

**California Vanpool Authority | Visalia, CA**

Financial Statements

For the Year Ended June 30, 2024



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
California Vanpool Authority  
Visalia, California

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the accompanying financial statements of business-type activities of the California Vanpool Authority as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the California Vanpool Authority's financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of business-type activities of the California Vanpool Authority as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

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

#### Substantial Doubt about the Organization's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the California Vanpool Authority will continue as a going concern. As discussed in Note 14 to the financial statements, the California Vanpool Authority has suffered increased rising costs, has a net deficiency in net position, and has stated that substantial doubt exists about California Vanpool Authority's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding those matters are also described in Note 14. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

#### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about California Vanpool Authority's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

## **Required Supplementary Information**

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

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2025, on our consideration of California Vanpool Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of

California Vanpool Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering California Vanpool Authority's internal control over financial reporting and compliance.

*Jaribu W. Nelson, CPA*

March 7, 2025

## **BASIC FINANCIAL STATEMENTS**

**CALIFORNIA VANPOOL AUTHORITY | JUNE 30, 2024**

## Statement of Net Position

**ASSETS**

## Current assets:

Restricted cash	\$ 1,457,315
Receivables	1,469,752
Prepaid expenses	373,224
Security deposits	<u>41,055</u>

Total current assets 3,341,346

## Noncurrent assets:

## Capital assets:

Depreciable, net of accumulated depreciation	<u>8,299,336</u>
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Total noncurrent assets 8,299,336

Total assets 11,640,682

**DEFERRED OUTFLOWS OF RESOURCES**

Pension related	<u>710,178</u>
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**LIABILITIES**

## Current liabilities:

Accounts payable	568,816
Accrued liabilities	73,737
Compensated absences	121,351
Long-term liabilities	1,718,214
Unearned revenue	<u>3,005,491</u>

Total current liabilities 5,487,609

## Noncurrent liabilities:

Long-term liabilities	6,375,770
Net pension liability	<u>142,941</u>

Total noncurrent liabilities 6,518,711

Total liabilities 12,006,320

**DEFERRED INFLOWS OF RESOURCES**

Pension related	<u>300,620</u>
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**NET POSITION**

Net investment in capital assets	205,352
Unrestricted	<u>(161,432)</u>

Total net position \$ 43,920

The notes to the basic financial statements are an integral part of this statement.

**CALIFORNIA VANPOOL AUTHORITY | FOR THE YEAR ENDED JUNE 30, 2024**

## Statement of Revenues, Expenses and Changes in Net Position

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Operating revenues:	
Passenger fares	\$ 12,739,951
Passenger fares - subsidies	428,629
Advertising revenue	<u>17,000</u>
Total operating revenues	<u>13,185,580</u>
Operating expenses:	
Salaries and benefits	2,730,826
Insurance	2,131,612
Professional and specialized services	562,826
General and administrative	1,533,606
Fuel, repairs and maintenance	6,260,103
Depreciation	<u>1,183,091</u>
Total operating expenses	<u>14,402,064</u>
Operating income (loss)	<u>(1,216,484)</u>
Nonoperating revenues (expenses):	
State and local funding	604,846
Gain (loss) on sale of equipment	(55,755)
Other income	5,752
Interest income	43,500
Interest expense	<u>(387,216)</u>
Total non-operating revenues (expenses)	<u>211,127</u>
Net income (loss) before capital contributions	(1,005,357)
Capital contributions	<u>351,993</u>
Increase (decrease) in net position	(653,364)
Net position - beginning	<u>697,284</u>
Total net position - ending	<u>\$ 43,920</u>

The notes to the basic financial statements are an integral part of this statement.

**CALIFORNIA VANPOOL AUTHORITY | JUNE 30, 2024**

## Statement of Cash Flows

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from customers	\$ 13,347,440
Payments to suppliers, contracted entities and others	(11,376,083)
Payments to employees	<u>(2,867,676)</u>

Net cash provided by (used for) operating activities (896,319)

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Other nonoperating income	<u>5,752</u>
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Net cash provided by (used for) noncapital financing activities 5,752

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Federal and state capital grants received	3,410,000
Payments for capital assets	(31,376)
Principal paid on notes	(609,097)
Principle paid on financed purchases	(9,229)
Principle paid on leases	(613,854)
Interest paid on debt	<u>(387,216)</u>

Net cash provided by (used for) capital and related financing activities 1,759,228

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest from investments	<u>43,500</u>
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Net cash provided by (used for) investing activities 43,500

Net (decrease) increase in cash and cash equivalents 912,161

Cash and cash equivalents - beginning 545,155

Cash and cash equivalents - ending \$ 1,457,316

**RECONCILIATION OF OPERATING LOSS (GAIN) TO NET CASH****PROVIDED BY (USED FOR) OPERATING ACTIVITIES**

Operating loss (1,216,484)

Adjustments to reconcile operating loss to net cash provided by  
(used in) operating activities:

Depreciation	1,183,091
(Increase) decrease in accounts receivable	161,860
(Increase) decrease in prepaid expenses	(373,224)
(Increase) decrease in security deposits	(41,055)
(Increase) decrease in deferred outflows	(368,308)
(Increase) decrease in accounts payable	(473,657)
(Increase) decrease in accrued liabilities	(96,524)
(Increase) decrease in compensated absences	3,458
(Increase) decrease in deferred inflows	(20,756)
(Increase) decrease in net pension liability	<u>345,280</u>

Net cash provided by (used for) operating activities \$ (896,319)

**SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING TRANSACTIONS**

Capital contributions	<u>\$ 351,993</u>
Loss on disposal of capital assets	<u>\$ (55,755)</u>

The notes to the basic financial statements are an integral part of this statement.

## NOTES TO THE 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 eleven agencies: Association of Monterey Bay Area Governments, Fresno Council of Governments, Imperial County Transportation Commission, Madera County Transportation Commission, Merced County Association of Governments, Riverside County Transportation Commission, 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 the Kings County Area Public Transit Agency (KCAPTA), in response to requests from the State and the Governor's office seeking a safe way to transport farm workers. A 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 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 of Kings 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. These services are reimbursed by 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 the purposes of the Statement of Cash Flows, CalVans considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**D. Capital Assets**

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

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

The costs of normal maintenance and repairs that do not add to the value of 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.

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**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 the 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:

<u>Service Hours</u>	<u>Percentage of Compensation Health Benefit (based on hours)</u>
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 in operating expenditures on the Statement of Revenues, Expenses, and Changes in Net Position.

**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 terms, 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 non-cancellable 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.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**G. Leases** (Continued)

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 non-cancellable 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.

**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 expense, information about the fiduciary net position of the Public Agency Retirement Service (PARS) Defined Benefit Plan and the additions to/deductions from PARS' fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when they are 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.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**I. Deferred Outflow and Inflows of Resources** (Continued)

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. Capital Contributions**

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. During the fiscal year ended June 30, 2024, CalVans received capital contributions totaling \$351,993 in the form of 12 donated vans. The donated vans were recorded as capital assets and reported at fair value at the time of the donation.

**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.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**N. Funding Sources/Programs**

**Passenger Fares – Subsidies**

**Fresno County Measure C**

In November 2006 Fresno County voters chose to extend Measure C for an additional 20 years; 2007-2027. CalVans accepts the Measure C Subsidy in lieu of payment from vanpool groups. CalVans receives no additional funding from Fresno County for the Commuter Vanpool Program - Measure C or the Agricultural Worker Vanpool Program - Measure C.

**State and Local Funding**

**Affordable Housing and Sustainable Communities (AHSC) Grant**

The AHSC program provides grants and affordable housing loans for Micro 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, 2024, CalVans had \$1,276,816 deposited with the County Treasurer. The carrying amount of the deposits as of June 30, 2024, is \$1,218,986.

At June 30, 2024, the reported amount of CalVans' deposits with banks was \$244,120. The carrying amount of the deposits as of June 30, 2024, is \$238,330.

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 rates. As of the year-end, the weighted average maturity of the investments contained in the County Treasury investment pool was approximately 13 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.

**CALIFORNIA VANPOOL AUTHORITY | FOR THE YEAR ENDED JUNE 30, 2024**

## Notes to the Basic Financial Statements

**NOTE 2 – CASH AND CASH EQUIVALENTS** (Continued)

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. This report may be obtained by writing to the Kings County Treasurer, at Government Center, 1400 West Lacey Boulevard, Hanford, California 93230.

**NOTE 3 – RESTRICTED CASH**

As of June 30, 2024, CalVans' total cash balance of \$1,457,316 was fully restricted, as it consisted of unspent grant proceeds designated for vanpool services. The unspent grant proceeds total \$3,005,491, exceeding the cash balance by \$1,548,175. CalVans plans to replenish the shortfall and ensure compliance with grant restrictions during the fiscal year ending June 30, 2025. (See Note 14)

**NOTE 4 – RECEIVABLES**

Receivables consisted of the following on June 30, 2024:

Accounts receivable	\$ 1,170,206
Due from other governments	<u>299,546</u>
Total receivables	<u>\$ 1,469,752</u>

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

**NOTE 5 – CAPITAL ASSETS**

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

	Balance June 30, 2023	Increases	Decreases	Transfers	Balance June 30, 2024
Current assets being depreciated/amortized					
Vans	\$ 21,252,735	\$ 351,993	\$ (870,940)	\$ 5,287,598	\$ 26,021,386
Administrative vehicles	145,004	-	(69,539)	-	75,465
Equipment - Vans	1,367,951	-	-	-	1,367,951
Equipment - Office	440,543	-	-	-	440,543
Structures and improvements	110,834	31,376	(110,834)	-	31,376
Right-to-use leased property	904,722	796,288	(259,379)	-	1,441,631
Right-to-use leased vehicles	<u>6,186,283</u>	<u>6,800,666</u>	<u>(115,497)</u>	<u>(5,287,598)</u>	<u>7,583,854</u>
Total capital assets being depreciated/amortized	<u>30,408,072</u>	<u>7,980,323</u>	<u>(1,426,189)</u>	<u>-</u>	<u>36,962,206</u>
Less: accumulated depreciation/amortization					
Vans	(20,418,232)	(855,678)	870,940	(5,287,598)	(25,690,568)
Administrative vehicles	(145,004)	-	69,539	-	(75,465)
Equipment - Vans	(1,367,951)	-	-	-	(1,367,951)
Equipment - Office	(419,843)	(8,482)	-	-	(428,325)
Structures and improvements	(55,048)	(1,313)	55,079	-	(1,282)
Right-to-use leased property	(390,302)	(191,784)	259,379	-	(322,707)
Right-to-use leased vehicles	<u>(6,053,833)</u>	<u>(125,834)</u>	<u>115,497</u>	<u>5,287,598</u>	<u>(776,572)</u>
Total accumulated depreciation/amortization	<u>(28,850,213)</u>	<u>(1,183,091)</u>	<u>1,370,434</u>	<u>-</u>	<u>(28,662,870)</u>
Capital assets, net	<u>\$ 1,557,859</u>	<u>\$ 6,797,232</u>	<u>\$ (55,755)</u>	<u>\$ -</u>	<u>\$ 8,299,336</u>

**CALIFORNIA VANPOOL AUTHORITY | FOR THE YEAR ENDED JUNE 30, 2024**

## Notes to the Basic Financial Statements

**NOTE 5 – CAPITAL ASSETS** (Continued)

Depreciation/amortization expense for the year ended June 30, 2024 was \$1,183,091.

**NOTE 6 – LONG-TERM LIABILITIES**

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

	Balance June 30, 2023	Increases	Decreases	Balance June 30, 2024	Due Within One Year
<i>Direct borrowings</i>					
Sale-leasebacks:					
Merchants Loan - 2019 (43 Vans)	\$ 855,897	\$ -	\$ (407,044)	448,853	\$ 448,853
Merchants Loan - 2020 (50 Vans)	202,053	-	(202,053)	-	-
Total sale-leaseback	1,057,950	-	(609,097)	448,853	448,853
Financed purchases:					
Kansas State Bank	22,874	-	(9,229)	13,645	9,004
Total financed purchases	22,874	-	(9,229)	13,645	9,004
<i>Total direct borrowings</i>	1,080,824	-	(618,326)	462,498	457,857
Leases payable	648,386	7,596,954	(613,854)	7,631,486	1,260,357
Compensated absences	117,893	85,124	(81,666)	121,351	121,351
Total	\$ 1,847,103	\$ 7,682,078	\$ (1,313,846)	\$ 8,215,335	\$ 1,839,565

**A. Sale-Leaseback Arrangements**

CalVans has entered 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 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
	Matured on			
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, 2021 to purchase two copy machines. The contract was for \$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 6 – LONG-TERM LIABILITIES** (Continued)

**C. Annual Debt Service**

As of June 30, 2024, the annual debt service requirements for the sale-leaseback arrangements and financed purchases were as follows:

Fiscal Years Ending			
June 30	Principal	Interest	Total
2025	\$ 457,857	\$ 24,616	\$ 482,473
2026	4,641	56	4,697
Total	<u>\$ 462,498</u>	<u>\$ 24,672</u>	<u>\$ 487,170</u>

**NOTE 7 – LEASES**

**A. 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 the lease begins on the date a vehicle is accepted and continues for a minimum of twenty-four (24) months and a maximum of seventy-two (72) months. After the initial lease term, 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 than 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, 2024, CalVans was leasing 84 vehicles, of which 18 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, 2024 was \$7,583,854 and had accumulated amortization of \$776,572.

**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, which began in July 2020, are \$3,400 per month with the final payment paid on June 30, 2024. The value of the right-to-use asset as of June 30, 2024 was \$152,667 and was fully amortized.

**13<sup>th</sup> Avenue Office**

In May 2023, CalVans entered into a five-year lease agreement with BLH Family Trust for an administrative office building. Lease payments, which began on May 1, 2023, are \$5,163 per month, with the final payment due on April 1, 2028. The value of the right-to-use asset as of June 30, 2024, was \$314,417 and had accumulated amortization of \$72,944.

**King City Office**

In May 2023, CalVans entered into a five-year lease agreement with Mihir Patel for commercial property, including an office, shop, and unimproved yard. Lease payments, which began on May 1, 2023, are \$3,500 per month with the final payment due on April 1, 2028. The value of the right-to-use asset as of June 30, 2024, was \$178,259 with accumulated amortization of \$41,356.

**NOTE 7 – LEASES** (Continued)

**A. Leases as Lessee** (Continued)

**Visalia Office**

In April 2024, CalVans entered into a three-year lease agreement with Freitas for an administrative office building and warehouse space. Lease payments, which began on May 1, 2024, are \$22,213 per month with the final payment due on April 1, 2027. Annual rent increases 3% each year. The agreement also provides an option to extend the lease for an additional two years; however, CalVans is not reasonably certain to exercise this option. The value of the right-to-use asset as of June 30, 2024, was \$796,288 with accumulated amortization of \$55,740.

The future principal and interest lease payments as of June 30, 2024, are as follows:

Fiscal Years Ending			
June 30	Principal	Interest	Total
2025	\$ 1,260,357	\$ 685,491	\$ 1,945,848
2026	1,351,156	572,323	1,923,479
2027	1,437,433	447,910	1,885,343
2028	1,318,849	315,545	1,634,394
2029	1,363,175	175,983	1,539,158
2030	900,516	33,796	934,312
Total	<u>\$ 7,631,486</u>	<u>\$ 2,231,048</u>	<u>\$ 9,862,534</u>

**NOTE 8 – COMPENSATED ABSENCES**

Accumulated compensated absences payable in future years are recorded as an expense in the year earned by employees. CalVans had 24 employees during the fiscal year. The accrued benefits on June 30, 2024 were \$121,351, of which the entire amount is considered current.

**NOTE 9 – 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 9 – 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 annual cost-of-living adjustments to each employee's retirement allowance subsequent to that employee's retirement date. Annual adjustments equal 2% per annum on the anniversary of the participant's date of retirement.

As of July 1, 2023, the following employees were covered by the Plan:

Active employees	23
Terminated vested & other inactives	21
Retirees and beneficiaries	4
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 at each payroll period. For the year ended , the employee contribution rate was 9.40%. 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 was 11.47%. CalVans contributions to the Plan recognized as pension expense for the year ended June 30, 2024 was \$253,743.

**D. Discount Rate**

The discount rate used to measure the total pension liability was 6.00%. 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.

**CALIFORNIA VANPOOL AUTHORITY | FOR THE YEAR ENDED JUNE 30, 2024**

## Notes to the Basic Financial Statements

**NOTE 9 – DEFINED BENEFIT PENSION PLAN (Continued)**
**D. Discount Rate (Continued)**

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	BAML 3-Month T-Bills	5.00%	0.94%	0.91%
US Core Fixed Income (Aggregate)	Bloomberg Barclays Aggregate	27.00%	2.52%	2.36%
US Short Govt/Credit Bonds	Bloomberg US Govt/Credit 1-3 Yr	6.75%	1.65%	1.59%
US High Yield Bonds	ICE BofA US High Yield TR USD	1.25%	4.43%	3.87%
US Large & Mid Cap Equity	Russell 1000 TR USD	32.00%	5.41%	3.74%
US Mid Cap Equity	Russell Mid Cap TR USD	6.00%	5.98%	3.90%
US Small Cap Equity	Russell 2000 TR USD	9.00%	6.99%	4.41%
Foreign Developed Equity	MSCI EAFE NR USD	7.00%	6.92%	5.12%
Emerging Markets Equity	MSCI EM NR USD	4.00%	9.34%	6.21%
US REITs	FTSE Nareit All Equity REITs TR USD	2.00%	6.91%	4.72%
		<u>100.00%</u>		
Assumed Inflation - Mean			2.31%	2.30%
Assumed Inflation - Standard Deviation			1.45%	1.45%
Portfolio Real Mean Return			4.61%	3.90%
Portfolio Nominal Mean Return			6.91%	6.32%
Portfolio Standard Deviation				11.45%
CalVans' Long-Term Expected Rate of Return				6.00%

**E. Changes in the Net Pension Liability**

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
<b>Balance at June 30, 2023</b>	<u>\$ 3,180,357</u>	<u>\$ 3,382,696</u>	<u>\$ (202,339)</u>
<b>Changes in the year:</b>			
Service cost	345,026	-	345,026
Interest on the total pension liability	209,527	-	209,527
Effect of plan change	-	-	-
Effect of economic/demographic gains or losses	196,119	-	196,119
Effect of assumptions changes or inputs	515,897	-	515,897
Benefit payments	(67,515)	(67,515)	-
Employer contributions	-	253,743	(253,743)
Member contributions	-	205,456	(205,456)
Net investment income	-	462,452	(462,452)
Administrative expenses	-	(362)	362
<b>Net changes</b>	<u>1,199,054</u>	<u>853,774</u>	<u>345,280</u>
<b>Balance at June 30, 2024</b>	<u><u>\$ 4,379,411</u></u>	<u><u>\$ 4,236,470</u></u>	<u><u>\$ 142,941</u></u>

**NOTE 9 – DEFINED BENEFIT PENSION PLAN** (Continued)

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

For the year ended June 30, 2024, the Plan recognized pension expense of \$209,959. As of June 30, 2024, 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	\$ 177,223	\$ 239,169
Changes of assumptions	532,955	-
Differences between project and actual investment earnings	-	61,451
Total	<u>\$ 710,178</u>	<u>\$ 300,620</u>

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	
2025	\$ 57,699
2026	155,022
2027	20,407
2028	86,882
2029	89,548
Total	<u>\$ 409,558</u>

**G. 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 6.00%, 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 (5.00%) or 1 percentage-point higher (7.00%) than the current rate:

	1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
Net pension liability (asset)	\$ 901,930	\$ 142,941	\$ (468,869)

**H. 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 68 Disclosure Report.

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**NOTE 9 – DEFINED BENEFIT PENSION PLAN** (Continued)

**I. Payable to Pension Plan**

CalVans reported \$7,081 in employer contributions payable as of June 30, 2024.

**NOTE 10 – DEFINED CONTRIBUTION PENSION PLAN**

CalVans has made available to its eligible employees a deferred compensation plan under the terms of Section 457(b) 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, 2024, \$38,258 was contributed to the Deferred Compensation Plan, which is not included as part of the financial statements.

**NOTE 11 – CONTRACT COMMITMENTS**

In April 2024, CalVans entered into a \$1,244,080 contract for battery charging stations to support its electric van fleet. A 30% down payment of \$373,224 was recorded as a prepaid expense and will be reclassified as a capital asset upon delivery. An additional 60% is due at delivery, with the final 10% payable upon successful commissioning of the equipment.

**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	12/26/2023 to 12/26/2024
General Liability	\$2,000,000	08/10/2024 to 08/10/2025
Commercial Automobile	\$1,000,000	08/10/2024 to 08/10/2025
Umbrella Policy	\$1,000,000	08/10/2024 to 08/10/2025

**NOTE 13 – 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.

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**NOTE 14 – GOING CONCERN CONSIDERATION**

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 56, *Codification of Accounting and Financial Reporting Guidance*, and as codified in GASB Codification Section 2250, CalVans' has evaluated its ability to continue as a going concern due to the following factors:

1. **Rising Costs:** Increasing operational and maintenance costs, driven by inflation and aging infrastructure, have strained CalVans' financial resources.
2. **Operational Losses:** CalVans has incurred consecutive operational losses over the past five years, resulting in a negative unrestricted net position as of year-ended June 30, 2024.
3. **Cash Shortfall:** As stated in Note 3, CalVans has unearned grant proceeds of \$3,005,491, but a total cash balance of only \$1,457,316, leaving a shortfall of \$1,548,175. This shortfall limits CalVans' ability to meet restricted fund obligations and cover operating expenses.

**Management Plans**

To address these challenges, CalVans has initiated several measures to improve its financial condition, including:

- **Revenue Correction and Enhancement Efforts:** CalVans will explore a Feasibility and Rate Study to identify strategies to recover 100% of operational costs from vanpool operations while remaining cost effective to the end user.

This Feasibility and Rate Study may include increases in CPI and fuel costs. The budget for CalVans is not constant or stable. The largest revenue for operations stems from agricultural activity, which is seasonal and easily impacted by weather which directly impacts revenue for CalVans operations. CalVans is self-funded and relies solely on passenger fares to operate.

An immediate \$0.05 cent increase in the rate per mile may help to offset current operational costs, but a Feasibility and Rate Study is a longer-term solution for the ongoing revenue concern experience by the agency, since inception. This measure aims to ensure the sustainability of services while addressing inflationary pressures and other cost increases.

- **Insurance Cost Savings:** In August 2024, CalVans established Tenet Assurance LLC, a captive insurance entity, as a strategic measure to significantly reduce the cost of insurance. This self-insurance model is expected to lower premiums, improve claims management, and decrease reliance on external insurers, contributing to long-term financial savings. The captive will take time to demonstrate measurable savings as the captive must be front loaded. This has been a challenge with decreased revenue as discretionary revenue is typically allocated towards the captive reserve.
- **Aging Fleet:** CalVans is in the process of auctioning a large portion of parked and active fleet assets. This will help address the current cash shortage and reduce ongoing maintenance expenses for the older active vanpools. Proceeds from the auction will be used to support financial stability and operational efficiency. The assets were parked with the intent of converting battery electric, as the technology advanced. With no feasible electric conversions, and no current grant or subsidy to assist with the conversion of used vehicles, the assets will instead be sold. Vehicles used in agriculture have a decreased useful life, a major detail that will be considered in the Feasibility and Rate Study.

While these initiatives are expected to alleviate financial pressures, uncertainty remains about their effectiveness in fully resolving the going concern issue. Management will continue monitoring CalVans' financial position and adjust plans as necessary to ensure the continuation of essential services.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CALIFORNIA VANPOOL AUTHORITY | FOR THE YEAR ENDED JUNE 30, 2024**

## Single-Employer Defined Benefit Pension Plan

## Schedule of Changes in Net Pension Liability and Related Ratios

## Last 10 Years

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
<b>Total Pension Liability:</b>										
Service cost	\$ 345,026	\$ 245,587	\$ 227,472	\$ 275,524	\$ 268,150	\$ 268,577	\$ 260,754	\$ 220,142	\$ 213,730	\$ 171,036
Interest on total pension liability	209,527	188,327	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	196,119	-	(443,607)	-	21,410	-	(75,271)	-	25,572	-
Effect of assumption changes or inputs	515,897	-	95,160	-	75,647	-	-	56,036	42,139	-
Benefit payments	(67,515)	(41,784)	(62,411)	(33,910)	(57,081)	(19,717)	(50,134)	(16,784)	-	(22,117)
Net change in total pension liability	1,199,054	392,130	9,989	412,229	448,376	370,750	239,532	341,814	344,607	190,276
Total pension liability - beginning	3,180,357	2,788,227	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)	4,379,411	3,180,357	2,788,227	2,778,238	2,366,009	1,917,633	1,546,883	1,307,351	965,537	620,930
<b>Plan Fiduciary Net Position:</b>										
Employer contributions	253,743	125,211	122,901	180,869	182,453	159,963	148,988	131,607	129,543	121,514
Member contributions	205,456	102,615	100,721	148,968	164,888	142,181	122,629	108,321	106,923	100,268
Net investment income	462,452	264,425	(482,032)	646,341	55,674	112,735	96,120	120,709	922	15,305
Benefit payments	(67,515)	(41,784)	(62,411)	(33,910)	(57,081)	(19,717)	(50,134)	(16,784)	-	(22,117)
Administrative expenses	(362)	(273)	(306)	(393)	(411)	(371)	(315)	(331)	(263)	(279)
Net change in plan fiduciary net position	853,774	450,194	(321,127)	941,875	345,523	394,791	317,288	343,522	237,125	214,691
Plan fiduciary net position - beginning	3,382,696	2,932,502	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)	4,236,470	3,382,696	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)	\$ 142,941	\$ (202,339)	\$ (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	96.74%	106.36%	105.17%	117.11%	97.71%	102.53%	101.59%	95.93%	94.31%	108.47%
Covered payroll	\$ 1,620,310	\$ 1,091,644	\$ 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	8.82%	-18.54%	-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** - Effective with the July 1, 2023 valuation date (2024 measurement date), there were several assumption changes. The amortization period decreased from twelve (12) years to ten (10) years, amortization growth rate increased from 2.75% to 2.80%, inflation decreased from 2.50% to 2.30%, salary increases increased from 3.55% to 5.00%, investment rate of return decreased from 6.25% to 6.00%, discount rate decreased from 6.25% to 6.00%, retirement rates changed from "2.0% at 60" to "2.0% at 62" rates, maximum benefits and salary limit decreased from 2.50% to 2.30% per annum, and 70% of participants are assumed to have spouses or registered domestic partners of the same age, assumed to be 80% in last valuation.

**CALIFORNIA VANPOOL AUTHORITY | FOR THE YEAR ENDED JUNE 30, 2024**

## Single-Employer Defined Benefit Pension Plan

## Schedule of Contributions

## Last 10 Years

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 158,248	\$ 129,429	\$ 143,772	\$ 172,796	\$ 160,598	\$ 160,007	\$ 145,265	\$ 128,117	\$ 110,137	\$ 106,671
Actual employer contribution	<u>253,743</u>	<u>328,654</u>	<u>139,426</u>	<u>180,869</u>	<u>182,453</u>	<u>168,862</u>	<u>148,988</u>	<u>131,607</u>	<u>129,543</u>	<u>121,514</u>
Contribution deficiency (excess)	<u>\$ (95,495)</u>	<u>\$ (199,225)</u>	<u>\$ 4,346</u>	<u>\$ (8,073)</u>	<u>\$ (21,855)</u>	<u>\$ (8,855)</u>	<u>\$ (3,723)</u>	<u>\$ (3,490)</u>	<u>\$ (19,406)</u>	<u>\$ (14,843)</u>
Covered payroll	\$ 1,620,310	\$ 1,091,644	\$ 1,289,059	\$ 1,254,559	\$ 1,508,363	\$ 1,364,149	\$ 1,462,591	\$ 1,289,941	\$ 1,252,370	\$ 1,059,077
Contribution as a percentage of covered payroll	15.66%	30.11%	10.82%	14.42%	12.10%	12.38%	10.19%	10.20%	10.34%	11.47%

**Notes to Schedule:**

Methods and assumptions used to determine contribution rates:

Valuation timing	Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Amortization growth rate	2.80%
Asset valuation method	None
Investment rate of return	6.00%
Inflation	2.30%
Salary increases	5.00%
Payroll growth	2.30%
Cost of living adjustment	2.00%
Mortality	Pre-Retirement: Consistent with the Non-Industrial rates used to value the miscellaneous Public Agency CalPERS' Pension plans after June 30, 2021.  Post-Retirement: Consistent with the Non-Industrial rates used to value the miscellaneous Public Agency CalPERS' Pension plans after June 30, 2021.



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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**

To the Board of Directors  
California Vanpool Authority  
Visalia, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the California Vanpool Authority, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the California Vanpool Authority's basic financial statements, and have issued our report thereon dated March 7, 2025.

**Report on Internal Control Over Financial Reporting**

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

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

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

## **Report on Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Jaribu W. Nelson, CPA*

March 7, 2025