CALIFORNIA VANPOOL AUTHORITY
COUNTY OF KINGS, CALIFORNIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
JUNE 30, 2020

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COUNTY OF KINGS, CALIFORNIA

FOR THE YEAR ENDED
JUNE 30, 2020

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INDEPENDENT AUDITOR'S REPORT

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CALIFORNIA VANPOOL AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2020

ASSETS	
Current assets:	
Cash	$ 1,001,359
Receivables	1,271,487
Prepaid expenses	545
Total current assets	2,273,391
Noncurrent assets:	
Capital assets, net	8,007,460
Total noncurrent assets	8,007,460
Total assets	10,280,851
DEFERRED OUTFLOWS OF RESOURCES	
Pension related	424,127
LIABILITIES	
Current liabilities:	
Accounts payable	424,533
Compensated absences	83,222
Long-term liabilities	2,196,089
Total current liabilities	2,703,844
Noncurrent liabilities:	
Long-term liabilities	3,386,558
Net pension liability	54,255
Total noncurrent liabilities	3,440,813
Total liabilities	6,144,657
DEFERRED INFLOWS OF RESOURCES	
Pension related	50,455
NET POSITION	
Invested in capital assets, net of related debt	2,424,813
Unrestricted	2,085,053
Total net position	$ 4,509,866

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

CALIFORNIA VANPOOL AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
JUNE 30, 2020

Operating revenues:		
Passenger fares	$	10,825,390
Advertising revenue		2,000
Total operating revenues		10,827,390
Operating expenses:		
Salaries and benefits		2,354,576
Insurance		2,176,576
Professional and specialized services		797,785
General and administrative		1,025,613
Fuel, repairs and maintenance		4,200,284
Depreciation		3,586,877
Total operating expenses		14,141,711
Operating income (loss)		(3,314,321)
Nonoperating revenues (expenses):		
Federal grants		441,455
State and local funding		1,317,763
Other income		116,307
Interest income		18,727
Interest expense		(244,913)
Total non-operating revenues (expenses)		1,649,339
Increase (decrease) in net position		(1,664,982)
Net position - beginning (restated)		6,174,848
Total net position - ending	$	4,509,866

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

CALIFORNIA VANPOOL AUTHORITY
STATEMENT OF CASH FLOWS
JUNE 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$	10,858,080
Payments to suppliers, contracted entities and others		(8,288,779)
Payments to employees		(2,528,102)
Net cash provided by (used for) operating activities		41,199
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Federal, state and local operating assistance		1,794,555
Other nonoperating income		116,307
Net cash provided by (used for) noncapital financing activities		1,910,862
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments for capital assets		(689,579)
Proceeds from notes		1,000,000
Principal paid on notes		(311,426)
Principle paid on financed purchases		(8,878)
Principle paid on leases		(1,485,149)
Interest paid on debt		(244,913)
Net cash provided by (used for) capital and related financing activities		(1,739,945)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest from investments		18,727
Net cash provided by (used for) investing activities		18,727
Net (decrease) increase in cash and cash equivalents		230,843
Cash and cash equivalents - beginning		770,516
Cash and cash equivalents - ending	$	1,001,359
RECONCILIATION OF OPERATING LOSS (GAIN) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Operating loss	$	(3,314,321)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation		3,586,877
(Increase) decrease in accounts receivable		30,690
(Increase) decrease in deferred outflows		(169,875)
(Increase) decrease in accounts payable		(88,521)
(Increase) decrease in accrued payroll and related liabilities		(89,072)
(Increase) decrease in deferred inflows		(17,432)
(Increase) decrease in net pension liability		102,853
Net cash provided by (used for) operating activities	$	41,199

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

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 Governments, 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 the 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Measurement Focus, Basis of Accounting and Presentation (Continued)

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 federal, state, and local grants.

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.

	Years
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 an asset or materially extend an asset's useful life are not capitalized.

E. Right-to-Use Lease Assets

Right-to-use lease assets are recorded at the amount of the initial measurement of the lease liabilities and modified by any lease payment made to the lessor at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term along with any initial direct costs that are ancillary charges necessary to place the lease assets into service.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Right-to-Use Lease Assets (Continued)

Right-to-use lease assets are amortized using the straight-line method over the shorter of the lease term or the useful life on the underlying asset, unless the lease contains a purchase option that CalVans has determined is reasonably certain of being exercised.

F. 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.

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

Service Hours	Percentage of Compensation Health Benefit (based on hours)
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 are allowed a one-time irrevocable election to decide whether to receive the retiree health insurance option or cash as follows:

Service Hours	Percentage of Compensation Cash (based on hours)	Percentage of Compensation Health Benefit (based on hours)
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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Leases

Lessee

CalVans is a lessee for noncancellable leases of property and vehicles. The lessee recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the financial statements. CalVans recognizes lease liabilities with an initial, individual value of $5,000 or more. At the commencement of a lease, CalVans initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. Key estimates and judgments related to leases include how CalVans determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- CalVans uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, CalVans generally uses its estimated incremental borrowing rate as the discount rate for leases, which it has determined is the prime rate at the inception of the lease.

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that CalVans is reasonably certain to exercise.

CalVans monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other capital assets and lease liabilities are reported with long-term liabilities on the Statement of Net Position.

Lessor

In instances where CalVans acts as a lessor, it recognizes a lease receivable and a deferred inflow of resources in the financial statements. At the commencement of a lease, CalVans initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of the lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how CalVans determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- CalVans uses the interest rate charged to the lessees as the discount rate. When the interest rate charged to the lessees is not provided, CalVans generally uses the implied rate of return as the discount rate for leases. When the implied rate of return cannot be determined, CalVans uses its estimated incremental borrowing rate which it has determined is the prime rate at the inception of the lease.

- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

CalVans monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Pensions

For purposes of measuring the net pension liabilities (assets), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expanse, 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.

I. 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.

J. 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.

K. Contributed Capital

In accordance with GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, capital contributions are required to be included in the determination of net income. CalVans did not receive any contributions during the year ended June 30, 2020.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. 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 unearned revenue until related grant conditions are met.

M. 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.

N. 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.

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 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 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, 2020, CalVans had $661,457 deposited with the County Treasurer.

At June 30, 2020, the reported amount of CalVans' deposits with banks was $339,802 and cash on hand was $100.

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.

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 the 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 consisted of the following on June 30, 2020:

Accounts receivable	$	1,086,924
Due from other governments		184,563
Total receivables	$	1,271,487

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

NOTE 4 – CAPITAL ASSETS

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

	Balance June 30, 2019 (Restated)	Increases	Decreases	Balance June 30, 2020
Current assets being depreciated/amortized				
Vans	$ 18,945,247	$ 689,579	$ (24,169)	$ 19,610,657
Administrative vehicles	145,004	-	-	145,004
Equipment - vans	1,367,951	-	-	1,367,951
Equipment - office	398,128	-	-	398,128
Structures and improvements	110,834	-	-	110,834
Right-to-use leased property	259,380	-	-	259,380
Right-to-use leased vehicles	7,725,830	-	-	7,725,830
Total capital assets being depreciated/amortized	28,952,374	689,579	(24,169)	29,617,784
Less: accumulated depreciation/amortization				
Vans	(12,194,726)	(2,023,520)	24,169	(14,194,077)
Administrative vehicles	(145,004)	-	-	(145,004)
Equipment - vans	(1,201,637)	(76,799)	-	(1,278,436)
Equipment - office	(384,154)	(8,419)	-	(392,573)
Structures and improvements	(10,712)	(11,084)	-	(21,796)
Right-to-use leased property	(68,995)	(52,049)	-	(121,044)
Right-to-use leased vehicles	(4,042,388)	(1,415,006)	-	(5,457,394)
Total accumulated depreciation/amortization	(18,047,616)	(3,586,877)	24,169	(21,610,324)
Capital assets, net	$ 10,904,758	$ (2,897,298)	$ -	$ 8,007,460

Depreciation expense for the year ended June 30, 2020 was $3,586,877.

NOTE 5 – LONG-TERM LIABILITIES

A summary of long-term liability activity for the year ended June 30, 2020 is as follows:

	Balance June 30, 2019 (Restated)	Increases	Decreases	Balance June 30, 2020	Due Within One Year
Direct borrowings					
Sale-leasebacks:					
Merchants Loan - 2018 (40 Vans)	$ 409,059	$ -	$ (236,331)	$ 172,728	$ 172,728
Merchants Loan - 2019 (43 Vans)	1,852,870	-	-	1,852,870	293,099
Merchants Loan - 2020 (50 Vans)	-	1,000,000	(75,095)	924,905	210,777
Total sale-leaseback	2,261,929	1,000,000	(311,426)	2,950,503	676,604
Financed purchases:					
Kansas State Bank	15,796	-	(8,878)	6,918	6,918
Total financed purchases	15,796	-	(8,878)	6,918	6,918
Total direct borrowings	2,277,725	1,000,000	(320,304)	2,957,421	683,522
Leases payable	4,110,375	-	(1,485,149)	2,625,226	1,512,567
Compensated absences	172,294	144,864	(233,936)	83,222	83,222
Total	$ 6,560,394	$ 1,144,864	$ (2,039,389)	$ 5,665,869	$ 2,279,311

A. Sale-Leaseback Arrangements

CalVans has entered into multiple sale-leaseback arrangements with Merchants Automotive Group, Inc. (Merchants). In these arrangements, CalVans sells a certain number of vehicles from its fleet to Merchants, who then leases the vans back to CalVans. Upon default, all sale-leaseback arrangements are due on demand and secured by the vans. Proceeds from the sale-leaseback arrangements are used to support operating expenses. Details of each sale-leaseback arrangement are included below:

Month	Matures	Amount	Monthly Installments	Vans Secured
February 2018	February 2021	$ 691,204	$ 22,501	40
February 2019	June 2025	$ 1,582,870	$ 39,423	43
May 2020	February 2024	$ 1,000,000	$ 26,493	50

B. Financed Purchase

CalVans entered into 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. Upon an event of default, the principal may be declared immediately due and payable.

NOTE 5 – LONG-TERM LIABILITIES (Continued)

C. Annual Debt Service

As of June 30, 2020, the annual debt service requirements for the sale-leaseback arrangements and financed purchases were as follows:

Fiscal Years Ending June 30	Principal	Interest	Total
2021	$ 683,522	$ 294,525	$ 978,047
2022	574,379	216,616	790,995
2023	641,570	149,425	790,995
2024	609,097	75,926	685,023
2025	448,853	24,225	473,078
Total	$ 2,957,421	$ 760,717	$ 3,718,138

NOTE 6 – LEASES

Leases as Lessee

Merchants Automotive Group, Inc.

CalVans negotiated a vehicle leasing agreement with Merchants Automotive Group, Inc. (Merchants) on March 13, 2012. The term of a lease begins on the date a vehicle is accepted and continues for a minimum of twenty-four (24) months. After the twenty-four (24) 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 (30) to eighty-four (84) months. As of June 30, 2020, CalVans was leasing 221 vehicles, all of which are under their original lease terms and are not being leased on a month-to-month basis. CalVans will continue to lease the vehicles until they have been fully depreciated. The value of the right-to-use assets as of June 30, 2020 was $7,725,830 and had accumulated amortization of $5,457,394.

Passek Industrial Park

In January 2018, CalVans entered into a five-year lease agreement with Passek Industrial Park for a warehouse building and outdoor yard space to store its vans. Lease payments, commencing in March 2018, were $3,290 and included a 3% increase annually. In December 2019, the lease was amended to include the office portion of the warehouse for an additional $930 per month. In February 2020, the lease was amended again to include an expansion of the yard space from 16,000 square feet to 24,769 square feet for an additional $930 per month. As of June 30, 2020, the monthly lease payment was $5,481. The value of the right-to-use asset as of June 30, 2020 was $259,380 and had accumulated amortization of $121,044.

NOTE 6 – LEASES (Continued)

The future principal and interest lease payments as of June 30, 2020, are as follows:

Fiscal Years Ending June 30	Principal	Interest	Total
2021	$ 1,512,567	$ 102,754	$ 1,615,321
2022	743,708	38,343	782,051
2023	274,891	13,416	288,307
2024	89,034	2,154	91,188
2025	5,026	74	5,100
Totals	$ 2,625,226	$ 156,741	$ 2,781,967

NOTE 7 – COMPENSATED ABSENCES

Accumulated compensated absences payable in future years is recorded as an expense in the year earned by employees. CalVans had 35 employees during the fiscal year. The accrued benefits on June 30, 2020 were $83,222, all of which is considered current.

NOTE 8 – DEFINED BENEFIT PENSION PLAN

A. Plan Description

Plan Administration – 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 3% interest earnings upon termination.

B. 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.

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

B. Benefits Provided

At June 30, 2020, the following employees were covered by the Plan:

Active employees	35
Terminated due refund of contributions	12
Terminated with deferred benefit	1
Total	48

C. 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, 2020, 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, 2020 was 11.46%. CalVans contributions to the Plan recognized as pension in expense for the year ended June 30, 2020 was $168,862.

D. 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, 2020 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, 2020 total pension liability was based on the following actuarial methods and assumptions:

Valuation Date	July 1, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	6.50%
Inflation	2.50%
Salary Increases	Varies by entry age and service
Investment Rate of Return	6.50%
Mortality	Pre-Retirement: Consistent with the Non-Industrial rates used to value the miscellaneous Public Agency CalPERS Pension plans after June 30, 2017. Post-Retirement: Consistent with the Non-Industrial rates used to value the miscellaneous Public Agency CalPERS Pension plans after June 30, 2017.

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

E. Discount Rate

The discount rate used to measure the total pension liability was 6.50%. 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	3.96%	-0.22%	-0.20%
US Core Fixed Income	Barclays Aggregate	37.88%	0.92%	0.84%
US Equity Market	Russell 3000	45.84%	4.82%	3.52%
Foreign Developed Equity	MSCI EAFE NR	7.12%	6.32%	4.75%
Emerging Markets Equity	MSCI EM NR	4.21%	8.35%	5.53%
US REITs	FTSE NAREIT Equity REIT	0.99%	5.32%	3.62%
		100%		
Assumed inflation - Mean			2.21%	2.20%
Assumed inflation - Standard Deviation			1.65%	1.65%
Portfolio Real Mean Return			3.40%	2.93%
Portfolio Nominal Mean Return			5.62%	5.19%
Portfolio Standard Deviation				9.64%
Long-Term Expected Rate of Return				6.50%

F. Changes in the Net Pension Liability

The changes in the net pension liability of the Plan is as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2019	$ 1,917,633	$ 1,966,231	$ (48,598)
Changes in the year:			
Service cost	268,150	-	268,150
Interest on the total pension liability	140,250	-	140,250
Effect of plan change	-	-	-
Effect of economic/demographic, gains, or losses	21,410	-	21,410
Effect of assumptions, changes, or inputs	75,647	-	75,647
Benefit payments	(57,081)	(57,081)	-
Employer contributions	-	182,453	(182,453)
Member contributions	-	164,888	(164,888)
Net investment income	-	55,674	(55,674)
Administrative expenses	-	(411)	411
Net changes	448,376	345,523	102,853
Balance at June 30, 2020	$ 2,366,009	$ 2,311,754	$ 54,255

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

G. Pension Expense, Deferred Outflows/Inflow of Resources Related to Pensions

For the year ended June 30, 2020, the Plan recognized pension expense of $132,759. On June 30, 2020, 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	$ 33,635	$ 50,455
Changes of assumptions	127,422	-
Differences between project and actual investment earnings	59,448	-
Contributions subsequent to the measurement date	203,622	-
Total	$ 424,127	$ 50,455

$203,622 reported as 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, 2021. 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	
2021	$ 20,310
2022	30,166
2023	30,993
2024	30,451
2025	13,118
Thereafter	45,012
Total	$ 170,050

H. 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 6.50%, 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 (5.50%) or 1 percentage-point higher (7.50%) than the current rate:

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
Net pension liability (asset)	$ 474,196	$ 54,255	$ (286,401)

I. 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.

J. Payable to Pension Plan

CalVans reported no contributions payable at June 30, 2020.

NOTE 9 – DEFINED CONTRIBUTION PENSION 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. During the year ended June 30, 2020, $16,728 was contributed to the Deferred Compensation Plan, which is not included as part of the financial statements.

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 during the year ended June 30, 2020.

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:

Type of Coverage	Amount of Coverage	Effective Dates
Worker's Compensation	$1,000,000	12/26/2019 to 12/26/2020
Commercial Property	Varies	12/26/2019 to 12/26/2020
General Liability	$2,000,000	12/26/2019 to 12/26/2020
Commercial Automobile	$1,000,000	12/26/2019 to 12/26/2020
Automobile Excess Liability	$9,000,000	12/26/2019 to 12/26/2020
Crime Policy	Varies	12/26/2019 to 12/26/2020

NOTE 13 – RESTATEMENT OF BEGINNING NET POSITION

A. Prior Period Adjustment

CalVans has determined that certain transactions were recorded incorrectly in the prior year. The beginning net position of the financial statements has been restated to present an accurate opening net position, as presented in the reconciliation below.

B. Change in Accounting Principle

Governmental Accounting Standards Board Statement No. 87, Leases

For the year ended June 30, 2020, CalVans implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. GASB Statement No. 87 enhances the relevance and consistency of information about CalVans' leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right-to-use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated into the CalVans' June 30, 2020 financial statements and are described in Note 6.

Certain account balances and beginning net position of the financial statements have been restated to reflect the implementation of GASB 87, as presented in the reconciliation below:

Description	Net Position
Net position, as previously reported, June 30, 2019	$ 6,249,586
Prior period adjustment:	
Capital assets, net	(7,052)
Pension related deferred inflows of resources	168,862
Total prior period adjustments	161,810
Change in Accounting Principle:	
Right-to-use leased property, net	190,385
Right-to-use leased vehicles, net	3,683,442
Lease liability	(4,110,375)
Total change in accounting principle	(236,548)
Net position, as restated, June 30, 2020	$ 6,174,848

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REQUIRED SUPPLEMENTARY INFORMATION

CALIFORNIA VANPOOL AUTHORITY
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
SINGLE-EMPLOYER DEFINED BENEFIT PLAN
FOR THE YEAR ENDED JUNE 30, 2020
LAST 10 YEARS*

	2020	2019	2018	2017	2016	2015
Total Pension Liability:						
Service cost	$ 268,150	$ 268,577	$ 260,754	$ 220,142	$ 213,730	$ 171,036
Interest on total pension liability	140,250	121,890	104,183	82,420	63,166	41,357
Effect of plan changes	-	-	-	-	-	-
Effect of economic/demographic gains or losses	21,410	-	(75,271)	-	25,572	-
Effect of assumption changes or inputs	75,647	-	-	56,036	42,139	-
Benefit payments	(57,081)	(19,717)	(50,134)	(16,784)	-	(22,117)
Net change in total pension liability	448,376	370,750	239,532	341,814	344,607	190,276
Total pension liability - beginning	1,917,633	1,546,883	1,307,351	965,537	620,930	430,654
Total pension liability - ending (a)	2,366,009	1,917,633	1,546,883	1,307,351	965,537	620,930
Plan Fiduciary Net Position:						
Employer contributions	182,453	159,963	148,988	131,607	129,543	121,514
Member contributions	164,888	142,181	122,629	108,321	106,923	100,268
Net investment income	55,674	112,735	96,120	120,709	922	15,305
Benefit payments	(57,081)	(19,717)	(50,134)	(16,784)	-	(22,117)
Administrative expenses	(411)	(371)	(315)	(331)	(263)	(279)
Net change in plan fiduciary net position	345,523	394,791	317,288	343,522	237,125	214,691
Plan fiduciary net position beginning	1,966,231	1,571,440	1,254,152	910,630	673,505	458,814
Plan fiduciary net position - ending (b)	2,311,754	1,966,231	1,571,440	1,254,152	910,630	673,505
Net pension liability - ending (a)-(b)	$ 54,255	$ (48,598)	$ (24,557)	$ 53,199	$ 54,907	$ (52,575)
Plan fiduciary net position as a percentage of the total pension liability	97.71%	102.53%	101.59%	95.93%	94.31%	108.47%
Covered payroll	$ 1,508,363	$ 1,364,149	$ 1,462,591	$ 1,289,941	$ 1,252,370	$ 1,059,077
Net pension liability as a percentage of covered payroll	3.60%	-3.56%	-1.68%	4.12%	4.38%	-4.96%

Notes to Schedule:

Changes in Benefit Terms - None

Changes in Assumptions - The discount rate was decreased from 6.75% to 6.50%

*Schedule is intended to show information for ten years. Additional information will be displayed as it becomes available.

CALIFORNIA VANPOOL AUTHORITY
SCHEDULE OF CONTRIBUTIONS
SINGLE-EMPLOYER DEFINED BENEFIT PLAN
FOR THE YEAR ENDED JUNE 30, 2020
LAST 10 YEARS*

	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	$ 160,598	$ 160,007	$ 145,265	$ 128,117	$ 110,137	$ 106,671	$ 103,273
Actual employer contribution	203,622	168,862	148,988	131,607	129,543	121,514	254,937
Contribution deficiency (excess)	$ (43,024)	$ (8,855)	$ (3,723)	$ (3,490)	$ (19,406)	$ (14,843)	$ (151,664)
Covered payroll	$ 1,508,363	$ 1,364,149	$ 1,462,591	$ 1,289,941	$ 1,252,370	$ 1,059,077	$ 1,025,740
Contribution as a percentage of covered payroll	13.50%	12.38%	10.19%	10.20%	10.34%	11.47%	24.85%

<u>Notes to Schedule:</u>

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	2.75%
Asset valuation method	None
Investment rate of return	6.50%
Inflation	2.50%
Salary increases	Varies by years of service
Payroll growth	2.75%
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 2014 was the first year of implementation; therefore, only five years are shown.

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COMPLIANCE REPORT

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INDEPENDENT AUDITOR'S 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*

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CALIFORNIA VANPOOL AUTHORITY
COUNTY OF KINGS, CALIFORNIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
JUNE 30, 2021

CALIFORNIA VANPOOL AUTHORITY
COUNTY OF KINGS, CALIFORNIA

FOR THE YEAR ENDED
JUNE 30, 2021

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CALIFORNIA VANPOOL AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2021

ASSETS	
Current assets:	
Cash	$ 1,473,625
Receivables	1,444,113
Prepaid expenses	545
Total current assets	2,918,283
Noncurrent assets:	
Capital assets:	
Depreciable, net of accumulated depreciation	4,973,418
Net pension asset	475,391
Total noncurrent assets	5,448,809
Total assets	8,367,092
DEFERRED OUTFLOWS OF RESOURCES	
Pension related	312,926
LIABILITIES	
Current liabilities:	
Accounts payable	611,406
Compensated absences	74,781
Long-term liabilities	1,386,569
Total current liabilities	2,072,756
Noncurrent liabilities:	
Long-term liabilities	2,253,451
Total noncurrent liabilities	2,253,451
Total liabilities	4,326,207
DEFERRED INFLOWS OF RESOURCES	
Pension related	379,225
NET POSITION	
Invested in capital assets, net of related debt	1,371,950
Unrestricted	2,602,636
Total net position	$ 3,974,586

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

CALIFORNIA VANPOOL AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
JUNE 30, 2021

Operating revenues:	
Passenger fares	$ 11,964,965
Advertising revenue	34,000
Total operating revenues	11,998,965
Operating expenses:	
Salaries and benefits	2,050,574
Insurance	2,410,845
Professional and specialized services	346,780
General and administrative	944,262
Fuel, repairs and maintenance	3,966,119
Depreciation	3,349,938
Total operating expenses	13,068,518
Operating income (loss)	(1,069,553)
Nonoperating revenues (expenses):	
Federal grants	336,004
State and local funding	527,110
Gain (loss) on sale of equipment	10,681
Other income	57,947
Interest income	10,417
Interest expense	(407,886)
Total non-operating revenues (expenses)	534,273
Increase (decrease) in net position	(535,280)
Net position - beginning	4,509,866
Total net position - ending	$ 3,974,586

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

CALIFORNIA VANPOOL AUTHORITY
STATEMENT OF CASH FLOWS
JUNE 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 11,864,617
Payments to suppliers, contracted entities and others	(7,481,133)
Payments to employees	(2,148,690)
Net cash provided by (used for) operating activities	2,234,794
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal, state and local operating assistance	824,835
Other nonoperating income	57,947
Net cash provided by (used for) noncapital financing activities	882,782
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from sale of capital assets	10,681
Principal paid on notes	(676,604)
Principle paid on financed purchases	(10,780)
Principle paid on leases	(1,571,139)
Interest paid on debt	(407,886)
Net cash provided by (used for) capital and related financing activities	(2,655,728)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest from investments	10,417
Net cash provided by (used for) investing activities	10,417
Net (decrease) increase in cash and cash equivalents	472,265
Cash and cash equivalents - beginning	1,001,360
Cash and cash equivalents - ending	$ 1,473,625
RECONCILIATION OF OPERATING LOSS (GAIN) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	
Operating loss	$ (1,069,553)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:	
Depreciation	3,349,938
(Increase) decrease in accounts receivable	(134,348)
(Increase) decrease in deferred outflows	-
(Increase) decrease in prepaid expenses	111,201
(Increase) decrease in accounts payable	186,873
(Increase) decrease in accrued payroll and related liabilities	(8,441)
(Increase) decrease in deferred inflows	328,770
(Increase) decrease in net pension liability	(529,646)
Net cash provided by (used for) operating activities	$ 2,234,794
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING TRANSACTIONS	
Right-to-use asset additions from leases	273,481
Capital asset additions from financed purchases	42,414

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

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 Governments, 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 the 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Measurement Focus, Basis of Accounting and Presentation (Continued)

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 federal, state, and local grants.

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.

	Years
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 an asset or materially extend an asset's useful life are not capitalized.

E. Right-to-Use Lease Assets

Right-to-use lease assets are recorded at the amount of the initial measurement of the lease liabilities and modified by any lease payment made to the lessor at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term along with any initial direct costs that are ancillary charges necessary to place the lease assets into service.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Right-to-Use Lease Assets (Continued)

Right-to-use lease assets are amortized using the straight-line method over the shorter of the lease term or the useful life on the underlying asset, unless the lease contains a purchase option that CalVans has determined is reasonably certain of being exercised.

F. 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.

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

Service Hours	Percentage 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 are allowed a one-time irrevocable election to decide whether to receive the retiree health insurance option or cash as follows:

Service Hours	Percentage of Compensation (based on hours) Cash	Percentage 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Leases

Lessee

CalVans is a lessee for noncancellable leases of property and vehicles. The lessee recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the financial statements. CalVans recognizes lease liabilities with an initial, individual value of $5,000 or more. At the commencement of a lease, CalVans initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. Key estimates and judgments related to leases include how CalVans determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- CalVans uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, CalVans generally uses its estimated incremental borrowing rate as the discount rate for leases, which it has determined is the prime rate at the inception of the lease.

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that CalVans is reasonably certain to exercise.

CalVans monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other capital assets and lease liabilities are reported with long-term liabilities on the Statement of Net Position.

Lessor

In instances where CalVans acts as a lessor, it recognizes a lease receivable and a deferred inflow of resources in the financial statements. At the commencement of a lease, CalVans initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of the lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how CalVans determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- CalVans uses the interest rate charged to the lessees as the discount rate. When the interest rate charged to the lessees is not provided, CalVans generally uses the implied rate of return as the discount rate for leases. When the implied rate of return cannot be determined, CalVans uses its estimated incremental borrowing rate which it has determined is the prime rate at the inception of the lease.

- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

CalVans monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Pensions

For purposes of measuring the net pension liabilities (assets), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expanse, 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.

I. 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.

J. 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.

K. Contributed Capital

In accordance with GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, capital contributions are required to be included in the determination of net income. CalVans did not receive any contributions during the year ended June 30, 2021.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. 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 unearned revenue until related grant conditions are met.

M. 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.

N. 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.

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 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 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, 2021, CalVans had $1,181,856 deposited with the County Treasurer.

At June 30, 2021, the reported amount of CalVans' deposits with banks was $285,879 and cash on hand was $5,890.

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.

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 the 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 consisted of the following on June 30, 2021:

Accounts receivable	$ 1,221,272
Due from other governments	222,841
Total receivables	$ 1,444,113

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

NOTE 4 – CAPITAL ASSETS

Capital assets, net of accumulated depreciation, consisted of the following:

	Balance June 30, 2020	Increases	Decreases	Transfers	Balance June 30, 2021
Current assets being depreciated/amortized					
Vans	$ 19,610,657	$ -	$ -	$ 585,867	$ 20,196,524
Administrative vehicles	145,004	-	-	-	145,004
Equipment - Vans	1,367,951	-	-	-	1,367,951
Equipment - Office	398,128	42,415	-	-	440,543
Structures and improvements	110,834	-	-	-	110,834
Right-to-use leased property	259,380	152,666	-	-	412,046
Right-to-use leased vehicles	7,725,830	120,815	-	(585,867)	7,260,778
Total capital assets being depreciated/amortized	29,617,784	315,896	-	-	29,933,680
Less: accumulated depreciation/amortization					
Vans	$ (14,194,077)	$ (1,789,488)	$ -	$ (585,867)	$ (16,569,432)
Administrative vehicles	(145,004)	-	-	-	$ (145,004)
Equipment - Vans	(1,278,436)	(65,519)	-	-	$ (1,343,955)
Equipment - Office	(392,573)	(10,306)	-	-	$ (402,879)
Structures and improvements	(21,796)	(11,084)	-	-	$ (32,880)
Right-to-use leased property	(121,044)	(90,043)	-	-	$ (211,087)
Right-to-use leased vehicles	(5,457,394)	(1,383,498)	-	585,867	$ (6,255,025)
Total accumulated depreciation/amortization	(21,610,324)	(3,349,938)	-	-	(24,960,262)
Capital assets, net	$ 8,007,460	$ (3,034,042)	$ -	$ -	$ 4,973,418

Depreciation expense for the year ended June 30, 2021 was $3,349,938.

NOTE 5 – LONG-TERM LIABILITIES

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

	Balance June 30, 2020	Increases	Decreases	Balance June 30, 2021	Due Within One Year
Direct borrowings					
Sale-leasebacks:					
Merchants Loan - 2018 (40 Vans)	$ 172,728	$ -	$ (172,728)	-	$ -
Merchants Loan - 2019 (43 Vans)	1,852,870	-	(293,099)	1,559,771	334,745
Merchants Loan - 2020 (50 Vans)	924,905	-	(210,777)	714,128	239,634
Total sale-leaseback	2,950,503	-	(676,604)	2,273,899	574,379
Financed purchases:					
Kansas State Bank - 2016	6,918	-	(6,918)	-	-
Kansas State Bank - 2021	-	42,414	(3,862)	38,552	7,966
Total financed purchases	6,918	42,414	(10,780)	38,552	7,966
Total direct borrowings	2,957,421	42,414	(687,384)	2,312,451	582,345
Leases payable	2,625,226	273,482	(1,571,139)	1,327,569	804,224
Compensated absences	83,222	110,891	(119,332)	74,781	74,781
Total	$ 5,665,869	$ 426,787	$ (2,377,855)	$ 3,714,801	$ 1,461,350

A. Sale-Leaseback Arrangements

CalVans has entered into multiple sale-leaseback arrangements with Merchants Automotive Group, Inc. (Merchants). In these arrangements, CalVans sells a certain number of vehicles from its fleet to Merchants, who then leases the vans back to CalVans. Upon default, all sale-leaseback arrangements are due on demand and secured by the vans. Proceeds from the sale-leaseback arrangements are used to support operating expenses. Details of each sale-leaseback arrangement are included below:

Month	Matures	Original Amount	Monthly Installments	Vans Secured
February 2018	February 2021	691,204	22,501	40
February 2019	June 2025	1,582,870	39,423	43
May 2020	February 2024	1,000,000	26,493	50

B. Financed Purchases

CalVans entered into 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%. The final payment was made in March 2021.

CalVans entered into contract with Kansas State Bank of Manhattan during the year ended June 30, 2021 to purchase two copy machines. The contract was for the amount of $42,414 borrowed at an effective annual interest rate of 4.09%. Forty-eight (48) payments are scheduled, and the note will mature December 2025. Upon an event of default, the principal may be declared immediately due and payable or require CalVans to surrender the equipment.

NOTE 5 – LONG-TERM LIABILITIES (Continued)

C. Annual Debt Service

As of June 30, 2021, the annual debt service requirements for the sale-leaseback arrangements and financed purchases were as follows:

Fiscal Years Ending June 30	Principal	Interest	Total
2022	$ 582,345	$ 219,045	$ 801,390
2023	649,868	150,522	800,390
2024	617,740	76,677	694,417
2025	457,857	24,616	482,473
2026	4,641	56	4,697
Totals	$ 2,312,451	$ 470,916	$ 2,783,367

NOTE 6 – LEASES

Leases as Lessee

Merchants Automotive Group, Inc.

CalVans negotiated a vehicle leasing agreement with Merchants Automotive Group, Inc. (Merchants) on March 13, 2012. The term of a lease begins on the date a vehicle is accepted and continues for a minimum of twenty-four (24) months. After the twenty-four (24) 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 (30) to eighty-four (84) months. As of June 30, 2021, CalVans was leasing 207 vehicles, of which seven are being leased on a month-to-month basis. CalVans will continue to lease the vehicles until they have been fully depreciated. The value of the right-to-use assets as of June 30, 2021 was $7,725,830 and had accumulated amortization of $6,840,892.

Passek Industrial Park

In January 2018, CalVans entered into a five-year lease agreement with Passek Industrial Park for a warehouse building and outdoor yard space to store its vans. Lease payments, commencing in March 2018, were $3,290 per month and included a 3% increase annually. In December 2019, the lease was amended to include the office portion of the warehouse for an additional $930 per month. In February 2020, the lease was amended again to include an expansion of the yard space from 16,000 square feet to 24,769 square feet for an additional $930 per month. As of June 30, 2021, the monthly lease payment was $5,481. The value of the right-to-use asset as of June 30, 2021 was $259,380 and had accumulated amortization of $172,920.

<u>NOTE 6 – LEASES</u> (Continued)

<u>Leases as Lessee</u> (Continued)

Castaneda Storage Yard

In July 2020, CalVans entered into a four-year lease agreement with Carlos Castaneda for an outdoor yard space to store its vans. Lease payments, commencing in July 2020, $3,400 per month with the least payment due on June 30, 2024. The value of the right-to-use asset as of June 30, 2021 was $152,667 and had accumulated amortization of $38,167.

The future principal and interest lease payments as of June 30, 2021, are as follows:

Fiscal Years Ending June 30	Principal	Interest	Total
2022	$ 804,224	$ 45,611	$ 849,835
2023	337,722	18,369	356,091
2024	154,272	4,701	158,973
2025	31,351	733	32,084
Totals	$ 1,327,569	$ 69,414	$ 1,396,983

<u>NOTE 7 – COMPENSATED ABSENCES</u>

Accumulated compensated absences payable in future years is recorded as an expense in the year earned by employees. CalVans had 35 employees during the fiscal year. The accrued benefits on June 30, 2021 were $74,781, all of which is considered current.

<u>NOTE 8 – DEFINED BENEFIT PENSION PLAN</u>

A. <u>Plan Description</u>

Plan Administration – 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 3% interest earnings upon termination.

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

B. 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.

As of June 30, 2021, the following employees were covered by the Plan:

Active employees	35
Terminated due refund of contributions	12
Terminated with deferred benefit	1
Total	48

C. 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, 2021, 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, 2021 was 11.46%. CalVans contributions to the Plan recognized as pension expense for the year ended June 30, 2021 was $168,862.

D. 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, 2021 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, 2021 total pension liability was based on the following actuarial methods and assumptions:

Valuation Date	July 1, 2019
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	6.50%
Inflation	2.50%
Salary Increases	Varies by entry age and service
Investment Rate of Return	6.50%
Mortality	Pre-Retirement: Consistent with the Non-Industrial rates used to value the miscellaneous Public Agency CalPERS' Pension plans after June 30, 2017. Post-Retirement: Consistent with the Non-Industrial rates used to value the miscellaneous Public Agency CalPERS' Pension plans after June 30, 2017.

<u>NOTE 8 – DEFINED BENEFIT PENSION PLAN</u> (Continued)

E. Discount Rate

The discount rate used to measure the total pension liability was 6.50%. 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	1.00%	-0.32%	-0.32%
US Core Fixed Income	Barclays Aggregate	36.13%	1.37%	1.26%
US Equity Market	Russell 3000	47.36%	5.33%	3.70%
Foreign Developed Equity	MSCI EAFE NR	7.99%	6.27%	4.52%
Emergeing Markets Equity	MSCI EM NR	5.53%	8.64%	4.95%
US REITs	FTSE NAREIT Equity REIT	1.99%	5.75%	3.57%
		100.00%		
Assumed inflation - Mean			2.30%	2.30%
Assumed inflation - Standard Deviation			1.16%	1.16%
Portfolio Real Mean Return			4.11%	3.44%
Portfolio Nominal Mean Return			6.41%	5.82%
Portfolio Standard Deviation				11.21%
Long-Term Expected Rate of Return				6.50%

F. Changes in the Net Pension Liability

The changes in the net pension liability of the Plan is as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2020	$ 2,366,009	$ 2,311,754	$ 54,255
Changes in the year:			
Service cost	275,524	-	275,524
Interest on the total pension liability	170,615	-	170,615
Effect of plan change	-	-	-
Effect of econcomic/demographic gains or losses	-	-	-
Effect of assumptions changes or inputs	-	-	-
Benefit payments	(33,910)	(33,910)	-
Employer contributions	-	180,869	(180,869)
Member contributions	-	148,968	(148,968)
Net investment income	-	646,341	(646,341)
Administrative expenses	-	(393)	393
Net changes	412,229	941,875	(529,646)
Balance at June 30, 2021	$ 2,778,238	$ 3,253,629	$ (475,391)

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

G. Pension Expense, Deferred Outflows/Inflow of Resources Related to Pensions

For the year ended June 30, 2021, the Plan recognized pension expense of $83,584. As of June 30, 2021, 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	$ 29,104	$ 42,183
Changes of assumptions	110,563	-
Differences between project and actual investrment earnings	-	337,042
Contributions subsequent to the measurement date	173,259	-
Total	$ 312,926	$ 379,225

$173,259 reported as 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, 2022. 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	
2021	$ (67,159)
2022	(66,332)
2023	(66,874)
2024	(84,205)
2025	13,118
Thereafter	31,894
	$ (239,558)

H. 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 6.50%, 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 (5.50%) or 1 percentage-point higher (7.50%) than the current rate:

	1% Decrease 5.50%	Currrent Discount Rate 6.50%	1% Increase 7.50%
Net pension liability (asset)	$ 7,532	$ (475,391)	$ (867,719)

I. 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.

J. Payable to Pension Plan

CalVans reported no contributions payable as of June 30, 2021.

NOTE 9 – DEFINED CONTRIBUTION PENSION 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. During the year ended June 30, 2021, $22,498 was contributed to the Deferred Compensation Plan, which is not included as part of the financial statements.

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 during the year ended June 30, 2021.

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:

Type of Coverage	Amount of Coverage	Effective Dates
Worker's Compensation	$1,000,000	12/26/2019 to 12/26/2020
Commercial Property	Varies	12/26/2019 to 12/26/2020
General Liability	$2,000,000	12/26/2019 to 12/26/2020
Commercial Automobile	$1,000,000	12/26/2019 to 12/26/2020
Automobile Excess Liability	$9,000,000	12/26/2019 to 12/26/2020
Crime Policy	Varies	12/26/2019 to 12/26/2020

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REQUIRED SUPPLEMENTARY INFORMATION

CALIFORNIA VANPOOL AUTHORITY
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
SINGLE-EMPLOYER DEFINED BENEFIT PLAN
FOR THE YEAR ENDED June 30, 2021
LAST 10 YEARS*

	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability:							
Service cost	$ 275,524	$ 268,150	$ 268,577	$ 260,754	$ 220,142	$ 213,730	$ 171,036
Interest on total pension liability	170,615	140,250	121,890	104,183	82,420	63,166	41,357
Effect of plan changes	-	-	-	-	-	-	-
Effect of economic/demographic gains or losses	-	21,410	-	(75,271)	-	25,572	-
Effect of assumption changes or inputs	-	75,647	-	-	56,036	42,139	-
Benefit payments	(33,910)	(57,081)	(19,717)	(50,134)	(16,784)	-	(22,117)
Net change in total pension liability	412,229	448,376	370,750	239,532	341,814	344,607	190,276
Total pension liability - beginning	2,366,009	1,917,633	1,546,883	1,307,351	965,537	620,930	430,654
Total pension liability - ending (a)	2,778,238	2,366,009	1,917,633	1,546,883	1,307,351	965,537	620,930
Plan Fiduciary Net Position:							
Employer contributions	180,869	182,453	159,963	148,988	131,607	129,543	121,514
Member contributions	148,968	164,888	142,181	122,629	108,321	106,923	100,268
Net investment income	646,341	55,674	112,735	96,120	120,709	922	15,305
Benefit payments	(33,910)	(57,081)	(19,717)	(50,134)	(16,784)	-	(22,117)
Administrative expenses	(393)	(411)	(371)	(315)	(331)	(263)	(279)
Net change in plan fiduciary net position	941,875	345,523	394,791	317,288	343,522	237,125	214,691
Plan fiduciary net position beginning	2,311,754	1,966,231	1,571,440	1,254,152	910,630	673,505	458,814
Plan fiduciary net position - ending (b)	3,253,629	2,311,754	1,966,231	1,571,440	1,254,152	910,630	673,505
Net pension liability (asset) - ending (a)-(b)	$ (475,391)	$ 54,255	$ (48,598)	$ (24,557)	$ 53,199	$ 54,907	$ (52,575)
Plan fiduciary net position as a percentage of the total pension liability	117.11%	97.71%	102.53%	101.59%	95.93%	94.31%	108.47%
Covered payroll	$ 1,254,559	$ 1,508,363	$ 1,364,149	$ 1,462,591	$ 1,289,941	$ 1,252,370	$ 1,059,077
Net pension liability as a percentage of covered payroll	-37.89%	3.60%	-3.56%	-1.68%	4.12%	4.38%	-4.96%

Notes to Schedule:

Changes in Benefit Terms - None

Changes in Assumptions - None

*Schedule is intended to show information for ten years. Additional information will be displayed as it becomes available.

CALIFORNIA VANPOOL AUTHORITY
SCHEDULE OF CONTRIBUTIONS
SINGLE-EMPLOYER DEFINED BENEFIT PLAN
FOR THE YEAR ENDED June 30, 2021
LAST 10 YEARS*

	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	$ 172,796	$ 160,598	$ 160,007	$ 145,265	$ 128,117	$ 110,137	$ 106,671	$ 103,273
Actual employer contribtuion	180,869	182,453	168,862	148,988	131,607	129,543	121,514	254,937
Contribution deficiency (excess)	$ (8,073)	$ (21,855)	$ (8,855)	$ (3,723)	$ (3,490)	$ (19,406)	$ (14,843)	$ (151,664)
Covered payroll	$ 1,254,559	$ 1,508,363	$ 1,364,149	$ 1,462,591	$ 1,289,941	$ 1,252,370	$ 1,059,077	$ 1,025,740
Contribution as a percentage of covered payroll	14.42%	12.10%	12.38%	10.19%	10.20%	10.34%	11.47%	24.85%

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	2.75%
Asset valuation method	None
Investment rate of return	6.50%
Inflation	2.50%
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 2014 was the first year of implementation;therefore, only five years are shown.

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COMPLIANCE REPORT

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INDEPENDENT AUDITOR'S 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*

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CALIFORNIA VANPOOL AUTHORITY
COUNTY OF KINGS, CALIFORNIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
JUNE 30, 2022

CALIFORNIA VANPOOL AUTHORITY
COUNTY OF KINGS, CALIFORNIA

FOR THE YEAR ENDED
JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT

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CALIFORNIA VANPOOL AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2022

ASSETS	
Current assets:	
Cash	$ 1,233,175
Receivables	1,357,142
Prepaid expenses	545
Total current assets	2,590,862
Noncurrent assets:	
Capital assets:	
Depreciable, net of accumulated depreciation	2,802,694
Net pension asset	144,275
Total noncurrent assets	2,946,969
Total assets	5,537,831
DEFERRED OUTFLOWS OF RESOURCES	
Pension related	639,170
LIABILITIES	
Current liabilities:	
Accounts payable	849,974
Compensated absences	96,576
Long-term liabilities	987,590
Total current liabilities	1,934,140
Noncurrent liabilities:	
Long-term liabilities	1,265,861
Total noncurrent liabilities	1,265,861
Total liabilities	3,200,001
DEFERRED INFLOWS OF RESOURCES	
Pension related	403,583
NET POSITION	
Invested in capital assets, net of related debt	579,828
Unrestricted	1,993,589
Total net position	$ 2,573,417

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

CALIFORNIA VANPOOL AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
JUNE 30, 2022

Operating revenues:	
Passenger fares	$ 12,978,051
Advertising revenue	8,500
Total operating revenues	12,986,551
Operating expenses:	
Salaries and benefits	1,848,805
Insurance	2,421,369
Professional and specialized services	1,148,645
General and administrative	972,584
Fuel, repairs and maintenance	6,187,742
Depreciation	2,170,724
Total operating expenses	14,749,869
Operating income (loss)	(1,763,318)
Nonoperating revenues (expenses):	
Federal grants	220,191
State and local funding	374,893
Other income	22,087
Interest income	8,887
Interest expense	(263,909)
Total non-operating revenues (expenses)	362,149
Increase (decrease) in net position	(1,401,169)
Net position - beginning	3,974,586
Total net position - ending	$ 2,573,417

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

CALIFORNIA VANPOOL AUTHORITY
STATEMENT OF CASH FLOWS
JUNE 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 12,995,345
Payments to suppliers, contracted entities and others	(10,491,772)
Payments to employees	(1,797,780)
Net cash provided by (used for) operating activities	705,793
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal, state and local operating assistance	673,261
Other nonoperating income	22,087
Net cash provided by (used for) noncapital financing activities	695,348
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on notes	(574,379)
Principle paid on financed purchases	(7,966)
Principle paid on leases	(804,224)
Interest paid on debt	(263,909)
Net cash provided by (used for) capital and related financing activities	(1,650,478)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest from investments	8,887
Net cash provided by (used for) investing activities	8,887
Net (decrease) increase in cash and cash equivalents	(240,450)
Cash and cash equivalents - beginning	1,473,625
Cash and cash equivalents - ending	$ 1,233,175
RECONCILIATION OF OPERATING LOSS (GAIN) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	
Operating loss	$ (1,763,318)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:	
Depreciation	2,170,724
(Increase) decrease in accounts receivable	8,794
(Increase) decrease in deferred outflows	(326,244)
(Increase) decrease in accounts payable	238,568
(Increase) decrease in accrued payroll and related liabilities	21,795
(Increase) decrease in deferred inflows	24,358
(Increase) decrease in net pension liability	331,116
Net cash provided by (used for) operating activities	$ 705,793

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

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 Governments, 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 the 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Measurement Focus, Basis of Accounting and Presentation (Continued)

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 federal, state, and local grants.

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.

	Years
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 an asset or materially extend an asset's useful life are not capitalized.

E. Right-to-Use Lease Assets

Right-to-use lease assets are recorded at the amount of the initial measurement of the lease liabilities and modified by any lease payment made to the lessor at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term along with any initial direct costs that are ancillary charges necessary to place the lease assets into service.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Right-to-Use Lease Assets (Continued)

Right-to-use lease assets are amortized using the straight-line method over the shorter of the lease term or the useful life on the underlying asset, unless the lease contains a purchase option that CalVans has determined is reasonably certain of being exercised.

F. 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.

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

Service Hours	Percentage of Compensation Health Benefit (based on hours)
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 are allowed a one-time irrevocable election to decide whether to receive the retiree health insurance option or cash as follows:

Service Hours	Percentage of Compensation Cash (based on hours)	Percentage of Compensation Health Benefit (based on hours)
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.

<u>NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u> (Continued)

G. <u>Leases</u>

Lessee

CalVans is a lessee for noncancellable leases of property and vehicles. The lessee recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the financial statements. CalVans recognizes lease liabilities with an initial, individual value of $5,000 or more. At the commencement of a lease, CalVans initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. Key estimates and judgments related to leases include how CalVans determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- CalVans uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, CalVans generally uses its estimated incremental borrowing rate as the discount rate for leases, which it has determined is the prime rate at the inception of the lease.

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that CalVans is reasonably certain to exercise.

CalVans monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other capital assets and lease liabilities are reported with long-term liabilities on the Statement of Net Position.

Lessor

In instances where CalVans acts as a lessor, it recognizes a lease receivable and a deferred inflow of resources in the financial statements. At the commencement of a lease, CalVans initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of the lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how CalVans determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- CalVans uses the interest rate charged to the lessees as the discount rate. When the interest rate charged to the lessees is not provided, CalVans generally uses the implied rate of return as the discount rate for leases. When the implied rate of return cannot be determined, CalVans uses its estimated incremental borrowing rate which it has determined is the prime rate at the inception of the lease.

- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

CalVans monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Pensions

For purposes of measuring the net pension liabilities (assets), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expanse, 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.

I. 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.

J. 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.

K. Contributed Capital

In accordance with GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, capital contributions are required to be included in the determination of net income. CalVans did not receive any contributions during the year ended June 30, 2022.
.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. 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 unearned revenue until related grant conditions are met.

M. 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.

N. 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.

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 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 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, 2022, CalVans had $1,077,217 deposited with the County Treasurer.

At June 30, 2022, the reported amount of CalVans' deposits with banks was $150,068 and cash on hand was $5,890.

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.

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 15 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 the 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 consisted of the following on June 30, 2022:

Accounts receivable	$ 1,212,478
Due from other governments	144,664
Total receivables	$ 1,357,142

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

NOTE 4 – CAPITAL ASSETS

Capital assets, net of accumulated depreciation, consisted of the following:

	Balance June 30, 2021	Increases	Decreases	Transfers	Balance June 30, 2022
Current assets being depreciated/amortized					
Vans	$ 20,196,524	$ -	$ (18,284)	$ 1,074,495	$ 21,252,735
Administrative vehicles	145,004	-	-	-	145,004
Equipment - Vans	1,367,951	-	-	-	1,367,951
Equipment - Office	440,543	-	-	-	440,543
Structures and improvements	110,834	-	-	-	110,834
Right-to-use leased property	412,046	-	-	-	412,046
Right-to-use leased vehicles	7,260,778	-	-	(1,074,495)	6,186,283
Total capital assets being depreciated/amortized	29,933,680	-	(18,284)	-	29,915,396
Less: accumulated depreciation/amortization					
Vans	$ (16,569,432)	$ (1,396,295)	$ 18,284	$ (1,074,495)	$ (19,021,938)
Administrative vehicles	(145,004)	-	-	-	(145,004)
Equipment - Vans	(1,343,955)	(22,178)	-	-	(1,366,133)
Equipment - Office	(402,879)	(8,482)	-	-	(411,361)
Structures and improvements	(32,880)	(11,084)	-	-	(43,964)
Right-to-use leased property	(211,087)	(90,042)	-	-	(301,129)
Right-to-use leased vehicles	(6,255,025)	(642,643)	-	1,074,495	(5,823,173)
Total accumulated depreciation/amortization	(24,960,262)	(2,170,724)	18,284	-	(27,112,702)
Capital assets, net	$ 4,973,418	$ (2,170,724)	$ -	$ -	$ 2,802,694

Depreciation expense for the year ended June 30, 2022 was $2,170,724.

NOTE 5 – LONG-TERM LIABILITIES

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

	Balance June 30, 2021	Increases	Decreases	Balance June 30, 2022	Due Within One Year
Direct borrowings					
Sale-leasebacks:					
Merchants Loan - 2019 (43 Vans)	$ 1,559,772	$ -	$ (334,745)	1,225,027	$ 369,129
Merchants Loan - 2020 (50 Vans)	714,128	-	(239,634)	474,494	272,441
Total sale-leaseback	2,273,900	-	(574,379)	1,699,521	641,570
Financed purchases:					
Kansas State Bank	38,551	-	(7,966)	30,585	8,298
Total financed purchases	38,551	-	(7,966)	30,585	8,298
Total direct borrowings	2,312,451	-	(582,345)	1,730,106	649,868
Leases payable	1,327,569	-	(804,224)	523,345	337,722
Compensated absences	74,781	143,921	(122,126)	96,576	96,576
Total	$ 3,714,801	$ 143,921	$ (1,508,695)	$ 2,350,027	$ 1,084,166

A. Sale-Leaseback Arrangements

CalVans has entered into multiple sale-leaseback arrangements with Merchants Automotive Group, Inc. (Merchants). In these arrangements, CalVans sells a certain number of vehicles from its fleet to Merchants, who then leases the vans back to CalVans. Upon default, all sale-leaseback arrangements are due on demand and secured by the vans. Proceeds from the sale-leaseback arrangements are used to support operating expenses. Details of each sale-leaseback arrangement are included below:

Month	Matures	Original Amount	Monthly Installments	Vans Secured
February 2019	June 2025	1,582,870	39,423	43
May 2020	February 2024	1,000,000	26,493	50

B. Financed Purchase

CalVans entered into contract with Kansas State Bank of Manhattan during the year ended June 30, 2021 to purchase two copy machines. The contract was for the amount of $42,414 borrowed at an effective annual interest rate of 4.09%. Forty-eight (48) payments are scheduled, and the note will mature December 2025. Upon an event of default, the principal may be declared immediately due and payable or require CalVans to surrender the equipment.

NOTE 5 – LONG-TERM LIABILITIES (Continued)

C. Annual Debt Service

As of June 30, 2022, the annual debt service requirements for the sale-leaseback arrangements and financed purchases were as follows:

Fiscal Years Ending June 30	Principal	Interest	Total
2023	$ 649,868	$ 150,522	$ 800,390
2024	617,740	76,677	694,417
2025	457,857	24,616	482,473
2026	4,641	56	4,697
Totals	$ 1,730,106	$ 251,871	$ 1,981,977

NOTE 6 – LEASES

Leases as Lessee

Merchants Automotive Group, Inc.

CalVans negotiated a vehicle leasing agreement with Merchants Automotive Group, Inc. (Merchants) on March 13, 2012. The term of a lease begins on the date a vehicle is accepted and continues for a minimum of twenty-four (24) months. After the twenty-four (24) 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 (30) to eighty-four (84) months. As of June 30, 2022, CalVans was leasing 175 vehicles, of which 124 are being leased on a month-to-month basis. CalVans will continue to lease the vehicles until they have been fully depreciated. The value of the right-to-use assets as of June 30, 2022 was $7,846,645 and had accumulated amortization of $7,483,535.

Passek Industrial Park

In January 2018, CalVans entered into a five-year lease agreement with Passek Industrial Park for a warehouse building and outdoor yard space to store its vans. Lease payments, commencing in March 2018, were $3,290 per month and included a 3% increase annually. In December 2019, the lease was amended to include the office portion of the warehouse for an additional $930 per month. In February 2020, the lease was amended again to include an expansion of the yard space from 16,000 square feet to 24,769 square feet for an additional $930 per month. As of June 30, 2022, the monthly lease payment was $5,481. The value of the right-to-use asset as of June 30, 2022 was $259,380 and had accumulated amortization of $224,795.

NOTE 6 – LEASES (Continued)

Leases as Lessee (Continued)

Castaneda Storage Yard

In July 2020, CalVans entered into a four-year lease agreement with Carlos Castaneda for an outdoor yard space to store its vans. Lease payments, commencing in July 2020, $3,400 per month with the least payment due on June 30, 2024. The value of the right-to-use asset as of June 30, 2022 was $152,667 and had accumulated amortization of $76,334.

The future principal and interest lease payments as of June 30, 2022, are as follows:

Fiscal Years Ending June 30	Principal	Interest	Total
2023	$ 337,722	$ 18,369	$ 356,091
2024	154,272	4,701	158,973
2025	31,351	733	32,084
Totals	$ 523,345	$ 23,803	$ 547,148

NOTE 7 – COMPENSATED ABSENCES

Accumulated compensated absences payable in future years is recorded as an expense in the year earned by employees. CalVans had 35 employees during the fiscal year. The accrued benefits on June 30, 2022 were $96,576, all of which is considered current..

NOTE 8 – DEFINED BENEFIT PENSION PLAN

A. Plan Description

Plan Administration – 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 3% interest earnings upon termination.

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

B. 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.

As of June 30, 2022, the following employees were covered by the Plan:

Active employees	25
Terminated vested & other inavtives	21
Retirees and beneficiaries	4
Total	50

C. 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, 2022, 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, 2022 was 11.46%. CalVans contributions to the plan recognized as pension expense for the year ended June 30, 2022 was $173,259.

D. 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, 2022 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, 2022 total pension liability was based on the following actuarial methods and assumptions:

Valuation Date	July 1, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal
Actuarial Assumptions:	
Discount Rate	6.25%
Inflation	2.50%
Salary Increases	Varies by entry age and service
Investment Rate of Return	6.25%
Mortality	Pre-Retirement: Consistent with the Non-Industrial rates used to value the miscellaneous Public Agency CalPERS' Pension plans after June 30, 2017. Post-Retirement: Consistent with the Non-Industrial rates used to value the miscellaneous Public Agency CalPERS' Pension plans after June 30, 2017.

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

E. Discount Rate

The discount rate used to measure the total pension liability was 6.50%. 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	6.96%	0.21%	0.20%
US Core Fixed Income	Barclays Aggregate	35.98%	1.95%	1.84%
US Equity Market	Russell 3000	45.73%	5.70%	4.10%
Foreign Developed Equity	MSCI EAFE NR	5.58%	6.99%	5.25%
Emergeing Markets Equity	MSCI EM NR	3.74%	9.44%	5.97%
US REITs	FTSE NAREIT Equity REIT	2.01%	6.27%	4.11%
		100.00%		
Assumed inflation - Mean			2.35%	2.35%
Assumed inflation - Standard Deviation			1.25%	1.25%
Portfolio Real Mean Return			4.19%	3.64%
Portfolio Nominal Mean Return			6.54%	6.10%
Portfolio Standard Deviation				9.95%
Long-Term Expected Rate of Return				6.25%

F. Changes in the Net Pension Liability

The changes in the net pension liability of the Plan is as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2021	$ 2,778,238	$ 3,253,629	$ (475,391)
Changes in the year:			
Service cost	227,472	-	227,472
Interest on the total pension liability	193,375	-	193,375
Effect of econcomic/demographic gains or losses	(443,607)	-	(443,607)
Effect of assumptions changes or inputs	95,160	-	95,160
Benefit payments	(62,411)	(62,411)	-
Employer contributions	-	122,901	(122,901)
Member contributions	-	100,721	(100,721)
Net investment income	-	(482,032)	482,032
Administrative expenses	-	(306)	306
Net changes	9,989	(321,127)	331,116
Balance at June 30, 2022	$ 2,788,227	$ 2,932,502	$ (144,275)

NOTE 8 – DEFINED BENEFIT PENSION PLAN (Continued)

G. Pension Expense, Deferred Outflows/Inflow of Resources Related to Pensions

For the year ended June 30, 2022, the Plan recognized pension expense of $168,656. As of June 30, 2022, 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	$ 24,573	$ 403,583
Changes of assumptions	173,004	-
Differences between project and actual investrment earnings	302,167	-
Contributions subsequent to the measurement date	139,426	-
Total	$ 639,170	$ 403,583

$139,426 reported as 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 of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year ended June 30	
2021	$ 15,326
2022	14,784
2023	(2,547)
2024	94,776
2025	(39,838)
Thereafter	13,660
	$ 96,161

H. 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 6.50%, 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 (5.50%) or 1 percentage-point higher (7.50%) than the current rate:

	1% Decrease 5.50%	Currrent Discount Rate 6.50%	1% Increase 7.50%
Net pension liability (asset)	$ 288,698	$ (144,275)	$ (519,671)

I. 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.

J. Payable to Pension Plan

CalVans reported no contributions payable as of June 30, 2022.

NOTE 9 – DEFINED CONTRIBUTION PENSION 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. During the year ended June 30, 2022, $13,710 was contributed to the Deferred Compensation Plan, which is not included as part of the financial statements.

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 during the year ended June 30, 2022.

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:

Type of Coverage	Amount of Coverage	Effective Dates
Worker's Compensation	$1,000,000	12/26/2019 to 12/26/2020
Commercial Property	Varies	12/26/2019 to 12/26/2020
General Liability	$2,000,000	12/26/2019 to 12/26/2020
Commercial Automobile	$1,000,000	12/26/2019 to 12/26/2020
Automobile Excess Liability	$9,000,000	12/26/2019 to 12/26/2020
Crime Policy	Varies	12/26/2019 to 12/26/2020

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REQUIRED SUPPLEMENTARY INFORMATION

CALIFORNIA VANPOOL AUTHORITY
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
SINGLE-EMPLOYER DEFINED BENEFIT PLAN
FOR THE YEAR ENDED June 30, 2022
LAST 10 YEARS*

	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability:								
Service cost	$ 227,472	$ 275,524	$ 268,150	$ 268,577	$ 260,754	$ 220,142	$ 213,730	$ 171,036
Interest on total pension liability	193,375	170,615	140,250	121,890	104,183	82,420	63,166	41,357
Effect of plan changes	-	-	-	-	-	-	-	-
Effect of economic/demographic gains or losses	(443,607)	-	21,410	-	(75,271)	-	25,572	-
Effect of assumption changes or inputs	95,160	-	75,647	-	-	56,036	42,139	-
Benefit payments	(62,411)	(33,910)	(57,081)	(19,717)	(50,134)	(16,784)	-	(22,117)
Net change in total pension liability	9,989	412,229	448,376	370,750	239,532	341,814	344,607	190,276
Total pension liability - beginning	2,778,238	2,366,009	1,917,633	1,546,883	1,307,351	965,537	620,930	430,654
Total pension liability - ending (a)	2,788,227	2,778,238	2,366,009	1,917,633	1,546,883	1,307,351	965,537	620,930
Plan Fiduciary Net Position:								
Employer contributions	122,901	180,869	182,453	159,963	148,988	131,607	129,543	121,514
Member contributions	100,721	148,968	164,888	142,181	122,629	108,321	106,923	100,268
Net investment income	(482,032)	646,341	55,674	112,735	96,120	120,709	922	15,305
Benefit payments	(62,411)	(33,910)	(57,081)	(19,717)	(50,134)	(16,784)	-	(22,117)
Administrative expenses	(306)	(393)	(411)	(371)	(315)	(331)	(263)	(279)
Net change in plan fiduciary net position	(321,127)	941,875	345,523	394,791	317,288	343,522	237,125	214,691
Plan fiduciary net position beginning	3,253,629	2,311,754	1,966,231	1,571,440	1,254,152	910,630	673,505	458,814
Plan fiduciary net position - ending (b)	2,932,502	3,253,629	2,311,754	1,966,231	1,571,440	1,254,152	910,630	673,505
Net pension liability (asset) - ending (a)-(b)	$ (144,275)	$ (475,391)	$ 54,255	$ (48,598)	$ (24,557)	$ 53,199	$ 54,907	$ (52,575)
Plan fiduciary net position as a percentage of the total pension liability	105.17%	117.11%	97.71%	102.53%	101.59%	95.93%	94.31%	108.47%
Covered payroll	$ 1,289,059	$ 1,254,559	$ 1,508,363	$ 1,364,149	$ 1,462,591	$ 1,289,941	$ 1,252,370	$ 1,059,077
Net pension liability as a percentage of covered payroll	-11.19%	-37.89%	3.60%	-3.56%	-1.68%	4.12%	4.38%	-4.96%

Notes to Schedule:

Changes in Benefit Terms - None

Changes in Assumptions - Discount rate decreased from 6.50% to 6.25%

*Schedule is intended to show information for ten years. Additional information will be displayed as it becomes available.

CALIFORNIA VANPOOL AUTHORITY
SCHEDULE OF CONTRIBUTIONS
SINGLE-EMPLOYER DEFINED BENEFIT PLAN
FOR THE YEAR ENDED June 30, 2022
LAST 10 YEARS*

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	$ 143,772	$ 172,796	$ 160,598	$ 160,007	$ 145,265	$ 128,117	$ 110,137	$ 106,671	$ 103,273
Actual employer contribtuion	139,426	180,869	182,453	168,862	148,988	131,607	129,543	121,514	254,937
Contribution deficiency (excess)	$ 4,346	$ (8,073)	$ (21,855)	$ (8,855)	$ (3,723)	$ (3,490)	$ (19,406)	$ (14,843)	$ (151,664)
Covered payroll	$ 1,254,559	$ 1,254,559	$ 1,508,363	$ 1,364,149	$ 1,462,591	$ 1,289,941	$ 1,252,370	$ 1,059,077	$ 1,025,740
Contribution as a percentage of covered payroll	11.11%	14.42%	12.10%	12.38%	10.19%	10.20%	10.34%	11.47%	24.85%

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	2.75%
Asset valuation method	None
Investment rate of return	6.25%
Inflation	2.50%
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 ten years. Additional information will be displayed as it becomes available.

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COMPLIANCE REPORT

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INDEPENDENT AUDITOR'S 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*

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