the plan were \$61,069.

Net Pension Asset: KCAG's net pension asset for the Plan is measured as the total pension asset, less the pension plan's fiduciary net position. The net pension asset for the Plan is measured as of June 30, 2021, using an annual actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension asset is shown next.

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

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

Actuarial Assumptions: The total pension asset in the June 30, 2020 actuarial valuation were determined using the following actuarial assumptions:

Valuation Date:	June 30, 2020
Measurement Date:	June 30, 2021
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
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Allowance Floor on Purchasing Power applies

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.

Discount Rate: The discount rate used to measure the total pension asset 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.

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

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

Discount Rate (continued):

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+**
Public Equity	50.00%	4.80%	5.98%
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>100.00%</u>		

* An expected inflation of 2% used for this period

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

Pension Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2022, KCAG reported an asset of \$103,936 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2021, and the asset used to calculate the net pension asset was determined by an actuarial valuation date of June 30, 2020, updated to June 30, 2021. KCAG's proportion of the net pension asset 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, 2022, KCAG's proportion was -0.00547%, compared to 0.00310% at June 30, 2021, a decrease of 0.008574%.

For the year ended June 30, 2022, KCAG recognized a pension credit of \$188,887. Pension expense (benefit) represents the change in the net pension asset 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, 2022, 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	\$ -	\$ -
Difference between expected and actual experience	(11,655)	-
Difference between projected and actual earnings	90,730	-
Differences between actual vs. proportionate contributions	82,976	-
Change in proportionate share	10,149	7,370
Contributions subsequent to the measurement date	110,306	-
	<u>\$ 282,506</u>	<u>\$ 7,370</u>

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

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

Pension Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued):

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to net pension asset to be recognized in future periods in a systematic and rational manner. KCAG’s contributions of \$110,306 made subsequent to the measurement date are reported as deferred outflows of resources for the fiscal year ending June 30, 2022, and will be recognized as an increase of the net pension asset in the fiscal year ending June 30, 2023.

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
2023	\$ 60,183
2024	49,514
2025	30,060
2026	25,073
Total	\$ 164,830

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

Sensitivity of the Net Pension (Asset) Liability to Changes in the Discount Rate: The following presents the net pension (asset) liability of KCAG, calculated using the discount rate of 7.15 percent, as well as what the net pension (asset) 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)	\$ 80,317	\$ (103,936)	\$ (256,254)

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

NOTE 7 – RIGHT-TO-USE ASSET

KCAG has recorded one right-to-use leased asset. The asset is a right-to-use asset for leased land. The related lease is discussed in Note 8. The right-to-use lease asset is amortized on a straight-line basis over the terms of the related lease.

Right-to-use assets activity related to governmental activities for the year ended June 30, 2022 was as follows:

	Beginning Balance	Additions	Adjustments/ Deletions	Ending Balance
Intangible Assets Being Amortized:				
Right-to-use land	\$ -	\$ 69,438	\$ -	\$ 69,438
Less accumulated amortization	-	(28,733)	-	(28,733)
Total intangible assets being amortized, net	<u>\$ -</u>	<u>\$ 40,705</u>	<u>\$ -</u>	<u>\$ 40,705</u>

Amortization expense charged to the governmental activities for the year ended June 30, 2022 was \$28,733.

NOTE 8 – LEASE LIABILITY

KCAG entered into a land lease agreement for the purpose of leasing its office facilities. The lease commenced on November 24, 2021 and terminates on November 30, 2023. Once the current land lease agreement expires KCAG has the option of entering into a month-to-month lease agreement.

Lease expense for the year ending June 30, 2022 was \$28,800. Lease interest expense for the year ending June 30, 2022 was \$101. Lease liability was recognized as part of the implementation of GASB 87, *Leases*. Future minimum lease and interest payments for the lease liability are as follow:

Year Ending June 30	Principal Payments	Interest Payments	Total
2023	\$ 28,745	\$ 55	\$ 28,800
2024	11,994	6	12,000
	<u>\$ 40,739</u>	<u>\$ 61</u>	<u>\$ 40,800</u>

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

NOTE 9 – CONCENTRATIONS AND CONTINGENCIES

Concentration: KCAG received \$982,893, or 68.13% of its revenue and has 98.20% of its account receivable balance for metropolitan planning from the Federal Highway Administration and the Federal Transit Administration for the year ended June 30, 2022. 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.

NOTE 10 – CHANGE IN ACCOUNTING PRINCIPLE

GASB Statement No. 87, *Leases*, establishes specific criteria used to account for contracts that meets the definition of a lease. Implementation of GASB Statement No. 87 requires lessee to recognize a lease liability and an intangible right-to-use asset, and lessor to recognize a lease receivable and a deferred inflow of resources. The Statement is to enhance the relevance and consistency of information about governments' leasing activities. As of June 30, 2022, KCAG had one lease that meets the criteria of GASB Statement No. 87 and KCAG has implemented the Statement accordingly. As of June 30, 2022, KCAG recognized a right-to-use asset of \$40,705 and lease liability of \$40,739 for the lease in which KCAG is a lessee.

KINGS COUNTY ASSOCIATION OF GOVERNMENTS

REQUIRED SUPPLEMENTARY INFORMATION

**KINGS COUNTY ASSOCIATION OF GOVERNMENTS
SCHEDULE OF KCAG'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (ASSET)
FOR THE YEAR ENDED JUNE 30, 2022
LAST 10 YEARS***

	2022	2021	2020	2019	2018	2017	2016	2015
KCAG's proportion of the net pension liability (asset)	-0.005474%	0.003100%	0.002510%	0.003400%	0.003330%	0.002830%	0.002480%	0.002480%
KCAG's proportionate share of the net pension liability (asset)	\$ (103,936)	\$ 130,718	\$ 100,647	\$ 128,113	\$ 131,258	\$ 98,480	\$ 53,136	\$ 45,347
KCAG's covered-employee payroll	\$ 432,455	\$ 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	-24.03%	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)	90.49%	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 eight 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, 2022
LAST 10 YEARS***

	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 110,306	\$ 113,657	\$ 110,981	\$ 103,756	\$ 45,866	\$ 44,112	\$ 16,979	\$ 12,460
Contributions in relation to the actuarially determined contribution	<u>110,306</u>	<u>113,657</u>	<u>110,981</u>	<u>103,756</u>	<u>45,866</u>	<u>44,112</u>	<u>16,979</u>	<u>12,460</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Commission's covered-employee payroll	424,666	\$ 432,455	\$ 464,631	\$ 441,848	\$ 404,680	\$ 370,050	\$ 354,514	\$ 294,781
Contributions as a percentage of covered-employee payroll	25.97%	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 eight 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, 2022**

Federal Grantor/Pass-through Grantor/ <u>Program or Cluster Title</u>	Federal CFDA <u>Number</u>	Pass-through Entity Identifying <u>Number</u>	Federal <u>Expenditures</u>
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>\$ 982,893</u>
Total U.S. Department of Transportation			<u>982,893</u>
Total Expenditures of Federal Awards			<u><u>\$ 982,893</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, 2022.

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, 2022**

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, 2022**

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, 2021**

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no reportable findings as required by *Government Auditing Standards* for the year ended June 30, 2021.

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, 2022**

	Budget	LTF	PL Funds	FTA Funds	PPM Funds	SB1 Grant Funds
405.01 Area-Wide Clearinghouse Review	\$ 6,000	\$ -	\$ -	\$ -	\$ -	\$ -
406.01 Regional Housing Needs Plan	150,000	-	-	-	-	-
407.01 Census Data Center	20,000	-	2,797	-	-	-
501.01 MPO Administration	70,000	4,649	8,900	-	-	-
501.02 Overall Work Program	71,300	6,915	53,373	-	-	-
501.03 FAST Act Programs	40,000	-	28,571	-	-	-
501.04 Federal Transit Act (FTA) Programs	40,000	-	-	31,727	-	-
502.01 Regional Transportation Plan (RTP) Review	422,341	74,975	325,285	-	-	-
502.02 Travel Model	127,000	-	53,042	-	-	-
502.04 Traffic Counts	40,000	-	1,297	-	-	-
502.05 Air Quality Planning	152,010	-	62,509	-	-	-
502.07 Project Study Report	184,715	13,721	-	-	-	105,906
502.09 Regional Corridor Needs Study	190,483	-	98,696	-	-	-
502.10 Transit Asset Management Plan	331,617	-	70,003	30,430	-	-
502.11 Transportation Performance Measures	45,000	-	26,524	-	-	-
502.12 Regional Pavement Management System	25,000	-	-	-	-	-
503.01 Regional Transportation Improvement Program (RTIP)/Federal Transportation Improvement Program (FTIP)	107,508	-	83,833	-	-	-
504.01 TDA Administration	168,000	165,123	-	-	-	-
505.01 Abandoned Vehicle Abatement (AVA) Administration	35,000	-	-	-	-	-
TOTAL	<u>\$ 2,225,974</u>	<u>\$ 265,383</u>	<u>\$ 814,830</u>	<u>\$ 62,157</u>	<u>\$ -</u>	<u>\$ 105,906</u>

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, 2022

	State Grant	State Grant	AVA Funds	Local Funds	Total Expenditures	Variance
405.01 Area-Wide Clearinghouse Review	\$ -	\$ -	\$ -	\$ 2,993	\$ 2,993	\$ 3,007
406.01 Regional Housing Needs Plan	121,311	-	-	-	121,311	28,689
407.01 Census Data Center	-	-	-	-	2,797	17,203
501.01 MPO Administration	-	-	-	12,480	26,029	43,971
501.02 Overall Work Program	-	-	-	-	60,288	11,012
501.03 FAST Act Programs	-	-	-	-	28,571	11,429
501.04 Federal Transit Act (FTA) Programs	-	-	-	-	31,727	8,273
502.01 Regional Transportation Plan (RTP) Review	-	-	-	-	400,260	22,081
502.02 Travel Model	-	-	-	-	53,042	73,958
502.04 Traffic Counts	-	-	-	-	1,297	38,703
502.05 Air Quality Planning	-	-	-	-	62,509	89,501
502.07 Project Study Report	-	-	-	-	119,627	65,088
502.09 Regional Corridor Needs Study	-	-	-	-	98,696	91,787
502.10 Transit Asset Management Plan	-	-	-	13,017	113,450	218,167
502.11 Transportation Performance Measures	-	-	-	-	26,524	18,476
502.12 Regional Pavement Management System	-	-	-	-	-	25,000
503.01 Regional Transportation Improvement Program (RTIP)/Federal Transportation Improvement Program (FTIP)	-	-	-	-	83,833	23,675
504.01 TDA Administration	-	-	-	-	165,123	2,877
505.01 Abandoned Vehicle Abatement (AVA) Administration	-	-	21,072	-	21,072	13,928
TOTAL	\$ 121,311	\$ -	\$ 21,072	\$ 28,490	\$ 1,419,149	\$ 806,825

**KINGS COUNTY ASSOCIATION OF GOVERNMENTS
NOTES TO OTHER 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, 2022, and the related notes to the financial statements, which collectively comprise KCAG's financial statements, and have issued our report thereon dated March 16, 2023.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not identified.

Report on 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, 2022; 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*.

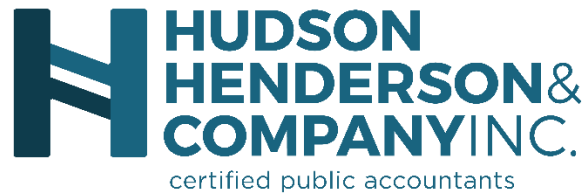
Purpose of This Report

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 16, 2023



**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

Opinion on Each Major Federal Program

We have audited Kings County Association of Governments's (KCAG) compliance with the types of compliance requirements identified as subject to audit in the 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, 2022. KCAG's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and recommendations.

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, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of KCAG and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of KCAG's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to KCAG's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on KCAG's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about KCAG's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding KCAG's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of KCAG's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 KCAG's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.



Fresno, California
March 16, 2023