

CALIFORNIA VANPOOL AUTHORITY
COUNTY OF KINGS, CALIFORNIA

ANNUAL FINANCIAL REPORTS

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

PREPARED BY
FINANCE DEPARTMENT

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
California Vanpool Authority
Hanford, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the California Vanpool Authority, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the California Vanpool Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditors' Responsibility (Continued)

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the California Vanpool Authority, as of June 30, 2017 and 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2018, on our consideration of the California Vanpool Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the California Vanpool Authority's internal control over financial reporting and compliance.

Dedekian, George, Small & Markarian

Dedekian, George, Small & Markarian
Accountancy Corporation
February 5, 2018

CALIFORNIA VANPOOL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

Introduction

The following discussion and analysis of the financial performance and activity of the California Vanpool Authority (CalVans) provides an introduction and understanding of the basic financial statements of CalVans for the year ended June 30, 2017, with selected comparative information for the year ended June 30, 2016. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

Kings County Area Public Transit Agency (KCAPTA) started the vanpool programs in 2001. The program expanded to include operations in seven neighboring counties. In 2008, KCAPTA began the process of separating the vanpool programs into its own joint powers entity comprised of the counties in which the vanpool programs operated. This process was completed with the formation of CalVans in October of 2011. Since that time CalVans has continued to expand to include a total of eleven members representing 13 counties. CalVans began operating the vanpool programs as of January 1, 2012. All assets and staff related to the vanpool programs were transferred to CalVans as of January 1, 2012.

CalVans is a Joint Powers Agency with ten members as of June 30, 2017. The Board of Directors is comprised of one person from each member agency.

The Financial Statements

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

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

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

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

CALIFORNIA VANPOOL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

The Financial Statements (Continued)

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

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

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

Financial Highlights

Statement of Revenues, Expenses, and Changes in Net Position

A summary of CalVans' Statement of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2017, 2016 and 2015 is as follows:

	2017	2016	Increase/(Decrease)		2015
			Amount	%	
Operating revenue	\$ 8,418,182	\$ 7,539,415	\$ 878,767	12%	\$ 6,972,902
Operating expenses	11,407,066	10,411,288	995,778	10%	9,940,257
Operating loss	(2,988,884)	(2,871,873)	117,011	4%	(2,967,355)
Non-operating revenue	1,733,377	1,123,983	609,394	54%	1,284,040
Capital contributions	-	2,812,741	(2,812,741)	100%	-
Increase/(decrease) in net position	\$ (1,255,507)	\$ 1,064,851	\$ (2,320,358)	(218)%	\$ (1,683,315)

The combined Operating and Non-operating revenues for fiscal year 2017 increased by \$1,488,161 over fiscal year 2016. There was an increase in Operating revenues in 2017 over fiscal year 2016 due to an increase in number of vans being operated. The increase in the Non-operating revenue was primarily due to more vouchers being provided by Cities and an increase in the gain on sale of assets.

Operating expenses for fiscal year 2017 increased by \$995,778 or 10% over fiscal year 2016 primarily due to an increase in number of vans being operated.

Capital contributions in fiscal year 2016 included \$2,812,741 due to a new state grant for the purchase of 80 vans and related equipment. There were no capital contributions received in fiscal year 2017.

CALIFORNIA VANPOOL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

Financial Highlights (Continued)

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

	2017	2016	Increase/(Decrease)		
			Amount	%	2015
Operating Revenue by Major Source					
Passenger fares	\$ 8,377,682	\$ 7,523,935	\$ 853,747	11%	\$ 6,971,702
Auxiliary	40,500	15,480	25,020	162%	1,200
Non-Operating Revenues by Major Source					
Federal grants	16,940	7,028	9,912	141%	55,958
Other State & Local Funding	961,582	438,097	523,485	119%	467,838
San Joaquin Air Pollution Control District	403,290	503,610	(100,320)	(20)%	692,400
Miscellaneous	121,814	79,541	42,273	53%	54,933
Gain on sale of equipment	226,522	106,155	120,367	113%	20,807
Interest income (expense), net	3,229	(10,448)	13,677	131%	(7,896)
Total Revenue	<u>\$ 10,151,559</u>	<u>\$ 8,663,398</u>	<u>\$ 1,488,161</u>	<u>17%</u>	<u>\$ 8,256,942</u>

CalVans passenger fares increased by \$853,747 or 11% in fiscal year 2017 over fiscal year 2016 due to the increase in number of vans being operated.

Federal grants increased by \$9,912 or 141% because JARC program covered the entire year.

State and Local funding increased by \$523,485 or 119% due to increase in Measure C monies and City vouchers available in the current year.

Funding received from the San Joaquin Air Pollution Control District decreased \$100,320 or 20% due to the decrease in riders eligible to receive San Joaquin Air Pollution Control District vouchers.

Miscellaneous revenues increased by \$42,273 or 53% due to more vehicles sold. Gain on sale of equipment increased by \$120,367 or 113%. This is due to more vans sold for a gain.

Interest income (expense), net increased \$3,229 or 131% due to less interest paid on the capital leases.

CALIFORNIA VANPOOL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

Financial Highlights (Continued)

Below is a schedule showing the detail of operating expenditures.

	2017	2016	Increase/(Decrease)		
			Amount	%	2015
Salaries	\$ 1,464,547	\$ 1,296,546	\$ 168,001	13%	\$ 1,311,906
Fringe Benefits	486,022	450,000	36,022		421,327
Maintenance - Equip	1,332,937	1,311,762	21,175	2%	1,065,544
Fuel & Oil	2,446,228	2,380,602	65,626	3%	2,686,746
Other Material & Supplies	149,172	129,598	19,574	15%	56,661
Rents & Leases - Equip	1,262,904	785,413	477,491	61%	562,132
Utilities	32,979	40,508	(7,529)	(19)%	50,752
Insurance	1,128,187	985,819	142,368	14%	986,331
Prof & Spec Services	470,593	509,115	(38,522)	(8)%	382,092
Miscellaneous	903,109	773,526	129,583	17%	729,119
Depreciation	1,730,388	1,748,399	(18,011)	(1)%	1,687,647
Total Operating Expenses	\$ 11,407,066	\$ 10,411,288	\$ 995,778	10%	\$ 9,940,257

Operating expenses, less depreciation, for fiscal year 2017 were \$9,676,678, a net increase from 2016 of \$1,013,789 or 12%. The increase was due to an increase in Salaries, Rents & Leases - Equip, Insurance and Miscellaneous expenses which includes communications and outreach activities.

Salaries expense increased by \$168,001 due to step increases on the salary tables and hiring of additional personnel to meet the growth in vans and areas being served.

Fuel & Oil expense increased by \$65,626 due to addition of vehicles in operations.

Rents & Leases - Equip had an increase of \$477,491 due to the addition of leased vehicles.

Insurance expense had an increase of \$142,368 due to the addition of vehicles.

Miscellaneous expense had an increase of \$129,583 made up mostly of an increase in communications and outreach and marketing expenses.

Depreciation expense decreased by \$18,011 from \$1,748,399 in 2016 to \$1,730,388 in 2017. This was due to the sale of vans which are being replaced with leased vehicles.

CALIFORNIA VANPOOL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

Statement of Net Position

A comparison of CalVans' Statements of Net Position as of June 30, 2017, 2016, and 2015 is as follows:

	2017	2016	Increase/(Decrease)		2015
			Amount	%	
Current assets	\$ 1,715,808	\$ 1,378,898	\$ 336,910	24%	\$ 1,306,559
Noncurrent assets - capital assets, net	3,588,121	5,188,018	(1,599,897)	(31)%	4,145,358
Total Assets	\$ 5,303,929	\$ 6,566,916	(1,262,987)	(19)%	\$ 5,451,917
Current liabilities	699,222	\$ 698,572	650	0%	\$ 588,462
Noncurrent liabilities	24,291	32,421	(8,130)	(25)%	92,383
Total Liabilities	\$ 723,513	\$ 730,993	(7,480)	(1)%	\$ 680,845
Net position:					
Invested in capital assets net of related debt	3,555,700	5,055,434	(1,499,734)	(30)%	3,956,140
Unrestricted	1,024,716	780,489	244,227	31%	814,932
Total Net Position	\$ 4,580,416	\$ 5,835,923	\$ (1,255,507)	(22)%	\$ 4,771,072

Current Assets increased by \$336,910 primarily because of increased revenues resulting in increase in Accounts Receivables.

Noncurrent Assets decreased by \$1,599,897 primarily due to the sale of vehicles.

Current Liabilities increased by \$650 due to an increase in Accounts Payable.

Noncurrent Liabilities decreased by \$8,130 due to long term liabilities becoming current.

CALIFORNIA VANPOOL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

Statement of Cash Flow/Cash Investments

A comparison presentation of CalVans' major sources and uses of cash, for the years ended June 30, 2017, 2016 and 2015 are as follows:

	2017	2016	Increase/(Decrease)		
			Amount	%	2015
Net cash used in operating activities	\$(1,251,529)	\$ (1,012,311)	\$ (239,218)	24%	\$ (1,392,756)
Net cash provided by noncapital financing activities	1,592,830	876,948	715,882	82%	1,203,200
Net cash used in (provided by) capital and related financing activities	(7,685)	56,107	(63,792)	(114)%	(39,972)
Net cash provided by investing activities	6,782	4,648	2,134	46%	3,122
Net (decrease) increase in cash and cash	340,398	(74,608)	415,006	(556)%	(226,406)
Cash and cash equivalents, beginning of year	314,492	389,100	(74,608)	(19)%	615,506
Cash and cash equivalents, end of year	\$ 654,890	\$ 314,492	\$ 340,398	108%	\$ 389,100

Overall, the total cash at the end of 2017 increased by \$340,398 over 2016 primarily due to the timing of collection of Accounts Receivables and increased revenue.

CALIFORNIA VANPOOL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

Capital Assets

Details of the capital assets, net of accumulated depreciation, as of June 30, 2017, 2016 and 2015 are as follows:

	2017	2016	Increase/(Decrease)		2015
			Amount	%	
Current assets being depreciated					
Vans	\$ 12,866,928	\$14,290,061	\$ (1,423,133)	(10)%	\$ 12,775,847
Administrative vehicles	145,004	145,004	-	-	145,004
Equipment - vans	1,319,240	1,246,940	72,300	6%	986,540
Equipment - office	398,129	398,129	-	-	356,035
Structures & improvements	101,055	-	101,055	100%	-
Total capital assets being depreciated	14,830,356	16,080,134	(1,249,778)	(8)%	14,263,426
Less: accumulated depreciation:					
Vans	(9,818,381)	(9,616,113)	(202,268)	2%	(9,059,488)
Administrative vehicles	(145,004)	(145,004)	-	-	(120,836)
Equipment - vans	(911,591)	(772,159)	(139,432)	18%	(644,684)
Equipment - office	(367,259)	(358,840)	(8,419)	2%	(293,060)
Structures & improvements	-	-	-	-	-
Total accumulated depreciation	(11,242,235)	(10,892,116)	(350,119)	3%	(10,118,068)
Capital Assets, net	\$ 3,588,121	\$ 5,188,018	\$ (1,599,897)	(31)%	\$ 4,145,358

As of the end of fiscal year 2017, CalVans' capital assets, before accumulated depreciation, decreased by \$1,249,778 over fiscal year 2016. This was due to a net change in purchased vehicles versus sold vehicles.

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

Long Term Debt

At the end of the fiscal year 2017, CalVans had one (1) capital lease obligations outstanding in the amount of \$32,421.

CALIFORNIA VANPOOL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

Economic Condition, Outlook, and Activity

As a vanpool provider to over 13 counties across the State of California, CalVans' staff works with individuals and companies in various industries involving government employees, farm workers, and growers. With a goal of providing mobility to workers, staff meets with those interested in forming vanpools to both save money and/or provide a form of transportation currently not available. Vehicles are moved between regions as the work centers shift due to employment or economic cycles.

This past year farm workers became one of the larger user groups, surpassing State and Federal employees. This resulted from the willingness of Farm Labor Contractors and Growers to provide vouchers to their workers. Presently 85% of farm workers vanpools receive a voucher from their employer that covers 100% of the rider's cost. This is being done to attract qualified workers and to ensure compliance with the US DOL regulations on transporting farm workers. State workers continue to receive \$65 a month, while Federal workers receive \$255. These incentives coupled with that being provided to the farm workers will continue to be the main drivers of the program.

For the longer term, more member agencies are providing subsidies to vanpools in their region with the goal of increased Federal funding to their local transit agencies. Presently seven member agencies provide subsidies that average \$400 per month. The agencies wish to grow the federal funds CalVans gets through the reporting of its vanpool ridership data. CalVans is now generating \$10 million in federal funds that is allocated to various transit agencies in the CalVans region. The growth of the program in other areas continues in a large part due to its visibility in the regions it serves and the addition of new member agencies. The various subsidies for new users also play a part, with participants continuing to vanpool once the subsidy ends. The growth has led to the establishment of a new office and addition of staff in Stockton to handle the expansion in that region.

CalVans expects to be awarded \$6 million in the fiscal year 17/18 from the California Air Resources Board Air Quality Improvement Program for funding agricultural worker vanpools. These funds will be used to purchase up to 150 hybrid 15-passenger vans for replacement and expansion. CalVans is receiving the funds because it can demonstrate a reduction in greenhouse gas and service to those in minority areas that are impacted by poor water, air and economic conditions.

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

Contacting CalVans' Financial Management

CalVans' financial report is designed to provide CalVans' Board of Directors, management, and the public with an overview of CalVans' finances. For additional information about this report, please contact Ron Hughes, Executive Director, at 1340 North Drive, Hanford, CA 93230-5962.

CALIFORNIA VANPOOL AUTHORITY
STATEMENTS OF NET POSITION
JUNE 30, 2017 AND 2016

	2017	2016
<u>ASSETS</u>		
Current assets:		
Cash	\$ 654,890	\$ 314,492
Receivables	1,059,915	1,063,343
Prepaid expenses	1,003	1,063
Total current assets	1,715,808	1,378,898
Noncurrent assets:		
Capital assets:		
Vans	12,866,928	14,290,061
Administrative vehicles	145,004	145,004
Equipment - vans	1,319,240	1,246,940
Equipment - office	398,129	398,129
Structures and improvements	101,055	-
Less accumulated depreciation	(11,242,235)	(10,892,116)
Total capital assets (net of accumulated depreciation)	3,588,121	5,188,018
Total noncurrent assets	3,588,121	5,188,018
TOTAL ASSETS	\$ 5,303,929	\$ 6,566,916
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	\$ 539,722	\$ 449,651
Accrued compensated absences	151,370	148,758
Current capital leases payable	8,130	100,163
Total current liabilities	699,222	698,572
Noncurrent liabilities:		
Capital leases payable	24,291	32,421
Total noncurrent liabilities	24,291	32,421
TOTAL LIABILITIES	723,513	730,993
<u>NET POSITION</u>		
Invested in capital assets, net of related debt	3,555,700	5,055,434
Unrestricted	1,024,716	780,489
TOTAL NET POSITION	\$ 4,580,416	\$ 5,835,923

The accompanying notes are an integral part of these financial statements

CALIFORNIA VANPOOL AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
<u>OPERATING REVENUES</u>		
Passenger fares	\$ 8,377,682	\$ 7,523,935
Advertising revenue	40,500	15,480
Total operating revenues	8,418,182	7,539,415
<u>OPERATING EXPENSES</u>		
Salaries & benefits	1,950,569	1,746,546
Insurance	1,128,187	985,819
Professional & specialized services	1,733,497	1,294,528
General & administrative	1,085,260	943,632
Fuel, repairs, and maintenance	3,779,165	3,692,364
Depreciation	1,730,388	1,748,399
Total operating expenses	11,407,066	10,411,288
OPERATING LOSS	(2,988,884)	(2,871,873)
<u>NON-OPERATING REVENUE (EXPENSES)</u>		
Federal grants	16,940	7,028
State and local funding	1,364,872	941,707
Gain on sale of equipment	226,522	106,155
Other income	121,814	79,541
Interest income	6,782	4,648
Interest expense	(3,553)	(15,096)
Total non-operating revenues (expenses)	1,733,377	1,123,983
NET LOSS BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(1,255,507)	(1,747,890)
<u>CAPITAL CONTRIBUTIONS AND TRANSFERS</u>		
Contributions from governmental agencies	-	2,812,741
Total capital contributions and transfers	-	2,812,741
INCREASE (DECREASE) IN NET POSITION	(1,255,507)	1,064,851
TOTAL NET POSITION, BEGINNING OF YEAR	5,835,923	4,771,072
TOTAL NET POSITION, END OF YEAR	\$ 4,580,416	\$ 5,835,923

The accompanying notes are an integral part of these financial statements

CALIFORNIA VANPOOL AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts from customers	\$ 8,332,406	\$ 7,493,958
Payments to suppliers, contracted entities, and others	(7,635,978)	(6,763,222)
Payments to employees	(1,947,957)	(1,743,047)
Net cash used in operating activities	<u>(1,251,529)</u>	<u>(1,012,311)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>		
Federal, state, and local operating assistance	<u>1,592,830</u>	<u>876,948</u>
Net cash provided by noncapital financing activities	<u>1,592,830</u>	<u>876,948</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Federal and state capital grants received	-	2,812,741
Proceeds from sale of capital assets	269,394	142,470
Payments for capital assets	(173,363)	(2,785,280)
Principal paid on capital leases	(100,163)	(98,728)
Interest paid on debt	(3,553)	(15,096)
Net cash (used in) provided by capital and related financing activities	<u>(7,685)</u>	<u>56,107</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest from investments	<u>6,782</u>	<u>4,648</u>
Net cash provided by investing activities	<u>6,782</u>	<u>4,648</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	340,398	(74,608)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>314,492</u>	<u>389,100</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>654,890</u></u>	<u><u>314,492</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	(2,988,884)	(2,871,873)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	1,730,388	1,748,399
(Increase) decrease in:		
Accounts receivable	(85,776)	(45,457)
Prepaid expenses	60	49,838
Increase (decrease) in:		
Accounts payable	90,071	103,283
Accrued payroll and related liabilities	2,612	3,499
Net cash used in operating activities	<u><u>\$ (1,251,529)</u></u>	<u><u>\$ (1,012,311)</u></u>

SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING TRANSACTIONS

CalVans had non-cash financing transactions relating to a capital lease on new equipment of \$42,094 for the year ended June 30, 2016.

CALIFORNIA VANPOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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, Kings County Association of Governments, Madera County Transportation Commission, Santa Barbara County Association of Governments, Tulare County Association of Governments, Ventura County Transportation Commission, Kern Council of Governments, Merced County Association of Governments, the Imperial County Transportation Commission, and the San Joaquin Council of Governments.

The program began in 2001 under Kings County Area Public Transit Agency (KCAPTA), in response to requests from State Correctional officers traveling to local State Facilities and from Governor's office seeking a safe way to transport farm workers. The program for the State employees was established with the employees paying 100% of the program cost. The program for the farmworkers was funded by State and Federal grants with the goal of establishing a self-sustaining program. What started with one vanpool for a State employee and her coworkers has grown to a program providing over 550 vanpools serving State and Federal workers, teachers, students and farm workers. This growth resulted in the formation of CalVans, a separate public agency established to provide vanpool services.

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

CALIFORNIA VANPOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017 AND 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting and Presentation

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

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

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Basis of Accounting

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

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

CALIFORNIA VANPOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017 AND 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Pooled Cash and Investments

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

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

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

D. Capital Assets

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

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

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

E. Accrued Vacation and Sick Leave

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

CALIFORNIA VANPOOL AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017 AND 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Accrued Vacation and Sick Leave (Continued)

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

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

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

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

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

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

F. 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.

CALIFORNIA VANPOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017 AND 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Classification of Revenues and Expenses (Continued)

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.

G. Contributed Capital

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, capital grants are required to be included in the determination of net income, resulting in net revenue of \$0 for the year ended June 30, 2017, and net revenue of \$2,812,741 for the year ended June 30, 2016.

H. Federal, State, and Local Grants

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

I. 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.

J. Reclassifications

Certain amounts in the 2016 financial statements have been reclassified for comparative purposes to conform to the presentation in the 2017 financial statements.

CALIFORNIA VANPOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017 AND 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. 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 (“GHG”) emissions. These projects increase the accessibility of housing, employment centers, and key destinations via low-carbon transportation options (walking, biking, transit) resulting in fewer vehicle miles traveled (VMT) and mode shift.

CALIFORNIA VANPOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017 AND 2016

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, 2017 and 2016, CalVans had \$570,975 and \$198,637, respectively, with the County Treasurer. The fair market value of this pool as of that date, provided by the pool sponsor, was \$569,371 and \$199,114, respectively.

At June 30, 2017 and 2016, the reported amount of CalVans' deposits with banks was \$83,915 and \$115,855, respectively.

The County is authorized to deposit cash and invest excess funds by *California Government Code* Sections 53601 et. seq., 53635 et. seq., and 53648 et. seq. The County is restricted by *Government Code* Section 53635, pursuant to Section 53601, to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, banker's acceptances, commercial paper, negotiable certificates of deposit, and repurchase agreements.

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

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

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

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

CALIFORNIA VANPOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017 AND 2016

NOTE 3: RECEIVABLES

Receivables consist of the following at June 30:

	<u>2017</u>	<u>2016</u>
Accounts receivable	\$ 705,537	\$ 619,761
Due from other governments	354,378	443,582
	<u>\$ 1,059,915</u>	<u>\$ 1,063,343</u>

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

NOTE 4: CAPITAL ASSETS AND DEPRECIATION

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

	<u>Balance</u>			<u>Balance</u>
	<u>June 30, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2017</u>
Capital assets being depreciated:				
Vans	\$ 14,290,061	\$ 8	\$ (1,423,141)	\$ 12,866,928
Administrative vehicles	145,004	-	-	145,004
Equipment – vans	1,246,940	72,300	-	1,319,240
Equipment – office	398,129	-	-	398,129
Structures & improvements	-	101,055	-	101,055
Total capital assets, being depreciated:	<u>16,080,134</u>	<u>173,363</u>	<u>(1,423,141)</u>	<u>14,830,356</u>
Less accumulated depreciation for:				
Vans	(9,616,113)	(1,582,537)	1,380,269	(9,818,381)
Administrative vehicles	(145,004)	-	-	(145,004)
Equipment – vans	(772,159)	(139,432)	-	(911,591)
Equipment – office	(358,840)	(8,419)	-	(367,259)
Total accumulated depreciation:	<u>(10,892,116)</u>	<u>(1,730,388)</u>	<u>1,380,269</u>	<u>(11,242,235)</u>
Capital assets, net	<u>\$ 5,188,018</u>	<u>\$ (1,557,025)</u>	<u>\$ (42,892)</u>	<u>\$ 3,588,121</u>

Depreciation expense for the year ended June 30, 2017 was \$1,730,388. Depreciation expense for the year ended June 30, 2016 was \$1,748,399.

CALIFORNIA VANPOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017 AND 2016

NOTE 5: LONG-TERM LIABILITIES

A summary of long-term liability activity for the year ended June 30, 2016 is as follows:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
Capital leases:					
AT&T Capital Bank	\$ 92,382	\$ -	\$ (92,382)	\$ -	\$ -
Kansas State Bank	40,202	-	(7,781)	32,421	8,130
Total capital leases	132,584	-	(100,163)	32,421	8,130
Compensated absences*	148,758	2,612	-	151,370	151,370
Total	\$ 281,342	\$ 2,612	\$ (100,163)	\$ 183,791	\$ 159,500

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

Capital Leases

CalVans entered into one contract with AT&T Capital Bank during the year ended June 30, 2015 to purchase various mobile data terminals. The contract was for the amount of \$289,675 borrowed at an effective annual interest rate of 4.176%. Thirty six payments are scheduled and the note will mature June 2017.

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

Leased equipment under capital leases in capital assets at June 30, 2016, included the following:

Equipment	\$ 331,769
Less: Accumulated Depreciation	173,805
Net	<u>\$ 157,964</u>

As of June 30, 2017, future minimum lease payments are as follows:

2018	8,130
2019	8,495
2020	8,877
2021	6,919
2022	-
Thereafter	-
	<u>\$ 32,421</u>

CALIFORNIA VANPOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017 AND 2016

NOTE 6: OPERATING LEASE COMMITMENTS

In fiscal year 2017, CalVans leased 258 vehicles from Merchants Automotive Group Inc. The 258 have not met their minimum operating lease requirement. For the year ended June 30, 2017, the minimum lease obligation associated with these vehicles approximated \$1,262,904.

CalVans has entered into a number of rental agreements held as operating leases, these leases have cancellation provisions and are subject to annual appropriations. For the year ended June 30, 2017, these rental lease expenditures approximated \$72,458 for leases related to CalVans operations.

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

NOTE 7: COMPENSATED ABSENCES

Accumulated compensated absences payable in future years is recorded as an expense in the year earned by employees. CalVans had 33 employees during the fiscal year. The accrued benefits at June 30, 2017 and 2016 were \$151,370 and \$148,758, respectively.

NOTE 8: DEFINED BENEFIT PENSION PLAN

Description of Plan

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

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

CALIFORNIA VANPOOL AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2017 AND 2016

NOTE 8: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Benefits Provided

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

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

At June 30, 2017, the following employees were covered by the Plan:

Active employees	27
Inactive employees or beneficiaries currently receiving benefits	-
Inactive employees entitled to but not yet receiving benefits	-
	27
	27

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, 2017, the employee contribution rate was 8.54%. 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, 2017 was 9.93% or \$128,117. Actual contributions for the year equaled \$131,607.

CALIFORNIA VANPOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017 AND 2016

NOTE 9: DEFERRED COMPENSATION PLAN

CalVans has made available to its eligible employees a deferred compensation plan under the terms of Section 457 of the Internal Revenue Code. CalVans matches 33.3% of the management employee's deferral up to a maximum of \$2,500 annually. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Amounts accumulated under the plan have been invested in several investment options at the discretion of the employee. As of June 30, 2017 and 2016, \$49,996 and \$47,190, respectively, have been contributed to the Deferred Compensation Plan, which is not included as part of the financial statements.

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

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 \$16,940 for the year ended June 30, 2017, and \$7,028 for the year ended June 30, 2016.

CALIFORNIA VANPOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017 AND 2016

NOTE 12: RISK MANAGEMENT LIABILITY

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

CALIFORNIA VANPOOL AUTHORITY
SCHEDULE OF INSURANCE COVERAGE
JUNE 30, 2017

<u>Type of Coverage</u>	<u>Amount of Coverage</u>	<u>Effective Dates</u>
Worker's Compensation	1,000,000	12/26/2016 to 12/26/2017
Commercial Property	Varies	12/26/2016 to 12/26/2017
General Liability	\$2,000,000	12/26/2016 to 12/26/2017
Commercial Automobile	\$1,000,000	12/26/2016 to 12/26/2017
Automobile Excess Liability	\$9,000,000	12/26/2016 to 12/26/2017
Crime Policy	Varies	12/26/2016 to 12/26/2017

REQUIRED SUPPLEMENTARY INFORMATION

CALIFORNIA VANPOOL AUTHORITY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 FOR THE YEAR ENDED JUNE 30, 2017
 LAST 10 YEARS*

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Actuarially determined contribution	\$ 128,117	\$ 110,137	\$ 106,671
Actual employer contribution	131,607	129,543	121,514
Contribution deficiency (excess)	<u>(3,490)</u>	<u>(19,406)</u>	<u>(14,843)</u>
Covered payroll	\$ 1,289,941	\$ 1,252,370	\$ 1,059,077
Contribution as a percentage of covered payroll	10.20%	10.34%	11.47%

Notes to Schedule:

Valuation date: June 30, 2015

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	18 years
Asset valuation method	none
Inflation	2.75%
Salary increases	Varies by years of service
Cost of living adjustment	2.0%
Investment rate of return	7.0%
Mortality	Consistent with the Non-Industrial rates used to value the Miscellaneous CalPERS Pension Plans.

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

OTHER REPORTS SECTION

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

The Board of Directors
California Vanpool Authority
Hanford, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the California Vanpool Authority, as of and for the year ended June 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated February 5, 2018.

Internal Control Over Financial Reporting

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

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

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

Internal Control Over Financial Reporting (Continued)

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

Compliance and Other Matters

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

Purpose of this Report

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

Dedekian, George, Small & Markarian

Dedekian, George, Small & Markarian
Accountancy Corporation
February 5, 2018