

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION**

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT**

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

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INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors
County of Kings, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and major fund of the First 5 Kings County Children and Families Commission (the Commission), a component unit of the County of Kings (the County), as of and for the year ended June 30, 2022, and the related notes to the financial statements, and the respective budgetary comparison for the general fund, which collectively comprise the Commission's basic 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 the Commission, as of June 30, 2022, and the respective changes in financial position, and the respective budgetary comparison for the general fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 the Commission 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 opinions.

Emphasis-of-Matters

As discussed in Note 1 to the financial statements, the financial statements present only the Commission referred to above and are not intended to present the financial position of the County as a whole and the respective changes in financial position, or where applicable, its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America. 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 the Commission'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 opinions. 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 Commission'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 Commission'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 information on pages 4-8, the schedule of the Commission's proportionate share of the County's net pension liability, the schedule of contributions – pension plan, schedule of changes in the net OPEB liability and related ratios, and the schedule of contributions – OPEB plan on pages 30-33 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission’s basic financial statements. The Supplemental Schedule of First 5 California (F5CA) Funding is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Schedule of First 5 California (F5CA) Funding is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2023, on our consideration of the Commission’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 Commission’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 Commission’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
April 27, 2023



**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

INTRODUCTION

First 5 Kings County Children and Families Commission (First 5 Kings County) is funded primarily by a tax on tobacco products as established by Proposition 10, passed in 1998. All tax revenues are distributed to First 5 California Children and Families Commission (First 5 California) who utilizes 20% of those revenues and distributes the remainder to local First 5 county commissions formed by local ordinances after Proposition 10 was adopted. Kings County adopted its county ordinance establishing the First 5 Kings County on December 29, 1998. Funds are disbursed to the county by First 5 California based upon the number of children born to mothers with a residence in Kings County. The revenue from this tax is to be used for tobacco education and cessation programs and for programs that promote, support, and improve the early development of children from prenatal through age five. The intent is for California children to be healthy, to live in a healthy and supportive family environment, and to enter school ready to learn.

First 5 Kings County has developed a strategic plan to guide how funds are disbursed for this purpose. First 5 Kings County has adopted initiatives that set aside funding for implementation of certain goals from the strategic plan. A financial plan supplements and operationalizes the strategic plan and any accompanying initiatives.

Our discussion and analysis of First 5 Kings County financial performance provides an overview of its financial activities for the fiscal year ending June 30, 2022. It should be read in conjunction with the First 5 Kings County's basic financial statements, which follow this section.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in its Statement No. 34, *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments*, issued June 1999, and GASB Statement No. 37, *Basic Financial Statements – and Management and Discussion and Analysis – for State and Local Governments: Omnibus*, an amendment to GASB Statement No. 21 and Statement No. 34, issued in June 2001.

FINANCIAL HIGHLIGHTS

- Total net position was \$926,704 as of June 30, 2022.
- Total liabilities were \$419,192.
- Revenues were \$1,469,601.
- Expenditures totaled \$1,416,443 for a total increase in net position of \$53,158.

FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
JUNE 30, 2022

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts – the management's discussion and analysis (this section), the basic financial statements, and supplementary information. The three sections together provide a comprehensive overview of First 5 Kings County. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about First 5 Kings County's overall financial position.
- **Fund financial statements** focus on reporting the individual parts of First 5 Kings County's operations in more detail. The fund financial statements comprise the remaining statements.
 - **Government funds** statements tell how general governmental services were financed in the short-term as well as what remains for future spending.

The basic financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required supplementary information that further explains and supports the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements report information about First 5 Kings County as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of First 5 Kings County's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide financial statements report First 5 Kings County's net position and how they have changed. Net position – the difference between assets and liabilities – is one way to measure the financial health and position of First 5 Kings County.

- Over time, increases or decreases in First 5 Kings County's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of First 5 Kings County, one needs to consider additional non-financial factors such as decreases in Proposition 10 tax revenue due to decreased tobacco sales.

The government-wide financial statements of First 5 Kings County include only governmental activities.

Fund Financial Statements

The fund financial statements provide more detailed information about First 5 Kings County's most significant funds – not First 5 Kings County as a whole. Funds are accounting devices that First 5 Kings County uses to keep track of specific sources of funding and spending for particular programs. Some funds are required to be established by state law and by bond covenants. First 5 Kings County establishes other funds to control and manage money for particular purposes or to show that First 5 Kings County is meeting legal responsibility for using certain revenues. First 5 Kings County has only one kind of fund:

- **Governmental funds** – All of First 5 Kings County's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statement provides a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance First 5 Kings County's programs.

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
JUNE 30, 2022**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

The First 5 Kings County's combined net position was \$926,704 and \$873,546 at June 30, 2022 and 2021, respectively. See Table 1.

**Table 1:
Net Position**

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
ASSETS		
Current assets	\$ 1,343,714	\$ 1,383,156
Capital assets	-	-
Total Assets	<u>1,343,714</u>	<u>1,383,156</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pensions	23,784	45,805
Deferred OPEB	<u>37,403</u>	<u>14,614</u>
Total Deferred Outflows of Resources	<u>61,187</u>	<u>60,419</u>
LIABILITIES		
Current liabilities	43,534	115,014
Noncurrent liabilities	<u>375,658</u>	<u>453,851</u>
Total Liabilities	<u>419,192</u>	<u>568,865</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred pensions	56,490	1,164
Deferred OPEB	<u>2,515</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>59,005</u>	<u>1,164</u>
NET POSITION		
Net investment in capital assets	-	-
Unrestricted	<u>926,704</u>	<u>873,546</u>
Total Net Position	<u>\$ 926,704</u>	<u>\$ 873,546</u>

Changes in Net Position

The First 5 Kings County's total revenues were \$1,469,601 and \$1,656,622 for fiscal years ended June 30, 2022 and 2021, respectively. The revenue comes from a tax on tobacco products implemented with Proposition 10 (1998) and Proposition 56 (2016) as collected and distributed by First 5 California.

The total costs of all programs and services were \$1,416,443 and \$1,622,534 for fiscal years ended June 30, 2022 and 2021, respectively. The First 5 Kings County's expenses are predominately related to funding organizations to provide services for children ages 0 to 5 and their families. The remaining expenses were for internally operated programs, administrative activities, program expenses, and evaluation services.

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
JUNE 30, 2022**

**Table 2:
Changes in Net Position**

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Revenues		
Program revenues	\$ 1,449,280	\$ 1,617,498
General revenues	<u>20,321</u>	<u>39,124</u>
Total Revenues	<u>1,469,601</u>	<u>1,656,622</u>
Expenses	<u>1,416,443</u>	<u>1,622,534</u>
Change in Net Position	53,158	34,088
Net Position, Beginning of Year	<u>873,546</u>	<u>839,458</u>
Net Position, End of Year	<u>\$ 926,704</u>	<u>\$ 873,546</u>

FINANCIAL ANALYSIS OF THE FIRST 5 KINGS COUNTY'S FUND

For the fiscal year ended June 30, 2022, First 5 Kings County reported an ending fund balance of \$1,300,180, an increase of \$32,038 from the prior year. The increase represents the amount of excess of revenues over expenditures for the year ended June 30, 2022.

General Fund Budgetary Highlights

FY 21/22 was the second year of the 5-year Fiscal Plan, wherein the budgeted expenditures were decreased overall, to compensate for dwindling Proposition 10 revenues. The Commission also wanted to maintain an adequate reserve in the Commission's trust fund to cover expenses pending receipt of Proposition 10 revenues.

➤ **Salaries and Benefits and Administrative Costs:**

Salaries and Benefits expenditures during FY 21/22 were lower than prior years, due to the Resource Specialist position being vacant for the majority of the year.

Under Administrative Costs, significant decreases in expenditures occurred in the following areas:

- Legal services and legal notices expenditures were lower due to minimal need for legal services related to contacts and agreements.
- First 5 Association changed the date that Membership dues were due, from June of the prior Fiscal Year to July of the current Fiscal Year.
- Motor pool costs were lower due to minimal repair and maintenance costs.
- Administrative Cost charges by the County of Kings were lower than anticipated.

➤ **Travel and Transportation:**

In FY 21/22, in-person training and training-related travel were limited due to the global pandemic.

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
JUNE 30, 2022**

➤ **Program Expenses:**

In FY 21/22, there was a significant decrease in actual expenditures compared to the budgeted amount, due to the Linkages 2 Learning school sites only holding 1 event rather than 2, or not holding events at all, decreasing the number of stipends provided to the participating teachers. The global pandemic restricted community events, leaving the Community Outreach and Public Education Materials budgets untouched.

➤ **Program Services:**

In FY 21/22, funding was allocated to support a Family Resource Center in Avenal; however, a contract was not executed.

A schedule of the First 5 Kings County's original and final budget amounts compared with actual revenues and expenses is provided in the audited financial report.

CAPITAL ASSETS AND LONG-TERM DEBT

First 5 Kings County's Net Investment in Capital Assets line item remained consistent with the prior year, due to no new assets purchased or depreciation recorded. The decrease in long-term liabilities is due to the decrease in the net pension liability net of deferred expenses.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Purposeful monitoring of revenue and expenditures throughout FY 21/22 has allowed the Commission to achieve its goal of gradually rebuilding the trust account. Commission staff have had a few opportunities to participate in community collaborations that allowed for invoicing of commission staff time, bringing in additional revenue to offset salaries/benefits. Continued close monitoring through FY 22/23 should also reap the same benefit of increasing the trust account balance.

In anticipation of SB 793 being upheld in November 2022, the FY 22/23 budget was reduced to reflect a decrease in Proposition 10 revenue in the last 2.5 quarters of the fiscal year. Close monitoring of revenue projections and actual expenditures will shape future Commission budgets. Commission staff will continue to identify additional revenue sources that can fill the gaps in revenues previously received.

CONTACTING THE FIRST 5 KINGS COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, participants, investors, and creditors with a general overview of the First 5 Kings County's finances and to demonstrate the First 5 Kings County's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact Ms. Clarissa Ravelo, Program Officer, First 5 Kings County, 330 Campus Drive Hanford, California 93230 (559) 585-0814.

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION
STATEMENT OF NET POSITION
JUNE 30, 2022**

	Primary Government
ASSETS	
Cash and cash equivalents	\$ 36,552
Treasurer's investments	1,212,918
Receivables	94,244
Capital assets, net of accumulated depreciation	-
Total Assets	1,343,714
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pensions	23,784
Deferred OPEB	37,403
Total Deferred Outflows of Resources	61,187
LIABILITIES	
Accounts payable	43,534
Long-term liabilities	
Portion due within one year:	
Compensated absences	8,350
Portion due in more than one year:	
Compensated absences	7,405
Net OPEB liability	56,172
Net pension liability	303,731
Total Liabilities	419,192
DEFERRED INFLOWS OF RESOURCES	
Deferred pensions	56,490
Deferred OPEB	2,515
Total Deferred Inflows of Resources	59,005
NET POSITION	
Net investment in capital assets	-
Unrestricted	926,704
Total Net Position	\$ 926,704

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

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

Functions/Programs	Expenses	Program Revenues Operating Grants and Contributions	Net (Expense) and Revenue and Changes in Net Position Governmental Activities
Primary Government:			
Governmental Activities:			
Child development services	\$ 1,416,443	\$ 1,449,280	\$ 32,837
Total Primary Government	\$ 1,416,443	\$ 1,449,280	32,837
General Revenues:			
			(41,052)
			61,373
			20,321
			53,158
			873,546
			\$ 926,704

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

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2022**

ASSETS

Cash and cash equivalents	\$ 36,552
Treasurer's investments	1,212,918
Receivables	<u>94,244</u>
 Total Assets	 <u><u>\$ 1,343,714</u></u>

LIABILITIES AND FUND BALANCE

Liabilities	
Accrued expenses	<u>\$ 43,534</u>
Total Liabilities	<u>43,534</u>
 Fund Balance	
Committed	3,378,201
Unassigned	<u>(2,078,021)</u>
Total Fund Balance	<u>1,300,180</u>
 Total Liabilities and Fund Balance	 <u><u>\$ 1,343,714</u></u>

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

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION
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 - Governmental Fund	\$	1,300,180
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund (net of accumulated depreciation of \$37,958).		-
Deferred outflows of pension and OPEB contributions reported in the Statement of Net Position.		61,187
Long-term liabilities are not due in the current period and, therefore, are not included in the governmental fund. (Net Pension Liability- \$303,731, Net OPEB Liability- \$56,172, Compensated absences- \$15,755).		(375,658)
Deferred inflows of pension and OPEB reported in the Statement of Net Position.		<u>(59,005)</u>
Total Net Position - Governmental Activities	\$	<u>926,704</u>

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

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2022**

REVENUES

Proposition 10 taxes	\$	1,085,303
Proposition 56 taxes		363,977
Interest and investment earnings (losses)		(41,052)
Miscellaneous income		<u>61,373</u>
 Total Revenues		 <u>1,469,601</u>

EXPENDITURES

Program Services:		
FRC Initiative	\$	618,060
CARES Initiative		88,436
School Readiness Initiative		431,336
First 5 Initiative		<u>31,700</u>
Total Program Services		1,169,532
Salaries and benefits		142,793
Office expense		350
Professional and specialized services		25,000
Auditing and accounting		6,560
Legal services		1,787
Program expenses		51,542
Informational and technology services		8,786
Administrative cost (Kings County)		20,272
Travel and transportation		4,403
Utilities		2,191
Communications		1,833
Maintenance		2,273
Postage and freight		35
Purchasing charges		<u>206</u>
 Total Expenditures		 <u>1,437,563</u>
 Net Change in Fund Balance		 32,038
 Fund Balance, Beginning of Year		 <u>1,268,142</u>
 Fund Balance, End of Year	\$	 <u><u>1,300,180</u></u>

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

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION
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 - Governmental Fund	\$ 32,038
Long-term liabilities are not due during the current year and, therefore, the change is not recorded in the governmental fund.	<u>21,120</u>
Change in Net Position - Governmental Activities	<u><u>\$ 53,158</u></u>

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

FIRST 5 KINGS COUNTY CHILDREN AND FAMILIES COMMISSION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE- BUDGET TO ACTUAL (GAAP)-
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual (GAAP Basis)	Variance with Final Budget
	Original	Final		
REVENUES				
Proposition 10 taxes	\$ 1,085,303	\$ 1,085,303	\$ 1,085,303	\$ -
Proposition 56 taxes	363,977	363,977	363,977	-
Interest and investment earnings (losses)	8,217	8,217	(41,052)	(49,269)
Miscellaneous income	58,637	53,929	61,373	7,444
Total Revenues	1,516,134	1,511,426	1,469,601	(41,825)
EXPENDITURES				
Program services	1,265,341	1,265,341	1,169,532	95,809
Salaries and benefits	188,901	188,901	142,793	46,108
Office expense	4,400	4,400	350	4,050
Professional and specialized services	25,000	25,000	25,000	-
Auditing and accounting	6,560	6,560	6,560	-
Legal services	5,862	5,862	1,787	4,075
Program expenses	66,000	66,000	51,542	14,458
Informational and technology services	8,022	8,022	8,786	(764)
Administrative cost (Kings County)	31,957	31,957	20,272	11,685
Travel and transportation	10,000	10,000	4,403	5,597
Utilities	2,202	2,202	2,191	11
Communications	3,352	3,352	1,833	1,519
Maintenance	2,864	2,864	2,273	591
Memberships	4,000	4,000	-	4,000
Publications and legal notices	1,750	1,750	-	1,750
Postage and freight	200	200	35	165
Community outreach	1,500	1,500	-	1,500
Purchasing charges	200	200	206	(6)
Board and commission membership	500	500	-	500
Total Expenditures	1,628,611	1,628,611	1,437,563	191,048
Net Change in Fund Balance	\$ (112,477)	\$ (117,185)	32,038	\$ 149,223
Fund Balance, Beginning of Year			<u>1,268,142</u>	
Fund Balance, End of Year			<u>\$ 1,300,180</u>	

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

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: In November of 1998, California voters approved Proposition 10, which levied a 50-cent tax on each pack of cigarettes sold. Revenues generated from the tobacco tax are used to fund local health, child care, and education programs that promote early childhood development. These programs target children during their first five years of life and focus on anti-tobacco education programs.

On December 29, 1998, the County of Kings Board of Supervisors, in accordance with Proposition 10, passed and adopted Ordinance No. 578, which created the First 5 Kings County Children and Families Commission (the Commission). Ordinance No. 609, on April 2, 2002, established the Commission, a component unit of the County of Kings, as an agency with independent authority over the strategic plan described in Kings County Code of Ordinances Section 2-45 and the Kings County Children and Families Trust Fund described in Kings County Code of Ordinances Section 2-50. The Commission consists of nine voting members.

The basic financial statements included in this report are intended to present the financial position and results of operations of only the Commission. 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 Financial Report available from the County of Kings.

Measurement Focus, Basis of Accounting and Financial Statement Presentation: The basic financial statements of the Commission 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 which includes a management’s discussion and analysis section, a statement of net position, a statement of activities, and, if applicable, a statement of cash flows. The financial statements consist of the following:

- Government-Wide Financial Statements-

The Statement of Net Position and the Statement of Activities display information about the Commission as a whole. The Statement of Net Position presents the financial condition of the governmental activities of the Commission at fiscal year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the Commission’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 the Commission, 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 Commission’s governmental fund 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.

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued): 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 Commission considers revenues to be available if they are collected within 9 months 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 Commission’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. 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.

The Commission reports the following major governmental fund:

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

Cash and Investments: The Commission maintains its cash account with the County of Kings Treasurer – Tax Collector as part of the common investment pool. The County of Kings 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 of Kings’ investment policy authorize the County Treasurer to invest in U.S. Government Treasury and Agency Securities, bankers’ acceptances, commercial paper, corporate bonds and notes, repurchase agreements, supranational debt obligations, 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 Treasurer 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 Treasurer.

Credit quality ratings are not available for the Commission investments as all cash is invested as part of the common investment pool of the County of Kings Treasurer – Tax Collector. The Commission does not have any deposits with financial institutions as of June 30, 2022.

Accounts Receivable: The Commission 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: 5-10 years

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-Exchange Transactions: Non-exchange transactions, in which the Commission gives or receives value without directly receiving or giving equal value in exchange, include Proposition 10 and 56 tax increments and other grants. 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.

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*, the County 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 the Commission 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 the Commission 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: Commission employees earn vacation and sick leave with pay every year. The amount of vacation and sick leave earned is based on the years of continuous service. All vacation pay is accrued when incurred, while employees are generally vested to twenty-five percent of their sick leave balance after five years of service 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.

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 statement, 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*.

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION
NOTES TO BASIC 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 the Commission 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 Commission itself, using its highest level of decision-making authority (First 5 Kings County Children and Families Commission). To be reported as committed, amounts cannot be used for any other purpose unless the Commission takes the same highest level action to remove or change the constraint.
- *Assigned* – Amounts the Commission intends to use for a specific purpose. Intent can be expressed by the Commission or by an official or body to which the Board of Commissioners delegates the authority.
- *Unassigned* – Amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

The Commission 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 Commission through adoption or amendment of the budget, or future year budget, plan as intended for a specific purpose.

For the Commission's general fund, the Commission strives to maintain a budgeted total fund balance reserve that is at minimum 25% of any annual operating budget.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted resources as they are needed.

Net Position: Net position represents the residual interest in the Commission'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. The Commission'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 the Commission prepares a proposed budget, which is presented to the Commission's Board of Commissioners. 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.

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Accounting Standards Update: During the year ending June 30, 2022, the Commission implemented the following standards on the financial statements:

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 April 27, 2023, which is the date the financial statements were available to be issued.

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

NOTE 2 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2022, consist of the following:

Cash and cash equivalents in County of Kings Treasury	\$ 36,552
Treasurer's investments in County of Kings Treasury	\$ 1,212,918
Total interest and investment earnings (losses) from County of Kings	\$ (41,052)

See the County of Kings Annual Financial Report for disclosure related to cash, investment and related risks, including the fair market valuations of the pooled investments.

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2022 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Equipment	\$ 37,958	\$ -	\$ -	\$ 37,958
Less Accumulated Depreciation	(37,958)	-	-	(37,958)
Total	\$ -	\$ -	\$ -	\$ -

Depreciation expense for the year ended June 30, 2022, was \$0.

NOTE 4 – DEFICIENCY OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2022, expenditures exceeded appropriations as follows:

Expenditures	Amount
Informational and technology services	\$ (764)
Purchasing charges	(6)

NOTE 5 – EVALUATION EXPENDITURES

The Commission spent \$25,000 on program evaluation during the fiscal year ended June 30, 2022, which consisted of \$25,000 in contracted evaluation activities associated with evaluation efforts and annual report submission.

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

NOTE 6 – 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	\$ 15,624	\$ 10,626	\$ (10,495)	\$ 15,755	\$ 8,350
Total	<u>\$ 15,624</u>	<u>\$ 10,626</u>	<u>\$ (10,495)</u>	<u>\$ 15,755</u>	<u>\$ 8,350</u>

NOTE 7 – ECONOMIC DEPENDENCY

The Commission received the majority of its funding from one source, taxes imposed by the California Tax and Revenue Code. This code imposes additional taxes on the sale of cigarettes and tobacco products. The total amount of funding from the additional taxes was \$1,449,280, or 98.62%, of the total revenue for the year ending June 30, 2022. The Commission is thus subject to possible risk of reductions in services and/or closure due to potential future changes of the California Tax and Revenue Code.

NOTE 8 – RELATED PARTY TRANSACTIONS

During the year ended June 30, 2022, the Commission paid the County of Kings, a related party, \$29,507 for the following costs: \$1,073 in legal services, \$7,978 in information technology services, \$184 in motor pool services, and \$20,272 for administrative and indirect cost allocation services. The Commission is a component unit of the County of Kings as stated in Note 1. The Commission is reported as a discretely presented component unit in the County of Kings' Annual Financial Report.

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description: The County of Kings provides health insurance benefits (medical, dental, vision, chiropractic, and mental health) through a self-insured plan administered by Blue Cross using the Blue Cross PPO. The County of Kings contributes toward the cost of such coverage for its employees as set forth in the bargaining memoranda of understanding. The County of Kings does not explicitly contribute toward the cost of health benefits for retirees. As the Commission is part of the County of Kings, these benefits are applicable to the Commission. However, there are two benefits offered to County retirees that give rise to an implicit cost to the County under GASB Statement No. 75:

1. Retirees with more than a stated number of service hours at the time they retire are entitled to convert a portion of their accumulated sick leave to a dollar amount which is held in a Medical Incentive Account (MIA) for the purpose of helping defray some or all of the costs of health insurance coverage through the County's plan until the account is exhausted.
2. Premiums charged to retirees in the plan are the same as those used for active employees. Because the plan is self-insured, the County is actually paying claims and administrative expenses on behalf of all participating retirees – the premiums are a mechanism for budgeting and negotiations, but do not reflect the underlying cost of providing retiree healthcare coverage. The excess of the actual cost of retiree and dependent coverage over the premiums charged to those retirees constitutes a significant financial benefit, sometimes called an employer's "implicit subsidy" under GASB Statement No. 75.

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

Plan Description (continued): When the retiree reaches Medicare eligibility, they are no longer eligible to participate in the County plan; however, any remaining account balance may be used for purposes of defraying Medicare Supplement insurance premiums purchased outside the County’s plan. All employee groups except Elected Officials follow the same general rule, in that there are two tiers of employees, those hired before a given cutoff date and those hired on or after that date. Employees hired before the cutoff date may make a one-time election to receive a portion of cash from their accumulated sick-leave hours rather than convert them to an MIA, an option not available to post-cutoff date hires. Also, the benefit percentage applied dollar value of accumulated sick-leave hours may differ between the two tiers, and number of service hours required to be eligible for a given benefit percentage may differ as well.

Employees Covered: All Commission employees are covered by the benefit terms of the OPEB Plan of the County of Kings. See the County of Kings Annual Comprehensive Financial Report for more information regarding total employees covered.

Net OPEB Liability: The Commission’s net OPEB liability of \$56,172 was measured as of June 30, 2021 and was determined by an actuarial valuation as of June 30, 2021. Standard actuarial update procedures were used to roll forward to the measurement date from the actuarial valuation.

The changes in the net OPEB liability for the plan year was as follows:

	Net OPEB Liability
Balance at June 30, 2021	\$ 55,582
Changes in the year:	
Service cost	1,962
Interest on the total OPEB liability	547
Differences between expected and actual experience	(2,738)
Changes in assumptions	1,508
Benefit payments, including refunds of employee contributions	(126)
Implicit subsidy credit	(563)
Net change	590
Balance at June 30, 2022	\$ 56,172

Actuarial assumptions and other inputs: The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary increases:	2.75%
Discount rate:	1.92%
Inflation:	5.50%
Healthcare Cost Trend Rates	7.00%

Mortality rates were based on CalPERS tables.

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate: The following presents the total OPEB liability of the Commission, as well as what the Commission’s total OPEB liability would be if it were calculated using a discount rate that is 1-percent lower (0.92 percent) or 1-percentage point higher (2.92 percent) than the current discount rate:

	Discount Rate - 1% (0.92%)	Discount Rate 1.92%	Discount Rate + 1% (2.92%)
Net OPEB Liability	\$ 61,306	\$ 56,172	\$ 51,408

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate: The following presents the total OPEB liability of the Commission, as well as what the Commission’s total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percent lower (6.00 percent) or 1-percentage point higher (8.00 percent) than the current discount rate:

	Trend Rate - 1% (6.00%)	Healthcare Trend Rate 7.00%	Trend Rate + 1% (8.00%)
Net OPEB Liability	\$ 48,669	\$ 56,172	\$ 65,314

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB: For the year ended June 30, 2022, the Commission recognized OPEB Expense of \$7,787. At June 30, 2022, the Commission reported deferred outflows of resources related to the OPEB Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 5,338	\$ -
Contributions subsequent to the measurement date	719	-
Change in proportionate share	27,833	-
Net differences between projected and actual experience	3,513	(2,515)
Total	\$ 37,403	\$ (2,515)

Contributions subsequent to the measurement date will be expensed during the year ended June 30, 2023. Other deferred outflows and inflows of resources related to the OPEB Plan will be recognized as OPEB expense as follows:

Year Ending June 30,	Amount
2023	\$ 3,266
2024	3,266
2025	3,266
2026	3,265
2027	3,015
Remaining	18,091
Total	\$ 34,169

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

NOTE 10 – EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN

Plan Description: The County of Kings contributes to the California Public Employees' Retirement System (CalPERS), an agent multiple-employer defined benefit pension plan in which all full-time employees of the County of Kings are eligible to participate. CalPERS provides retirement, disability, annual cost of living adjustments, and death benefits to plan members and their beneficiaries. 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 and other requirements are established by County ordinance and contract. 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. As the Commission is part of the County of Kings, these benefits are applicable to the Commission.

Employees Covered: All Commission employees are covered by the benefit terms of the Miscellaneous Benefit Plan of the County of Kings. See the County of Kings Annual Comprehensive Financial Report for more information regarding total employees covered.

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. The County of Kings is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2021 (the measurement date), the average active employee contribution rate is 7.000 percent of annual pay, and the employer's contribution rate is 14.886 percent of annual payroll for those employees in the Miscellaneous Plan.

Net Pension Liability: The Commission's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability for the Plans 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 liability is shown below.

Actuarial Assumptions: The total pension liabilities in the June 30, 2020 actuarial valuation was 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:	
Discount Rate-	7.15%
Inflation-	2.50%
Salary Increases-	Varies by entry age and service
Investment Rate of Return-	7.00%
Mortality Rate Table ¹ -	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit-	Contract COLA up to 2.5% until Purchasing Power
Increase-	Protection Allowance Floor on Purchasing Power applies, 2.5% thereafter

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

NOTE 10 – EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN (continued)

Actuarial Assumptions (continued):

¹The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvement using 90% of the Society of Actuaries Scale MP-2016. For more details on this table, please refer to the 2017 experience study report.

Change of Assumptions: No changes were made for the June 30, 2021 measurement date actuarial calculations.

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.

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 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%
Fixed Income	28.00	1.00	2.62
Inflation Assets	0.00	0.77	1.81
Private Equity	8.00	6.30	7.23
Real Assets	13.00	3.75	4.93
Liquidity	1.00	0.00	(0.92)
Total	100.00%		

* An expected inflation of 2.00% used for this period

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

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

NOTE 10 – EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN (continued)

Net Pension Liability: At June 30, 2022, the Commission reported a liability of \$303,731 for its proportionate share of the County's Proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the liability used to calculate the net pension liability was determined by an actuarial valuation date of June 30, 2020, updated to June 30, 2021. The Commission's proportion of the net pension liability was based on a projection of the Commission'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, the Commission's proportion share of the County's proportionate share was 0.15%, compared to 0.24% at June 30, 2020, a decrease of 0.09%.

The Commission's contributions to CalPERS for the fiscal year ended June 30, 2021, was equal to the required contributions. The required contributions for the last three fiscal years are noted in the below chart.

Fiscal Year End	Contributions
June 30, 2019	\$ 38,811
June 30, 2020	\$ 27,399
June 30, 2021	\$ 19,649

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the Commission, 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%)	Discount Rate 7.15%	Discount Rate + 1% (8.15%)
Net Pension Liability	\$ 616,029	\$ 303,731	\$ 46,473

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

Pension Expenses/Benefit and Deferred Outflows/Inflows of Resources Related to Pensions: For the year ended June 30, 2022, the Commission recognized pension benefit of \$20,893. At June 30, 2022, the Commission 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
Pension contributions subsequent to measurement date	\$ 19,582	\$ -
Changes in assumptions	-	(68)
Differences between expected and actual experiences	4,202	(3,067)
Net differences between projected and actual earnings	-	(53,355)
Total	\$ 23,784	\$ (56,490)

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

NOTE 10 – EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN (continued)

Pension Expenses/Benefit and Deferred Outflows/Inflows of Resources Related to Pensions (continued): Deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Amount
2023	\$ (11,517)
2024	(12,176)
2025	(13,759)
2026	(14,836)
Total	\$ (52,288)

NOTE 11 – FUND BALANCES

Fund balances are presented in the following categories: committed and unassigned (See Note 1 for a description of these categories). A detailed schedule of fund balances at June 30, 2022, is as follows:

Committed:	
Approved contracts not yet executed	\$ 3,303,201
Evaluation services	75,000
Total Committed Fund Balance	3,378,201
Unassigned	(2,078,021)
Total Fund Balance	\$ 1,300,180

As of June 30, 2022, the Commission’s general fund reported a negative unassigned balance of \$2,078,021. This was caused by the Commission approving several multi-year contracts that increased their committed balance. Future revenues and the disbursement of such funds will decrease the committed balance to alleviate the negative unassigned fund balance.

NOTE 12 – RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission provides coverage for these losses through commercial insurance policies and/or through participation in the County of Kings’ Self-Insurance Program. Refer to the County of Kings Annual Financial Report for additional information.

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS (continued)**

NOTE 13 – COMMITMENTS AND CONTINGENCIES

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 governmental authorities to contain the outbreak or to treat its impact are uncertain. A vaccination has been created and is being administered throughout the State, including the Commission’s service area. The ultimate impact of COVID-19 on the Commission is unknown.

Litigation: Commitments and contingencies, undeterminable in amount, include normal recurring pending claims and litigation. In the opinion of management, based upon discussion with legal counsel, there is no pending litigation which is likely to have a material adverse effect on the financial position of the Commission.

NOTE 14 – SEPARATION FROM THE COUNTY

On May 19, 2021, the Board of Supervisors of Kings County (the County) amended the Kings County Ordinance No. 609.4, codified as Section 2-40, establishing the Commission as a legal independent entity from the County effective June 18, 2021. The amendment established the powers, duties, and responsibilities of the Commission to include the power to enter into any contracts as necessary, acquire, possess, and dispose of real or personal property, and have independent authority over its strategic plan. The Commission continues to contract with Kings County for staffing and services to the Commission.

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION**

REQUIRED SUPPLEMENTARY INFORMATION

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULE OF THE COMMISSION'S PROPORTIONATE SHARE OF THE COUNTY'S NET PENSION LIABILITY

Measurement Date	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Commission's proportion of the County's proportionate net pension liability (asset)	0.15%	0.24%	0.39%	0.34%	0.35%	0.36%	0.38%	0.36%
Commission's proportionate share of the County's proportionate net pension liability (asset)	\$ 303,731	\$ 382,645	\$ 358,008	\$ 328,154	\$ 333,683	\$ 287,455	\$ 277,611	\$ 186,969
Commission's covered-employee payroll	\$ 117,710	\$ 215,637	\$ 187,700	\$ 187,360	\$ 194,835	\$ 184,990	\$ 165,024	\$ 163,074
Commission's proportionate share of the County's proportionate net pension liability (asset) as a percentage of its covered-employee payroll	258.03%	177.45%	190.73%	175.15%	171.26%	155.39%	168.22%	114.65%
Plan fiduciary net position	\$385,891,721	\$320,271,941	\$310,745,619	\$296,742,769	\$279,852,259	\$256,012,190	\$259,618,018	\$259,446,155
Plan fiduciary net position as a percentage of the Commission's proportionate share of the County's proportionate share of the total pension liability (asset)	87.05%	74.61%	75.92%	76.54%	75.14%	76.33%	81.23%	83.32%

Notes to Schedule:

Benefit changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2020. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

* 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.

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION (continued)**

SCHEDULE OF CONTRIBUTIONS – PENSION PLAN

Measurement Date	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Contractually Required Contribution (Actuarially determined contribution)	\$ 19,649	\$ 27,399	\$ 38,811	\$ 28,497	\$ 27,944	\$ 24,533	\$ 22,163	\$ 19,122
Actual contributions	19,649	27,399	38,811	28,497	27,944	24,533	22,163	19,122
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Commission's covered-employee payroll	\$117,710	\$215,637	\$187,700	\$187,360	\$194,835	\$184,990	\$165,024	\$163,074
Actual contributions as a percentage of the County's covered-employee payroll	16.69%	12.71%	20.68%	15.21%	14.34%	13.26%	13.43%	11.73%

Notes to Schedule:

Valuation date: June 30, 2020

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method: Entry Age Normal
 Amortization Method/Period: See June 30, 2018 Funding Valuation Report
 Asset Valuation Method: See June 30, 2018 Funding Valuation Report
 Inflation: 2.50%
 Salary Increases: Varies by Entry Age and Service
 Payroll Growth: 2.75%
 Investment Rate of Return: 7.00%
 Retirement Age: Probabilities of retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
 Mortality: Probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.

* 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.

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION (continued)**

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

Last 10 Fiscal Years*	2022	2021	2020	2019	2018	2017
Total OPEB Liability						
Service cost	\$ 1,962	\$ 2,944	\$ 1,954	\$ 2,844	\$ 2,765	\$ 2,223
Interest on the total OPEB liability	547	1,040	853	1,152	1,058	1,325
Differences between expected and actual experience	(2,738)	44	9,344			
Changes in assumptions	1,508	1,071	1,240	(1,536)	(1,609)	-
Benefit payments, including refunds of employee contributions	(126)	(217)	(222)	(421)	(1,262)	-
Implicit subsidy credit	(563)	(909)	(685)	-	-	(1,059)
Net change in Total OPEB Liability	590	3,973	12,484	2,039	952	2,489
Total Net OPEB Liability - Beginning	55,582	51,609	39,125	37,086	36,134	33,645
Total Net OPEB Liability - Ending	<u>\$ 56,172</u>	<u>\$ 55,582</u>	<u>\$ 51,609</u>	<u>\$ 39,125</u>	<u>\$ 37,086</u>	<u>\$ 36,134</u>

Commission's covered-employee payroll- Measurement Period	\$ 117,710	\$ 215,637	\$ 187,700	\$ 187,360	\$ 194,835	\$ 184,990
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Net OPEB liability as a percentage of covered-employee payroll	47.72%	25.78%	27.50%	20.88%	19.03%	19.53%
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*Omitted Years: GASB Statement No. 75 was implemented during the year ended June 30, 2017. No information was available prior to this date. As time passes, additional years will be shown until a full ten-year history is available.

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION (continued)**

SCHEDULE OF CONTRIBUTIONS – OPEB PLAN

Last 10 Fiscal Years*	2022	2021	2020	2019	2018	2017
Actuarially determined contribution	\$ 5,868	\$ 5,585	\$ 5,476	\$ 4,542	\$ 4,451	\$ 3,560
Contributions in relation to the actuarially determined contribution	<u>(1,189)</u>	<u>(1,126)</u>	<u>(685)</u>	<u>(1,316)</u>	<u>(1,261)</u>	<u>(1,059)</u>
Contribution Deficiency (Excess)	<u>\$ 4,679</u>	<u>\$ 4,459</u>	<u>\$ 4,791</u>	<u>\$ 3,226</u>	<u>\$ 3,190</u>	<u>\$ 2,501</u>
 Commission's covered-employee payroll- Measurement Period	 \$117,710	 \$215,637	 \$187,700	 \$187,360	 \$194,835	 \$184,990
 Contributions as a percentage of covered-employee payroll	 3.98%	 2.07%	 2.55%	 1.72%	 1.64%	 1.35%

Notes to Schedule:

Valuation date: June 30, 2021

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method:	Entry Age Normal
Discount Rate:	1.92%
Inflation:	5.50%
Salary Increases:	2.75%
Healthcare Cost Trend Rate:	7.00%
Retirement Age:	Probabilities of retirement are based on the 2021 CalPERS Experience Study for the period from 2000 to 2019
Mortality:	Probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2000 to 2019. Pre-retirement and post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

*Omitted Years: GASB Statement No. 75 was implemented during the year ended June 30, 2017. No information was available prior to this date. As time passes, additional years will be shown until a full ten-year history is available.



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

To the Board of Supervisors
County of Kings, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and major fund of the First 5 Kings County Children and Families Commission (the Commission), as of and for the year ended June 30, 2022, and the related notes to the financial statements and the respective budgetary comparison for the general fund, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated April 27, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission'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 Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission'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 the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control and compliance. Accordingly, this communication 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
April 27, 2023



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

To the Board of Supervisors
County of Kings, California

Compliance

We have audited the First 5 Kings County Children and Families Commission's (the Commission) compliance with the requirements specified in the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, issued by the State Controller's Office, applicable to the Commission's statutory requirements identified below for the year ended June 30, 2022.

In our opinion, the Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the California Children and Families Program for the year ended June 30, 2022.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, issued by the State Controller's Office. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Commission 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 opinion. Our audit does not provide a legal determination of the Commission'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 the California Children and Families Program.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether the material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Commission'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 GAAS, *Government Auditing Standards*, and the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act* 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. 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 the Commission's compliance with the requirements of the California Children and Families Program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, 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 the Commission's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances;
- Obtain an understanding of the Commission'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 State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the Commission's compliance with the state laws and regulations applicable to the following items:

<u>Description</u>	<u>Audit Guide Procedures</u>	<u>Procedures Performed</u>
Contracting and Procurement	6	Yes
Administrative Costs	3	Yes
Conflict-of-Interest	3	Yes
County Ordinance	4	Yes
Long-range Financial Plans	2	Yes
Financial Condition of the Commission	1	Yes
Program Evaluation	3	Yes
Salaries and Benefit Policies	2	Yes

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 identify during the audit.

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 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 a material noncompliance with a compliance requirement 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 that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention from 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 State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*. 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
April 27, 2023

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2022**

There are no reportable findings as required by *Government Auditing Standards* for the year ended June 30, 2022.

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2021**

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

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION**

SUPPLEMENTARY INFORMATION

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION
SUPPLEMENTAL SCHEDULE OF
FIRST 5 CALIFORNIA (F5CA) FUNDING
FOR THE YEAR ENDED JUNE 30, 2022**

Program or Project Title		REVENUE F5CA FUNDS	EXPENDITURES	CHANGE IN NET POSITION	NET POSITION BEG. OF YEAR	NET POSITION END OF YEAR
First 5 IMPACT Program	F5CA Program Funds	\$ -	\$ -	\$ -	\$ -	\$ -
	County, Local Funds	88,436	88,436	-	-	-
TOTAL F5CA FUNDS		\$ 88,436	\$ 88,436	\$ -	\$ -	\$ -