

California Vanpool Authority
CalVans

AGENDA ITEM # D. 3

January 14, 2021
Prepared by Jeff Markarian, CPA
Baldev Randhawa, Senior Accountant/Auditor

SUBJECT:

Audited Financials: FY 19/20

DISCUSSION:

After several months of corrections, adjustments and corrections to the FY 19/20 financials, staff is presenting final draft Financials for review and approval. All of the information that was of concern has been amended.

FISCAL IMPACT:

None.

ATTACHMENT:

1. FY 19/20 Draft Financials

RECOMMENDATION:

Staff is requesting that financials be approved by the board to move forward and update 20/21 fiscal year financials.

CALIFORNIA VANPOOL AUTHORITY
COUNTY OF KINGS, CALIFORNIA

ANNUAL FINANCIAL REPORTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

PREPARED BY
FINANCE DEPARTMENT

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
California Vanpool Authority
Hanford, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the California Vanpool Authority, as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the California Vanpool Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditors' Responsibility (Continued)

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the California Vanpool Authority, as of June 30, 2019 and 2018, and the respective changes in its financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 13, the financial statements for the fiscal years ended June 30, 2019 and 2018 are being reissued to correct errors in the reporting of capital assets activity and long-term debt. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2020, on our consideration of the California Vanpool Authority'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 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 the California Vanpool Authority's internal control over financial reporting and compliance.

Dedekian, George, Small & Markarian
Accountancy Corporation
January 14, 2020

CALIFORNIA VANPOOL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

Introduction

The following discussion and analysis of the financial performance and activity of the California Vanpool Authority (CalVans) provides an introduction and understanding of the basic financial statements of CalVans for the year ended June 30, 2019, with selected comparative information for the year ended June 30, 2018. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

Kings County Area Public Transit Agency (KCAPTA) started the vanpool programs in 2001. The program expanded to include operations in seven neighboring counties. In 2008, KCAPTA began the process of separating the vanpool programs into its own joint powers entity comprised of the counties in which the vanpool programs operated. This process was completed with the formation of CalVans in October of 2011. CalVans was established with five members and has expanded to include a total of fourteen members representing 16 counties. CalVans began operating the vanpool programs as of January 1, 2012. All assets and staff related to the vanpool programs were transferred to CalVans as of January 1, 2012.

CalVans is a Joint Powers Agency with fourteen members as of June 30, 2019. The CalVans Board is comprised of one elected official representative from each of the fourteen member agencies.

The Financial Statements

CalVans' basic financial statements include (1) the Statements of Net Position, (2) the Statements of Revenues, Expenses and Changes in Net Position, and (3) the Statements of Cash Flows. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

The Statements of Net Position presents information on all of CalVans' assets and liabilities with the difference between the two being reported as net position. Trends of increasing or decreasing net position may serve as useful indicators of financial health. The entire equity section is combined to report total net assets and is displayed in three components – invested in capital assets, net of related debt; restricted net position; and unrestricted net position.

The net position component invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, and is reduced by the outstanding balances of any borrowings attributable to the acquisition, construction or improvements of those assets.

Restricted net position consists of assets where constraints on their use are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislations.

CALIFORNIA VANPOOL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

The Financial Statements (Continued)

Unrestricted net position consists of net positions that do not meet the definition of restricted or invested in capital assets, net of related debt.

Revenues and expenses are categorized as either operating or non-operating based upon the definitions provided by GASB Statements No. 33 and No. 34. Significant recurring resources of CalVans, such as capital contributions, are reported as non-operating revenues.

The Statement of Cash Flows is presented using the direct method and includes a reconciliation of operating cash flows to operating income.

Financial Highlights

Statement of Revenues, Expenses, and Changes in Net Position

A summary of CalVans' Statement of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2019, 2018 and 2017 is as follows:

	2019	2018	Increase/(Decrease)		2017
			Amount	%	
Operating revenue	\$ 10,646,456	\$ 9,568,040	\$ 1,078,416	11%	\$ 8,418,182
Operating expenses	14,035,436	12,907,533	1,127,903	9%	11,407,066
Operating loss	(3,388,980)	(3,339,493)	(49,487)	2%	(2,988,884)
Non-operating revenue	1,109,088	1,288,554	(179,466)	(14)%	1,733,377
Capital contributions	6,000,000	-	6,000,000	100%	-
Increase/(decrease) in net position	<u>\$ 3,720,108</u>	<u>\$ (2,050,939)</u>	<u>\$ 5,771,047</u>	<u>(281)%</u>	<u>\$ (1,255,507)</u>

The combined Operating and Non-operating revenues for fiscal year 2019 increased by \$898,950 over fiscal year 2018. There was an increase in Operating revenues in 2019 over fiscal year 2018 due to an increase in number of vans being operated. The decrease in Non-operating revenues resulted from interest paid on financed vehicles.

Operating expenses for fiscal year 2019 increased by \$1,127,903 or 9% over fiscal year 2018 primarily due to an increase in number of vans being operated.

Capital contributions in fiscal year 2019 included a state grant of \$6,000,000 to purchase 154 Farm Labor Hybrid vehicles. There were no capital contributions received in fiscal year 2018.

CALIFORNIA VANPOOL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

Financial Highlights (Continued)

Below is a schedule showing major sources of revenue broken out between operating and non-operating sources.

	2019	2018	Increase/(Decrease)		2017
			Amount	%	
Operating Revenue by Major Source					
Passenger fares	\$ 10,642,706	\$ 9,563,290	\$ 1,079,416	11%	\$ 8,377,682
Auxiliary	3,750	4,750	(1,000)	(21)%	40,500
Non-Operating Revenues by Major Source					
Federal grants	8,351	18,927	(10,576)	(56)%	16,940
Other State & Local Funding	1,013,675	803,106	210,569	26%	961,582
San Joaquin Air Pollution Control District	281,400	344,880	(63,480)	(18)%	403,290
Miscellaneous	110,660	81,715	28,945	35%	121,814
Gain (loss) on sale of equipment	-	52,591	(52,591)	(100)%	226,522
Interest income (expense), net	(304,998)	(12,665)	(292,333)	(2,308)%	3,229
Total Revenue	<u>\$ 11,755,544</u>	<u>\$ 10,856,594</u>	<u>\$ 6,980,035</u>	<u>64%</u>	<u>\$ 10,151,559</u>

CalVans passenger fares increased by \$1,079,416 or 11% in fiscal year 2019 over fiscal year 2018 due to the increase in number of vans being operated.

Federal grants decreased by \$10,576 or 56% due to decrease in vans using JARC program.

State and Local funding increased by \$210,569 or 26% due to increase in Fresno COG and Self-Help Enterprises subsidies.

Funding received from the San Joaquin Air Pollution Control District decreased by \$63,480 or 18% due to the decrease in riders eligible to receive San Joaquin Air Pollution Control District vouchers.

Miscellaneous revenues increased by \$28,945 or 35% due to payments received from Philadelphia Auto insurance policy for vehicles totaled in accidents.

Interest income (expense), net increased \$292,333 or 2,308% due to interest paid on the financing for the purchase of new vehicles.

CALIFORNIA VANPOOL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

Financial Highlights (Continued)

Below is a schedule showing the detail of operating expenditures.

	2019	2018	Increase/(Decrease)		2017
			Amount	%	
Salaries	\$ 1,814,681	\$ 1,613,138	\$ 201,543	12%	\$ 1,464,547
Fringe Benefits	533,027	463,445	69,582	15%	486,022
Maintenance - Equip	1,331,085	1,199,600	131,485	11%	1,332,937
Fuel & Oil	3,363,054	2,951,013	412,041	14%	2,446,228
Other Material & Supplies	369,481	372,911	(3,430)	(1)%	149,172
Rents & Leases - Equip	2,069,959	1,996,062	73,897	4%	1,262,904
Utilities	38,819	33,574	5,245	16%	32,979
Insurance	1,453,801	1,335,803	117,998	9%	1,128,187
Prof & Spec Services	536,964	502,128	34,836	7%	470,593
Miscellaneous	927,800	1,011,272	(83,472)	(8)%	903,109
Depreciation	1,596,765	1,428,587	168,178	12%	1,730,388
Total Operating Expenses	\$ 14,035,436	\$ 12,907,533	\$ 1,127,903	9%	\$ 11,407,066

Operating expenses, less depreciation, for fiscal year 2019 were \$12,438,671, a net increase from 2018 of \$959,725 or 8%. The increase was primarily due to an increase in Salaries, Maintenance - Equip, Fuel & Oil, Rents & Leases - Equip, and Insurance expenses.

Salaries expense increased by \$201,543 due to a 6% COLA increase on July 1, 2019 and step increases on the salary tables and hiring of additional personnel to meet the growth in vans and areas being served.

Fuel & Oil expense increased by \$412,041 due to addition of vehicles in operations.

Rents & Leases - Equip had an increase of \$73,897 due to the addition of leased vehicles.

Insurance expense had an increase of \$117,998 due to the addition of vehicles.

Miscellaneous expense had a decrease of \$83,472 made up mostly of a decrease in communications, and travel expense.

Depreciation expense increased by \$168,178 from \$1,428,587 in 2018 to \$1,596,765 in 2019. This was due to net difference between vans being fully depreciated and depreciation on new vans.

CALIFORNIA VANPOOL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

Statement of Net Position

A comparison of CalVans' Statements of Net Position as of June 30, 2019, 2018, and 2016 is as follows:

	2019	2018	Increase/(Decrease)		2017
			Amount	%	
Current assets	\$ 2,108,575	\$ 1,520,717	\$ 587,858	39%	\$ 1,715,808
Noncurrent assets	7,086,580	2,224,359	4,862,221	219%	3,588,121
Total Assets	9,195,155	3,745,076	5,450,079	146%	5,303,929
Deferred outflows of resources	85,390	96,230	(10,840)	(11)%	-
Current liabilities	2,783,426	813,576	1,969,850	242%	699,222
Noncurrent liabilities	179,647	424,855	(245,208)	(58)%	24,291
Total Liabilities	2,963,073	1,238,431	1,724,642	139%	723,513
Deferred inflows of resources	67,887	73,398	(5,511)	(8)%	-
Net position:					
Invested in capital assets net of related debt	7,022,186	2,175,511	4,846,675	223%	3,555,700
Restricted for net pension asset	48,598	24,557	24,041	98%	-
Unrestricted	(821,199)	329,409	(1,150,608)	(349)%	1,024,716
Total Net Position	\$ 6,249,585	\$ 2,529,477	\$ 3,720,108	147%	\$ 4,580,416

Current Assets increased by \$587,858 primarily because of increase in cash.

Noncurrent Assets increased by \$4,862,221 primarily due to purchase of vehicles.

Current Liabilities increased by \$1,969,850 due to increase in notes payable.

Noncurrent Liabilities decreased by \$245,208 due to payments on capital lease and long-term debt.

CALIFORNIA VANPOOL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

Statement of Cash Flow/Cash Investments

A comparison presentation of CalVans' major sources and uses of cash, for the years ended June 30, 2019, 2018 and 2017 are as follows:

	2019	2018	Increase/(Decrease)		2017
			Amount	%	
Net cash used in operating activities	\$ (1,941,481)	\$ (2,245,014)	\$ 303,533	(14)%	\$ (1,251,529)
Net cash provided by noncapital financing activities	1,476,714	1,320,388	156,326	12%	1,592,830
Net cash provided by (used in) capital and related financing activities	875,776	604,130	271,646	45%	(7,685)
Net cash provided by investing activities	17,083	8,030	9,053	113%	6,782
Net (decrease) increase in cash and cash equivalents	428,092	(312,466)	740,558	237%	340,398
Cash and cash equivalents, beginning of year	342,424	654,890	(312,466)	(48)%	314,492
Cash and cash equivalents, end of year	\$ 770,516	\$ 342,424	\$ 428,092	125%	\$ 654,890

Overall, the total cash at the end of 2019 increased by \$428,092 over 2018 primarily due to the timing of collection of Accounts Receivables.

CALIFORNIA VANPOOL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

Capital Assets

Details of the capital assets, net of accumulated depreciation, as of June 30, 2019, 2018 and 2017 are as follows:

	2019	2018	Increase/(Decrease)		2017
			Amount	%	
Current assets being depreciated					
Vans	\$ 18,553,851	\$ 12,262,126	\$ 6,291,725	51%	\$ 12,866,928
Administrative vehicles	145,004	145,004	-	-	145,004
Equipment - vans	1,511,171	1,367,951	143,220	10%	1,319,240
Equipment - office	398,129	398,129	-	-	398,129
Structures & improvements	110,834	110,834	-	-	101,055
Total capital assets being depreciated	20,718,989	14,284,044	6,434,945	45%	14,830,356
Less: accumulated depreciation:					
Vans	(11,917,266)	(10,487,338)	(1,429,928)	14%	(9,818,381)
Administrative vehicles	(145,004)	(145,004)	-	-	(145,004)
Equipment - vans	(1,212,800)	(1,065,465)	(147,335)	14%	(991,591)
Equipment - office	(384,096)	(375,678)	(8,418)	2%	(367,259)
Structures & improvements	(21,841)	(10,757)	(11,084)	103%	-
Total accumulated depreciation	(13,681,007)	(12,084,242)	(1,596,765)	13%	(11,242,235)
Capital Assets, net	\$ 7,037,982	\$ 2,199,802	\$ 4,838,180	220%	\$ 3,588,121

As of the end of fiscal year 2019, CalVans' capital assets, before accumulated depreciation, increased by \$6,434,945 over fiscal year 2018. This was due to purchase of 154 new Hybrid vehicles.

More detailed information about CalVans' capital assets and depreciation is presented in Note 4 of the Notes to the Financial Statements.

Long Term Debt

At the end of the fiscal year 2019, CalVans had one (1) capital lease obligation outstanding in the amount of \$15,796 and two (2) notes payable outstanding in the amount of \$2,261,929.

CALIFORNIA VANPOOL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

Economic Condition, Outlook, and Activity

As a vanpool provider to 16 counties across the State of California, CalVans' staff works with individuals, agencies and companies in various industries involving government employees, farm workers, contractors and growers. With a goal of providing mobility to workers, staff meets with those interested in forming vanpools to both save money and/or provide a form of non-traditional public transportation. Vehicles are moved between regions as the work centers shift due to employment or economic cycles.

This past year farm workers became one of the larger user groups, surpassing State and Federal employees. This resulted from the willingness of Farm Labor Contractors and Growers to sponsor employee transportation using transit vouchers to their workers. Presently 89% of farm worker vanpools receive a transit voucher from their employer that covers 100% of the rider's cost. Employer sponsoring transportation attracts qualified workers and ensures compliance with the United States Federal and the State of California Department of Labor regulations for transporting farm workers. State workers continue to receive \$65 - \$100 a month towards their commute cost, while Federal workers receive up to \$265 per month. These government employee incentives coupled with the farm workers transit vouchers will continue to be the main drivers of the program.

For the longer term, more member agencies are providing subsidies to vanpools in their region with the goal of increased Federal funding to their local transit agencies and/or to show a reduction in Passenger Miles traveled. Presently eleven member agencies provide subsidies that average ranging from \$150 to \$600 per month. CalVans is now generating \$12 million in federal funds that is allocated to various transit agencies in the CalVans region. The growth of the program in other areas continues in part due to our visibility in the regions we serve in addition to bringing on new member agencies. The various subsidies for new users also play a part, with participants continuing to vanpool once the subsidy ends. The growth has led to the establishment of a new office and addition of staff in Santa Maria to handle the growth in that region.

CalVans was awarded \$6 million in the fiscal year 18/19 from the California Air Resources Board Air Quality Improvement Program for funding agricultural worker vanpools. The FY 18/19 funds were used to purchase 154 XL Hybrid 15-passenger vans for replacement and expansion. The XL Hybrid technology was chosen as the only viable technology available for use in agricultural applications. These vehicles are not plug in or zero-emission technology. XL Hybrid uses the Original Equipment Manufacturer (OEM) powertrain allowing the vehicle warranty to remain completely intact and uses the Internal Combustion Engine (ICE) to produce regenerative braking. CalVans is receiving these funds because it demonstrates measurable reductions in greenhouse gas and transit service to those in disadvantaged areas impacted by poor or no clean water, poor air quality, are subjected to poor economic conditions and have no public transportation available due to the rurality of the regions in which they reside.

CALIFORNIA VANPOOL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

Economic Condition, Outlook, and Activity (Continued)

Staff has also collaborated with several housing authorities to secure AHSC (Affordable Housing and Sustainable Communities) funds to build multifamily units and purchase transit vehicles for use by the low income and farm worker residents. CalVans received AHSC grant funds for 45 vans in FY 17/18. Staff is now working with agencies in Brawley, Imperial, Coachella, Indio, Orange Cove, McFarland, Lamont and Ventura in the submission of grant applications for additional projects involving up to 110 vans in FY 2019/20 paid by the AHSC funding.

CalVans' staff will continue to monitor any changes in the economic conditions and regional demands. CalVans is committed to providing commuters with safe and reliable transportation at a lower cost and a smaller carbon footprint than driving alone.

Obtaining vanpool vehicles via other funding mechanisms will keep our costs low and affords us the ability to pass on the savings to our vanpool groups further incentivizing the use of high occupancy vehicles versus single rider trips.

Contacting CalVans' Financial Management

The CalVans' financial report is designed to provide the CalVans' Board, management, and the public we serve with an at glance overview of the state of CalVans' and its finances. For additional information about this report, please contact Georgina Cardenas, Executive Director, at 1340 North Drive, Hanford, CA 93230-5962. Or georgina.cardenas@co.kings.ca.us or 1-866-655-5444. For more in-depth financial questions please contact our Senior Accountant/Auditor Baldev Randhawa at baldev.randhawa@co.kings.ca.us.

CALIFORNIA VANPOOL AUTHORITY
STATEMENTS OF NET POSITION
JUNE 30, 2019 AND 2018

	2019	2018
<u>ASSETS</u>		
Current assets:		
Cash	\$ 770,516	\$ 342,424
Receivables	1,337,514	1,177,025
Prepaid expenses	545	1,268
Total current assets	2,108,575	1,520,717
Noncurrent assets:		
Capital assets:		
Vans	18,553,851	12,262,126
Administrative vehicles	145,004	145,004
Equipment - vans	1,511,171	1,367,951
Equipment - office	398,129	398,129
Structures and improvements	110,834	110,834
Less accumulated depreciation	(13,681,007)	(12,084,242)
Total capital assets (net of accumulated depreciation)	7,037,982	2,199,802
Net pension asset	48,598	24,557
Total noncurrent assets	7,086,580	2,224,359
TOTAL ASSETS	9,195,155	3,745,076
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred pensions	85,390	96,230
TOTAL DEFERRED OUTFLOWS OF RESOURCES	85,390	96,230
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	513,054	442,389
Accrued compensated absences	172,294	151,119
Current maturities of long-term debt	2,089,201	211,573
Current capital leases payable	8,877	8,495
Total current liabilities	2,783,426	813,576
Noncurrent liabilities:		
Long-term debt payable	172,728	409,059
Capital leases payable	6,919	15,796
Total noncurrent liabilities	179,647	424,855
TOTAL LIABILITIES	2,963,073	1,238,431
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred pensions	67,887	73,398
TOTAL DEFERRED INFLOWS OF RESOURCES	67,887	73,398
<u>NET POSITION</u>		
Invested in capital assets, net of related debt	7,022,186	2,175,511
Restricted for net pension asset	48,598	24,557
Unrestricted	(821,199)	329,409
TOTAL NET POSITION	\$ 6,249,585	\$ 2,529,477

The accompanying notes are an integral part of these financial statements

CALIFORNIA VANPOOL AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
<u>OPERATING REVENUES</u>		
Passenger fares	\$ 10,642,706	\$ 9,563,290
Advertising revenue	3,750	4,750
Total operating revenues	10,646,456	9,568,040
<u>OPERATING EXPENSES</u>		
Salaries & benefits	2,347,708	2,076,583
Insurance	1,453,801	1,335,803
Professional & specialized services	2,606,923	2,498,190
General & administrative	1,336,100	1,417,757
Fuel, repairs, and maintenance	4,694,139	4,150,613
Depreciation	1,596,765	1,428,587
Total operating expenses	14,035,436	12,907,533
OPERATING LOSS	(3,388,980)	(3,339,493)
<u>NON-OPERATING REVENUE (EXPENSES)</u>		
Federal grants	8,351	18,927
State and local funding	1,295,075	1,147,986
Gain (loss) on sale of equipment	-	52,591
Other income	110,660	81,715
Interest income	17,083	8,030
Interest expense	(322,081)	(20,695)
Total non-operating revenues (expenses)	1,109,088	1,288,554
NET LOSS BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(2,279,892)	(2,050,939)
<u>CAPITAL CONTRIBUTIONS AND TRANSFERS</u>		
Contributions from governmental agencies	6,000,000	-
Total capital contributions and transfers	6,000,000	-
INCREASE (DECREASE) IN NET POSITION	3,720,108	(2,050,939)
TOTAL NET POSITION, BEGINNING OF YEAR	2,529,477	4,580,416
TOTAL NET POSITION, END OF YEAR	\$ 6,249,585	\$ 2,529,477

The accompanying notes are an integral part of these financial statements

CALIFORNIA VANPOOL AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts from customers	\$ 10,423,339	\$ 9,379,170
Payments to suppliers, contracted entities, and others	(10,038,287)	(9,547,350)
Payments to employees	(2,326,533)	(2,076,834)
Net cash used in operating activities	(1,941,481)	(2,245,014)
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>		
Federal, state, and local operating assistance	1,476,714	1,320,388
Net cash provided by noncapital financing activities	1,476,714	1,320,388
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Federal and state capital grants received	6,000,000	-
Proceeds from sale of capital assets	-	70,860
Payments for capital assets	(6,434,945)	(58,537)
Principal paid on capital leases	(8,495)	(8,130)
Proceeds from long-term debt	1,852,870	691,204
Principal paid on debt payable	(211,573)	(70,572)
Interest paid on debt	(322,081)	(20,695)
Net cash provided by (used in) capital and related financing activities	875,776	604,130
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest from investments	17,083	8,030
Net cash provided by investing activities	17,083	8,030
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	428,092	(312,466)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	342,424	654,890
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 770,516	\$ 342,424
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	(3,388,980)	(3,339,493)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	1,596,765	1,428,587
(Increase) decrease in:		
Accounts receivable	(223,117)	(188,870)
Net pension asset	(24,041)	(24,557)
Deferred outflows	10,840	(96,230)
Prepaid expenses	723	(265)
Increase (decrease) in:		
Accounts payable	70,665	(97,333)
Accrued payroll and related liabilities	21,175	(251)
Deferred inflows	(5,511)	73,398
Net cash used in operating activities	\$ (1,941,481)	\$ (2,245,014)

SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING TRANSACTIONS

There were no significant non-cash investing and financing transactions during the years ended June 30, 2019 and June 30, 2018.

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

CALIFORNIA VANPOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Reporting Entity

California Vanpool Authority (CalVans), a joint powers agency, is comprised of the following fourteen agencies: Association of Monterey Bay Area Governments, Fresno Council of Governments, Imperial County Transportation Commission, Kern Council of Governments, Kings County Association of Governments, Madera County Transportation Commission, Merced County Association of Governments, Riverside County Transportation Commission, San Bernadino Council of Government, San Joaquin Council of Governments, Santa Barbara County Association of Governments, Stanislaus Council of Governments, Tulare County Association of Governments, and the Ventura County Transportation Commission.

The program began in 2001 under Kings County Area Public Transit Agency (KCAPTA), in response to requests from State Correctional officers traveling to local State Facilities and from Governor's office seeking a safe way to transport farm workers. The program for the State employees was established with the employees paying 100% of the program cost. The program for the farmworkers was funded by State and Federal grants with the goal of establishing a self-sustaining program. What started with one vanpool for a State employee and her coworkers has grown to a program providing over 750 vanpools serving State and Federal workers, teachers, students and farm workers. This growth resulted in the formation of CalVans, a separate public agency established to provide vanpool services.

CalVans was formed on October 21, 2011. The transition of staffing and equipment to CalVans was completed by December 31, 2011. Personnel became employees of CalVans and maintained the same employment benefits, rights, and protections they had as employees of KCAPTA. After the transition of vanpool program employees from KCAPTA to CalVans, the County continues to provide the following benefits and services to CalVans on a cost allocation basis: self-insurance benefits; fiscal and accounting services; banking and investment services; and information technology. CalVans reimburses the following services to the County: human resources, motor pool services, building maintenance services, and engineering services. These services are reimbursed to the County based upon actual cost or rates established by the County for the same services provided to non-County agencies. The County provides additional services to CalVans on an as needed basis billed at the standard rate for actual services provided.

CALIFORNIA VANPOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting and Presentation

The financial statements of CalVans have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States.

In accordance with GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, CalVans applies all applicable GASB pronouncements as well as Financial Accounting Standards Boards (“FASB”) Statements and Interpretations issued on or before November 30, 1989, that do not conflict with GASB pronouncements. CalVans has elected not to apply FASB Standards issued after November 30, 1989.

The 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 at the time liabilities are incurred, regardless of when the related cash flows take place.

Basis of Accounting

CalVans maintains their accounting records on the cash basis of accounting. The records are converted to the accrual basis for financial reporting purposes at year-end. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or the economic asset is used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with CalVans’ principal ongoing operational activities. Charges to customers represent CalVans’ principal operating revenues and include passenger fares. Operating expenses include the cost of operating maintenance and support of transit services and related capital assets, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and/or expenses.

Grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, CalVans may fund certain programs with a combination of cost-reimbursement grants, state, and local grants.

CALIFORNIA VANPOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Pooled Cash and Investments

The Kings County Treasurer pools cash from various governmental agencies for investment purposes. Interest received on the investment is prorated to individual agencies based on their average cash balances.

The County is authorized to deposit cash and invest excess funds by the California Government Code Section 53600 et. seq. Deposited funds maintained by the County are either secured by federal depository insurance or collateralized. These pooled funds are carried at cost, which approximates market value.

For purposes of the Statement of Cash Flows, CalVans considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

D. Capital Assets

Purchases of capital assets are recorded at cost at the time of purchase. Capital assets are defined by CalVans as assets with an estimated useful life in excess of one year and an initial individual cost of \$5,000 or more. Depreciation is computed using the straight-line method over the asset's estimated useful life ranging from five to ten years.

	<u>Years</u>
Revenue equipment	5-10
Service vehicles, shop, office, and other equipment	5-10

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

E. Accrued Vacation and Sick Leave

All regular full-time and regular part-time employees accumulate sick leave based on length of service. Unused accrued vacation is paid out to employees at the date of termination. If the employee retires in good standing from CalVans employment, they will have the option to receive a percentage of the dollar value of accrued sick leave (at the time of retirement) put into an "account" to be used toward Kings County health insurance premiums only, at a rate not to exceed the family option per month until the employee is eligible (by age) for Medicare or the money runs out, whichever is first.

CALIFORNIA VANPOOL AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019 AND 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Accrued Vacation and Sick Leave (Continued)

The retiree health benefit percentage shall be as follows for employees hired after January 1, 1999:

Service Hours	Percent of Compensation (based on hours) Health Benefit
20,801 - 31,200	25%
31,201 - 41,600	35%
41,601 and over	45%

The accrued vacation liability and 25% of accrued sick leave liability is recorded on the statement of net position as a current liability. Changes to the liability are recorded as an increase or decrease to operating expenditures on the statement of revenues, expenses, and changes in net position.

Employees hired prior to January 1, 1999 shall be allowed a one-time irrevocable election to decide whether to receive the retiree health insurance option or cash as follows:

Service Hours	Percent of Compensation (based on hours) Cash	Percent of Compensation (based on hours) Health Benefit
10,401- 41,600	25%	40%
41,601 and over	30%	50%

The accrued vacation liability and 50% accrued sick leave liability for all employees hired prior to January 1, 1999 is recorded on the statement of net position as a current liability.

F. Pensions

For purposes of measuring the net pension liabilities (assets), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Agency Retirement Service (PARS) Defined Benefit Plan and the additions to/deductions from PARS' fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CALIFORNIA VANPOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Deferred Outflow and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows or resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. CalVans has one item that qualifies for reporting in this category. It is the pension related deferred outflows of resources reported in the Statement of Net Position.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. CalVans has one item that qualifies for reporting in this section. It is the pension related deferred inflows of resources reported in the Statement of Net Position.

H. Classification of Revenues and Expenses

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions such as passenger revenues and advertising revenues.

Operating expenses: Payments to suppliers and to employees and on behalf of employees and all payments that do not result from transactions defined as capital and related financing, noncapital financing, or investing activities.

Non-operating revenues: Non-operating revenues include activities that have the characteristics of non-exchange transactions and other revenue sources that are defined as non-operating revenues by GASB Statement No. 9, *Reporting cash flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting*, and GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Examples of non-operating revenues would be federal grants and investment income.

Non-operating expenses: Payments that result from transactions defined as capital and related financing, non-capital financing, payments to pass-through agencies, or investing activities.

I. Contributed Capital

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, capital grants are required to be included in the determination of net income, resulting in an increase in net revenue of \$6,000,000 and \$0 for the years ended June 30, 2019, and 2018.

CALIFORNIA VANPOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Federal, State, and Local Grants

Federal, state, and local grants are accounted for in accordance with the purpose for which the grants are intended. Grants for operating assistance and the acquisition of equipment are recorded as revenues in the year in which the related grant conditions are met. Advances received on grants are recorded as deferred revenue until related grant conditions are met.

K. Estimates

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

L. Reclassifications

Certain amounts in the 2018 financial statements have been reclassified for comparative purposes to conform to the presentation in the 2019 financial statements.

M. Funding Sources/Programs

Federal Grants

Section 5316 Capital, Planning, and Operating Grants

Section 5316 was established to address the unique transportation challenges faced by welfare recipients and low-income persons seeking to obtain and maintain employment. Many new entry-level jobs are located in suburban areas, and low-income individuals have difficulty accessing these jobs from their inner city, urban, or rural neighborhoods. In addition, many entry-level jobs require working when conventional transit services are either reduced or non-existent. Grants may be used for capital, planning, and operating expenses for projects that transport low-income individuals to and from jobs and activities related to employment and for reverse commuters regardless of income.

State and Local Funding

Fresno County Measure C: The 2006 Measure “C” Extension Expenditure Plan, passed by voters in November 2006, provides funds for vanpool programs in Fresno County. The program is designed to encourage, facilitate, and help fund new vanpools and offer financial assistance to existing vanpools to ensure their viability.

CALIFORNIA VANPOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Funding Sources/Programs (Continued)

State and Local Funding (Continued)

San Joaquin Valley Air Pollution Control District (the “District”) “REMOVE II”: The REMOVE II Program provides incentives for specific projects that will reduce motor vehicle emissions within the District. The purpose of the REMOVE II Program is to assist the District in attaining the requirements of the California Clean Air Act. This is accomplished by allocating funds to cost-effective projects that have the greatest motor vehicle emission reductions resulting in long-term impacts on air pollution problems in the San Joaquin Valley. All projects must have a direct air quality benefit to the District. Any portion of a project that does not directly benefit the District within its boundaries will not be allowed for funding or in calculating emission reductions.

Affordable Housing and Sustainable Communities (AHSC) Grant: The AHSC Program provides grants and affordable housing loans for compact transit-oriented development and related infrastructure and programs that reduce greenhouse gas ("GHG") emissions. These projects increase the accessibility of housing, employment centers, and key destinations via low-carbon transportation options (walking, biking, transit) resulting in fewer vehicle miles traveled (VMT) and mode shift.

NOTE 2: CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash in the Kings County Treasury as part of the common investment pool and with a commercial bank. These pooled funds are carried at cost, which approximates market value. Investment income from the pool is allocated back to the respective funds based on each fund’s equity in the pool. Any investment losses are proportionately shared by all funds in the pool. At June 30, 2019 and 2018, CalVans had \$526,886 and \$278,464, respectively, with the County Treasurer. The fair market value of this pool as of that date, provided by the pool sponsor, was \$528,307 and \$276,450, respectively.

At June 30, 2019 and 2018, the reported amount of CalVans’ deposits with banks was \$243,630 and \$63,960, respectively.

The County is authorized to deposit cash and invest excess funds by *California Government Code* Sections 53601 et. seq., 53635 et. seq., and 53648 et. seq. 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, banker’s acceptances, commercial paper, negotiable certificates of deposit, and repurchase agreements.

CALIFORNIA VANPOOL AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019 AND 2018

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

Investments in investment pools are considered unclassified as to credit risk because they are not evidenced by securities that exist in physical or book entry form. Investments in investment pools and other pooled investments are excluded from the concentration of credit risk disclosure under GASB Statement No. 40.

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rate. As of the year-end, the weighted average maturity of the investments contained in the County Treasury investment pool was approximately 19 months.

Credit risk is the risk of loss due to the failure of the security issuer or backer. Credit risk is mitigated by: (a) limiting investments to the safest types of securities; (b) prequalifying the financial institutions, broker/dealers, intermediaries, and advisors with which the Treasury will do business; and (c) diversifying the investment portfolio so that potential losses on individual securities will be minimized.

Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools. Kings County issues a financial report that includes custodial credit risk disclosures for the cash in County Treasury. The report may be obtained by writing to the Kings County Treasurer, at Government Center, 1400 West Lacey Boulevard, Hanford, California 93230.

NOTE 3: RECEIVABLES

Receivables consist of the following at June 30:

	2019	2018
Accounts receivable	\$ 1,117,524	\$ 894,407
Due from other governments	219,990	282,618
	\$ 1,337,514	\$ 1,177,025

Management considers all receivables to be fully collectible. No allowance for uncollectible accounts has been recorded.

CALIFORNIA VANPOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

NOTE 4: CAPITAL ASSETS AND DEPRECIATION

Capital assets, net of accumulated depreciation, consist of the following at June 30:

	Balance June 30, 2018	Increases	Decreases	Balance June 30, 2019
Capital assets being depreciated:				
Vans	\$ 12,262,126	\$ 6,291,725	\$ -	\$ 18,553,851
Administrative vehicles	145,004	-	-	145,004
Equipment – vans	1,367,951	143,220	-	1,511,171
Equipment – office	398,129	-	-	398,129
Structures & improvements	110,834	-	-	110,834
Total capital assets, being depreciated:	<u>14,284,044</u>	<u>6,434,945</u>	<u>-</u>	<u>20,718,989</u>
Less accumulated depreciation for:				
Vans	(10,487,338)	(1,429,928)	-	(11,917,266)
Administrative vehicles	(145,004)	-	-	(145,004)
Equipment – vans	(1,065,465)	(147,335)	-	(1,212,800)
Equipment – office	(375,678)	(8,418)	-	(384,096)
Structures & improvements	(10,757)	(11,084)	-	(21,841)
Total accumulated depreciation:	<u>(12,084,242)</u>	<u>(1,596,765)</u>	<u>-</u>	<u>(13,681,007)</u>
Capital assets, net	<u>\$ 2,199,802</u>	<u>\$ 4,838,180</u>	<u>\$ -</u>	<u>\$ 7,037,982</u>

Depreciation expense for the years ended June 30, 2019 and 2018 was \$1,596,765 and \$1,428,587, respectively.

NOTE 5: LONG-TERM LIABILITIES

A summary of long-term liability activity for the year ended June 30, 2019 is as follows:

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Due Within One Year
Capital leases:					
Kansas State Bank	\$ 24,291	\$ -	\$ (8,495)	\$ 15,796	\$ 8,877
Total capital leases	<u>24,291</u>	<u>-</u>	<u>(8,495)</u>	<u>15,796</u>	<u>8,877</u>

CALIFORNIA VANPOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

NOTE 5: LONG-TERM LIABILITIES (CONTINUED)

Notes Payable:

Merchants Loan - February 2018	620,632	-	(211,573)	409,059	236,331
Merchants Loan - February 2019	-	1,852,870	-	1,852,870	1,852,870
Total Notes Payable	<u>620,632</u>	<u>1,852,870</u>	<u>(211,573)</u>	<u>2,261,929</u>	<u>2,089,201</u>
Compensated absences*	<u>151,119</u>	<u>21,175</u>	<u>-</u>	<u>172,294</u>	<u>172,294</u>
Total	<u>\$ 796,042</u>	<u>\$ 1,874,045</u>	<u>\$ (220,068)</u>	<u>\$ 2,450,019</u>	<u>\$ 2,270,372</u>

*Compensated absences are shown at net change for the year (Note 7).

Capital Leases

CalVans entered into one contract with Kansas State Bank of Manhattan during the year ended June 30, 2016 to purchase two copy machines. The contract was for the amount of \$42,094 borrowed at an effective annual interest rate of 4.40 %. Sixty payments are scheduled and the note will mature March 2021.

Notes Payable

CalVans borrowed \$691,204 from Merchants Automotive Group, Inc. in February 2018. The note is payable in monthly installments of \$22,501, matures February 2021, and is secured by vans. The loan proceeds were used to pay operating expenses.

CalVans borrowed \$1,852,870 from Merchants Automotive Group, Inc. in February 2019. The note is due on demand and is secured by vans. The loan proceeds are being used to pay operating expenses. During the fiscal year ended June 30, 2020, the loan was converted to a sixty-month term loan (Note 14).

Annual Debt Service

As of June 30, 2019, the annual debt service requirements are as follows:

	<u>Capital Leases</u>		<u>Long-Term Debt</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Year Ending:				
June 30, 2020	\$ 8,877	\$ 517	\$ 2,089,201	\$ 133,677
June 30, 2021	6,919	217	172,728	7,278
June 30, 2022	-	-	-	-
Thereafter	-	-	-	-
Total requirements	<u>\$ 15,796</u>	<u>\$ 644</u>	<u>\$ 2,261,929</u>	<u>\$ 140,955</u>

CALIFORNIA VANPOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

NOTE 5: LONG-TERM LIABILITIES (CONTINUED)

Equipment and related accumulated amortization under capital leases are as follows:

Equipment	\$ 42,094
Accumulated amortization	<u>(28,065)</u>
Net value of equipment acquired through capital leases	<u>\$ 14,029</u>

Amortization of leased equipment is included with depreciation expense.

NOTE 6: OPERATING LEASE COMMITMENTS

CalVans negotiated a vehicle leasing agreement with Merchants Automotive Group, Inc. (Merchants) on March 13, 2012. The term of the lease begins on the date a vehicle is accepted and continues for a minimum of twenty-four months. After the twenty-four months the lease shall continue on a month-to-month basis until the vehicle is surrendered to Merchants.

At any time after the expiration of the minimum lease term, the vehicle can be surrendered to Merchants. Merchants will sell the vehicle. If the net proceeds exceed the depreciated value less the guaranteed residual value Merchants will issue a refund. If the net proceeds are less than the depreciated value less the guaranteed residual value CalVans will be billed the difference. Vehicles are being depreciated over various periods ranging from thirty to sixty months. As of June 30, 2019, CalVans was leasing 270 vehicles, of which 186 have met their minimum operating lease requirements. CalVans will continue to lease the vehicles until they have been fully depreciated. As of June 30, 2019, the depreciated value less the guaranteed residual value is \$3,928,505. The minimum lease obligation for the vans having not met their minimum operating lease requirements as of June 30, 2019, is \$373,854 for the fiscal year ended June 30, 2020, and \$40,985 for the fiscal year ended June 30, 2021.

CalVans has entered into a number of office rental agreements held as operating leases, these leases have cancellation provisions and are subject to annual appropriations. For the year ended June 30, 2019, these rental lease expenditures approximated \$154,435 for leases related to CalVans operations.

KCAPTA negotiated a 10-year lease beginning July 1, 2005 and terminating on June 30, 2015 to lease the premises in which KCAPTA and CalVans both conduct their operations. On March 3, 2009, the agreement was amended to extend the lease through January 31, 2019. The premises were constructed when KCAPTA was part of Kings County and are owned by the County. The agreement states the monetary contributions made by KCAPTA during the development and construction of the premises will serve as KCAPTA's sole payment. The lease may be terminated by either party upon 180 days' written notice of such termination. In July 2013, KCAPTA moved its administrative operations to a different location, and effective October 2013, the lease agreement with Kings County was assigned to CalVans. In 2018, CalVans and Kings County entered in to a three-year lease for continued use of the property.

CALIFORNIA VANPOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

NOTE 7: COMPENSATED ABSENCES

Accumulated compensated absences payable in future years is recorded as an expense in the year earned by employees. CalVans had 39 employees during the fiscal year. The accrued benefits at June 30, 2019 and 2018 were \$172,294 and \$151,119, respectively.

NOTE 8: DEFINED BENEFIT PENSION PLAN

Description of Plan

CalVans provides retirement benefits to employees through Public Agency Retirement Services (PARS), a single-employer defined benefit pension plan (the Plan). Effective July 1, 2013, CalVans became a member of PARS. Existing employees were able to move their accrued time from CalPERS to the PARS plan, effective back to December 31, 2011. The Plan covers all full-time employees of CalVans on or after that time.

Employees are vested after five (5) years, with final pay being equal to the highest average consecutive thirty-six (36) months of compensation. Employees may receive a refund of Employee Contributions plus three percent (3%) interest earnings upon termination.

Benefits Provided

The Plan provides both retirement and death benefits to plan members and their beneficiaries. Retirement benefits are calculated as the PARS Age Factor multiplied by Benefit Service multiplied by Final Pay. The PARS Age Factor is "2% at 62". The 2% is adjusted should an employee choose to retire before or after their 62nd birthday. Employees will be eligible for a retirement benefit upon attaining age 52 and at least five years of full-time service with CalVans. Death benefits will be provided to the employee's eligible beneficiary in an amount equal to the 100% joint-and-survivor option. There is no special disability benefit provided by the plan.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to that employee's retirement date. Annual adjustments equal 2 percent per annum on the anniversary of the participant's date of retirement.

At June 30, 2019, the following employees were covered by the Plan:

Active employees	41
Terminated due refund of contributions	2
Terminated with deferred benefit	-
	<hr/>
	43
	<hr/> <hr/>

CALIFORNIA VANPOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

NOTE 8: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Contributions

Required contributions are determined by CalVans based on actuarial calculations performed by an independent actuary. 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.

Employees contribute half of the normal cost as determined by an actuarial valuation. Employee contributions are made on a pre-tax basis and are deducted each payroll period. For the year ended June 30, 2019, the employee contribution rate was 9.4%. CalVans is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. CalVans required contribution for the year ended June 30, 2019 was 11.73% or \$160,007. Actual contributions for the year equaled \$159,963.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, CalVans reported a net pension asset of \$48,598. The net pension asset was determined by an actuarial valuation as of the valuation date (July 1, 2017), calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date (June 30, 2019).

For the year ended June 30, 2019, the Plan recognized pension expense of \$141,251. At June 30, 2019, the Plan 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
Differences between expected and actual experience	\$ 16,756	\$ (58,727)
Changes of assumptions	68,634	-
Differences between projected and actual investment earnings	-	(9,160)
Contributions subsequent to the measurement date	-	-
Total	<u>\$ 85,390</u>	<u>\$ (67,887)</u>

CALIFORNIA VANPOOL AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019 AND 2018

NOTE 8: DEFINED BENEFIT PENSION PLAN (CONTINUED)

CalVans made no contributions subsequent to the measurement date of the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30

2020	\$	3,295
2021		(7,574)
2022		2,282
2023		3,109
2024		2,568
Thereafter		13,823
	\$	17,503

Actuarial Assumptions

With the exception of post-retirement mortality, the non-economic actuarial assumptions that determined the total pension asset/liability as of June 30, 2019 were based on the results of an actuarial experience study of the California Public Employees' Retirement System (CalPERS') for the period 1997-2011. The June 30, 2019 total pension liability was based on the following actuarial methods and assumptions:

Valuation Date	July 1, 2017
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	6.75%
Inflation	2.75%
Salary Increases	Varies by entry age and service
Investment Rate of Return	6.75%
Mortality	Pre- Retirement: Consistent with the Non-Industrial rates used to value the miscellaneous Public Agency CalPERS' Pension plans.
	Post- Retirement: CalPERSs' 1997-2011 Healthy Retiree Tables (sex-distinct) with an assumed base year of 2008 and full generational projections using Scale AA.

CALIFORNIA VANPOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

NOTE 8: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The long-term expected rate of return on pension plan investments was determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation.

The table below reflects the long-term expected real rate of return by asset class.

Asset Class	Index	Target Allocation	Long- Term Expected Arithmetic Real Rate of Return	Long- Term Expected Geometric Real Rate of Return
US Cash	BAML3- Mon T-bill	2.67%	0.71%	0.71%
US Core Fixed Income	Barclays Aggregate	36.28%	1.83%	1.73%
US Equity Market	Russell II 3000	46.28%	4.71%	3.52%
Foreign Developed Equity	MSCI EAFE NR	6.85%	6.06%	4.55%
Emerging Markets Equity	MSCI EM NR	5.19%	8.23%	5.43%
US REITs	FTSE NAREIT Equity REIT	2.73%	5.05%	3.42 %
		<u>100%</u>		
Assumed Inflation - Mean			2.21%	2.20%
Assumed Inflation - Standard Deviation			1.65%	1.65%
Portfolio Real Mean Return			3.84%	3.36%
Portfolio Nominal Mean Return			6.06%	5.63%
Portfolio Standard Deviation				9.64%
Long-Term Expected Rate of Return				6.75%

CALIFORNIA VANPOOL AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019 AND 2018

NOTE 8: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension asset calculated using the discount rate of 6.75 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (5.75 percent) or 1 percentage-point higher (7.75 percent) than the current rate:

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Net pension liability (asset)	317,015	(48,598)	(343,979)

Plan Fiduciary Net Position

Detailed information about the Plan’s fiduciary net position is available in the separately issued CalVans PARS Defined Benefit Plan GASB 67 and 68 Disclosure Report.

Payable to Pension Plan

CALVANS reported no contributions payable at June 30, 2019.

NOTE 9: DEFERRED COMPENSATION PLAN

CalVans has made available to its eligible employees a deferred compensation plan under the terms of Section 457 of the Internal Revenue Code. CalVans matches 33.3% of the management employee's deferral up to a maximum of \$2,500 annually. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Amounts accumulated under the plan have been invested in several investment options at the discretion of the employee. As of June 30, 2019 and 2018, \$40,765 and \$46,823, respectively, have been contributed to the Deferred Compensation Plan, which is not included as part of the financial statements.

GASB Statement No. 32 rescinded GASB Statement No. 2 and established accounting and financial reporting standards for Internal Revenue Code Section 457 deferred compensation plans of state and local governmental employers. The laws governing these plans were changed to state that as of August 20, 1996, new plans would not be considered eligible unless all assets and income of the plan are held in trust or covered by annuity contract for the exclusive benefits of the participants and their beneficiaries. CalVans’ plan meets this requirement.

CALIFORNIA VANPOOL AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019 AND 2018

NOTE 10: CONTINGENT LIABILITIES

Grants have been received by CalVans for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursement for costs disallowed under the terms of the grants. The amount, if any, of costs that may be disallowed by the granting agencies cannot be determined at this time. Management expects such amounts, if any, to be immaterial.

NOTE 11: FEDERAL TRANSPORTATION FUNDS

Under provisions of Section 5316 of the Federal Transit Administration, federal resources are made available for operating, planning, capital, and capital maintenance, subject to certain limitations. CalVans spent federal assistance funds in the amount of \$8,351 for the year ended June 30, 2019, and \$18,927 for the year ended June 30, 2018.

NOTE 12: RISK MANAGEMENT LIABILITY

CalVans is exposed to various risks of loss related to torts; theft of, or damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. CalVans is insured with commercial carriers. CalVans' schedule of insurance coverage is as follows:

CALIFORNIA VANPOOL AUTHORITY
 SCHEDULE OF INSURANCE COVERAGE
 JUNE 30, 2019

Type of Coverage	Amount of Coverage	Effective Dates
Worker's Compensation	1,000,000	12/26/2018 to 12/26/2019
Commercial Property	Varies	12/26/2018 to 12/26/2019
General Liability	\$2,000,000	12/26/2018 to 12/26/2019
Commercial Automobile	\$1,000,000	12/26/2018 to 12/26/2019
Automobile Excess Liability	\$9,000,000	12/26/2018 to 12/26/2019
Crime Policy	Varies	12/26/2018 to 12/26/2019

CALIFORNIA VANPOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

NOTE 13: CORRECTION OF ERROR

The financial statements for the fiscal years ended June 30, 2019 and 2018 are being reissued to correct errors in the reporting of capital assets activity and long-term debt. During the year ended June 30, 2018, CalVans entered into a financing agreement with Merchants Automotive Group, Inc. that was recorded as a sales-leaseback transaction. After further review, it has been determined that the transaction should be recorded as direct financing. During the fiscal year ended June 30, 2019, CalVans had short-term financing from Merchant's Automotive Group, Inc. that was included in accounts payable in the originally issued financial statements. The financing has been reclassified as long-term debt in the reissued financial statements.

The following table presents the impact of the adjustments and restatements to the financial statements for the fiscal years ended June 30, 2019 and 2018.

	Amount Previously Reported	As Adjusted
<u>Year Ended June 30, 2019</u>		
<u>Statement of Net Position</u>		
Vans	\$ 17,291,411	\$ 18,553,851
Less accumulated depreciation	(12,815,200)	(13,681,007)
Accounts payable	2,365,924	513,054
Current portion of long-term debt	-	2,089,201
Long-term debt payable	-	172,728
Invested in capital assets, net of related debt	6,625,553	7,022,186
Unrestricted net position	(412,140)	(821,199)
 <u>Statement of Revenues, Expenses, and Changes in Net Position</u>		
Professional & specialized services	2,876,932	2,606,923
Depreciation	1,344,277	1,596,765
State and local funding	7,295,075	1,295,075
Interest expense	(263,645)	(322,081)
Contributions from governmental agencies	-	6,000,000

CALIFORNIA VANPOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

NOTE 13: CORRECTION OF ERROR NOTE DISCLOSURE (CONTINUED)

	Amount Previously Reported	As Adjusted
<hr/>		
Year Ended June 30, 2018		
Statement of Net Position		
Vans	10,999,686	12,262,126
Less accumulated depreciation	(11,470,923)	(12,084,242)
Current portion of long-term debt	-	211,573
Long-term debt payable	-	409,059
Invested in capital assets, net of related debt	1,526,390	2,175,511
Unrestricted net position	950,041	329,409
Statement of Revenues, Expenses, and Changes in Net Position		
Professional & specialized services	2,588,193	2,498,190
Depreciation	1,344,424	1,428,587
Gain (loss) on sale of equipment	10,511	52,591
Interest expense	(1,264)	(20,695)

NOTE 14: SUBSEQUENT EVENTS

On March 11, 2020 the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. At this time, we cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption could possibly impact the CalVans' financial position, results of operations, or cash flows.

In March 2020, CalVans borrowed \$1,000,000 from Merchants Automotive Group, Inc. The note is payable in monthly installments of \$28,743, matures February 2024, and is secured by vans.

In May 2020, CalVans converted short-term financing with Merchants Automotive Group, Inc. in the amount of \$1,852,870 to a sixty-month term loan. The note is payable in monthly installments of \$39,423, commencing July 1, 2020, matures June 2025, and is secured by vans.

REQUIRED SUPPLEMENTARY INFORMATION

CALIFORNIA VANPOOL AUTHORITY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 LAST 10 YEARS*

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Actuarially determined contribution	\$ 160,007	\$ 145,265	\$ 128,117	\$ 110,137	\$ 106,671
Actual employer contribution	<u>159,963</u>	<u>148,988</u>	<u>131,607</u>	<u>129,543</u>	<u>121,514</u>
Contribution deficiency (excess)	<u>\$ 44</u>	<u>\$ (3,723)</u>	<u>\$ (3,490)</u>	<u>\$ (19,406)</u>	<u>\$ (14,843)</u>
Covered payroll	\$ 1,364,149	\$ 1,462,591	\$ 1,289,941	\$ 1,252,370	\$ 1,059,077
Contribution as a percentage of covered payroll	11.73%	10.19%	10.20%	10.34%	11.47%

Notes to Schedule:

Methods and assumptions used to determine contribution rates:

Valuation timing	Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Amortization growth rate	3.00%
Asset valuation method	None
Investment rate of return	6.75%
Inflation	2.75%
Salary increases	Varies by years of service
Payroll Growth	3.00%
Cost of living adjustment	2.00%
Mortality	Consistent with the Non-Industrial rates used to value the Miscellaneous Public Agency CalPERS Pension Plans.

* Schedule is intended to show information for 10 years. Fiscal year 2015 was the first year of implementation; therefore, only five years are shown.

OTHER REPORTS SECTION

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*

The Board of Directors
California Vanpool Authority
Hanford, 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 California Vanpool Authority, as of and for the year ended June 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated January 14, 2020.

Internal Control Over Financial Reporting

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

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* (CONTINUED)

Internal Control Over Financial Reporting (Continued)

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the California Vanpool Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Dedekian, George, Small & Markarian
Accountancy Corporation
January 14, 2020