CALIFORNIA VANPOOL AUTHORITY
COUNTY OF KINGS, CALIFORNIA

ANNUAL FINANCIAL REPORTS

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

PREPARED BY
FINANCE DEPARTMENT

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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, 2015 and 2014, 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.

Auditors' 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. 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.

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<u>INDEPENDENT AUDITORS' REPORT</u>

The Board of Directors
California Vanpool Authority
Hanford, California

Report on 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, 2015 and 2014, 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.

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Auditors' Responsibility (Continued)

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, 2015 and 2014, 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.

Emphasis of Matter

Implementation of GASB Statements No. 68 and 71

During the year ended June 30, 2015, California Vanpool Authority adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans - an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB No. 68.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated January 25, 2016, 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
January 25, 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, 2015, with selected comparative information for the year ended June 30, 2014. 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 ten members representing 12 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, 2015. 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.

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, 2015, 2014 and 2013 is as follows:

			Increase/(Decrease)		
	2015	2014	Amount	%	2013
Operating revenue	$ 6,972,902	$ 6,777,562	$ 195,340	3%	$ 6,432,286
Operating expenses	9,940,257	9,589,408	350,849	4%	9,243,628
Operating loss	(2,967,355)	(2,811,846)	(155,509)	6%	(2,811,342)
Non-operating revenue	1,284,040	1,563,639	(279,599)	(18)%	952,594
Capital contributions	-	653,878	(653,878)	(100)%	1,573,705
Increase/(decrease) in net position	$ (1,683,315)	$ (594,329)	$ (1,088,986)	183%	$ (285,043)

The combined Operating and Non-operating revenues for fiscal year 2015 decreased by $84,259 over fiscal year 2014. There was an increase in Operating revenues in 2015 over fiscal year 2014 due to an increase in number of vans being operated. The decrease in the Non-operating revenue was due to a decrease in Federal grants and Miscellaneous revenues.

Operating expenses for fiscal year 2015 increased by $350,849 or 4% over fiscal year 2014 primarily due to an increase in number of vans being operated and an increase in wages.

There were zero Capital contributions in fiscal year 2015 due to lack of grant funding.

Financial Highlights (Continued)

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

			Increase/(Decrease)		
	2015	2014	Amount	%	2013
Operating Revenue by Major Source					
Passenger fares	$ 6,971,702	$ 6,777,562	$ 194,140	3%	$ 6,432,286
Auxiliary	1,200	-	1,200	100%	-
Non-Operating Revenues by Major Source					
Federal grants	55,958	166,590	(110,632)	(66)%	81,379
Measure C Funding	467,838	518,933	(51,095)	(10)%	361,701
San Joaquin Air Pollution Control District	692,400	603,456	88,944	15%	474,459
Miscellaneous	54,933	193,374	(138,441)	(72)%	12,657
Gain (loss) on sale of equipment	20,807	78,522	(57,715)	(74)%	19,536
Interest income (expense), net	(7,896)	2,764	(10,660)	(386)%	2,862
Total Revenue	$ 8,256,942	$ 8,341,201	$ (84,259)	(1)%	$ 7,384,880

CalVans passenger fares increased by $194,140 or 3% in fiscal year 2015 over fiscal year 2014 due to the increase in number of vans being operated.

Federal grants decreased by $110,632 or 66% due to the completion of the JARC program.

Measure C funding decreased by $51,095 or 10% due to a reduction in number of vans eligible for grant funding.

Funding received from the San Joaquin Air Pollution Control District increased $88,944 or 15% due to the increase in riders eligible to receive San Joaquin Air Pollution Control District vouchers.

Miscellaneous revenues decreased by $138,441 or 72% due to fewer vehicle sold and completion of Guaranteed Ride Home program.

Gain on sale of equipment decreased by $57,715 or 74%. This is due to fewer vans sold for gain. Interest income (expense), net increased $10,660 or 386% due to the interest paid on a capital lease.

Financial Highlights (Continued)

Below is a schedule showing the detail of operating expenditures.

			Increase/(Decrease)		
	2015	2014	Amount	%	2013
Salaries	$ 1,311,906	$ 1,314,746	$ (2,840)	0%	$ 1,158,778
Fringe Benefits	421,327	412,143	9,184	2%	415,729
Maintenance - Equip	1,065,544	770,112	295,432	38%	821,798
Fuel & Oil	2,686,746	3,004,642	(317,896)	(11)%	3,039,677
Other Material & Supplies	56,661	23,571	33,090	140%	30,045
Rents & Leases - Equip	562,132	433,592	128,540	30%	304,420
Utilities	50,752	52,184	(1,432)	(3)%	38,158
Insurance	986,331	850,457	135,874	16%	766,152
Prof & Spec Services	382,092	225,536	156,556	69%	155,199
Miscellaneous	729,119	636,909	92,210	14%	686,808
Depreciation	1,687,647	1,865,516	(177,869)	(10)%	1,826,864
Total Operating Expenses	$ 9,940,257	$ 9,589,408	$ 350,849	4%	$ 9,243,628

Operating expenses, less depreciation, for fiscal year 2015 were $8,252,610 a net increase from 2014 of $528,718 or 7%. The increase was due to an increase in Maintenance of Equipment, Rents & Leases of Equip, Insurance and Professional & Specialized Services.

Maintenance - Equip had an increase of $295,432 resulting from aging fleet.

Rents & Leases - Equip had an increase of $128,540 due to the addition of lease purchased vehicles.

The increase in Insurance expense in the amount of $135,874 was due to an increase in fleet size.

The Professional & Specialized services increased $156,556 as a result of the increased vanpool activity in the Imperial Region.

Miscellaneous expense had an increase of $92,210 made up mostly of an increase in communications expense. The increase was a result of upgrading the vehicles' Mobile Data Terminals.

Fuel & Oil expense decreased by $317,896 due to lower fuel prices.

Depreciation expense decreased by $177,869 from $1,865,516 in 2014 to $1,687,647 in 2015. This was due to a net change in purchased vehicles versus sold vehicles.

Statement of Net Position

A comparison of CalVans' Statement of Net Position as of June 30, 2015, 2014, and 2013 is as follows:

			Increase/(Decrease)		
	2015	2014	Amount	%	2013
Current assets	$ 1,306,559	$ 1,310,974	$ (4,415)	0%	$ 783,169
Noncurrent assets - capital assets, net	4,145,358	5,594,026	(1,448,668)	(26)%	6,862,089
Total Assets	$ 5,451,917	$ 6,905,000	$(1,453,083)	(21)%	$ 7,645,258
Current liabilities	$ 588,462	$ 450,613	$ 137,849	31%	$ 596,542
Noncurrent liabilities	92,383	-	92,383	100%	-
Total Liabilities	$ 680,845	$ 450,613	$ 230,232	51%	$ 596,542
Net position:					
Invested in capital assets net of related debt	3,956,140	5,594,026	(1,637,886)	(29)%	6,862,089
Unrestricted	814,932	860,361	(45,429)	(5)%	186,627
Total Net Position	$ 4,771,072	$ 6,454,387	$(1,683,315)	(26)%	$ 7,048,716

Current Assets decreased by $4,415 primarily because of decrease in Cash greater than the increase in Accounts Receivables.

Noncurrent Assets decreased by $1,448,668 primarily due to increase in Accumulated Depreciation.

Current Liabilities increased by $137,849 primarily due to a new capital lease and an increase in Accounts Payable.

Noncurrent Liabilities increased by $92,383 due to the long term portion of the capital lease.

Statement of Cash Flow/Cash Investments

A comparison presentation of CalVans' major sources and uses of cash, for the years ended June 30, 2015, 2014 and 2013 are as follows:

			Increase/(Decrease)		
	2015	2014	Amount	%	2013
Net cash used in operating activities	$ (1,392,756)	$ (1,210,565)	$ (182,191)	15%	$ (806,807)
Net cash provided by noncapital financing activities	1,203,200	1,687,770	(484,570)	(29)%	823,129
Net cash used in (provided by) capital and related financing activities	(39,972)	134,947	(174,919)	(130)%	(314,695)
Net cash provided by investing activities	3,122	2,764	358	13%	2,862
Net (decrease) increase in cash and cash equivalents	(226,406)	614,916	(841,322)	(137)%	(295,511)
Cash and cash equivalents, beginning of year	615,506	590	614,916	104,223%	296,101
Cash and cash equivalents, end of year	$ 389,100	$ 615,506	$ (226,406)	(37)%	$ 590

Overall, the total cash at the end of 2015 decreased by $226,406 over 2014 primarily due to increase in Accounts Receivables and Prepaid expenses.

Capital Assets

Details of the capital assets, net of accumulated depreciation, as of June 30, 2015, 2014 and 2013 are as follows:

			Increase/(Decrease)		
	2015	2014	Amount	%	2013
Current assets being depreciated					
Vans	$ 12,775,847	$ 13,311,586	$ (535,739)	(4)%	$ 13,277,539
Administrative vehicles	145,004	145,004	-	0%	164,791
Equipment - vans	986,540	825,178	161,362	20%	825,178
Equipment - office	356,035	356,035	-	0%	356,035
Total capital assets being depreciated	14,263,426	14,637,803	(374,377)	(3)%	14,623,543
Less: accumulated depreciation:					
Vans	(9,059,488)	(8,164,590)	(894,898)	11%	(7,127,724)
Administrative vehicles	(120,836)	(91,836)	(29,000)	32%	(82,622)
Equipment - vans	(644,684)	(564,812)	(79,872)	14%	(399,776)
Equipment - office	(293,060)	(222,539)	(70,521)	32%	(151,332)
Total accumulated depreciation	(10,118,068)	(9,043,777)	(1,074,291)	12%	(7,761,454)
Capital Assets, net	$ 4,145,358	$ 5,594,026	$ (1,448,668)	(26)%	$ 6,862,089

As of the end of fiscal year 2015, CalVans' capital assets, before accumulated depreciation, decreased by $374,377 over fiscal year 2014. 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 2015, CalVans had one (1) capital lease obligation outstanding in the amount of $189,218.

Economic Condition, Outlook, and Activity

As a vanpool provider to over 12 counties across the State of California, CalVans' staff works with individuals and companies in various industries involving government employees, agricultural 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.

State and Federal employees continue to be one of the larger user groups of the CalVans program. This is in part a result of incentives they receive for ridesharing. State workers can receive $65 a month while Federal workers can receive $130. In addition, those in the San Joaquin Valley can receive an additional $30 a month voucher from the San Joaquin Air District.

Vanpool growth in the Fresno County area continues to be higher than that found in other areas. This is due in a large part to the Fresno County Measure C program that continues to provide monthly support for Fresno County residents who wish to vanpool. In addition, Fresno County Rural Transit Agency has purchased 70 new vans over the past several years for use by Fresno residents. These two efforts have and will continue to drive vanpool growth in the Fresno County area.

The growth of the program continues in a large part due to its visibility in the regions it serves. The various subsidies for new users also play a part, with participants continuing to vanpool once the subsidy ends.

The agency was successful in receiving three million dollars in Cap and Trade funds now being made available by the Governors office. These funds will be used to purchase 80 vans for replacement and expansion. Future funds look promising and will be used in the same fashion. CalVans is receiving the funds because it can demonstrate a reduction in green house gas by those who use its services.

Use of vouchers by agricultural contractors and growers continues to grow. Growers like the use of vouchers because it gives them the ability to attract workers while complying with new field health and safety rules. In addition it allows workers to travel greater distances to work, where they would not have traveled on their own.

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, 2015 AND 2014

	2015	2014
ASSETS		
Current assets:		
Cash	$ 389,100	$ 615,506
Receivables	866,558	695,142
Prepaid expenses	50,901	326
Total current assets	1,306,559	1,310,974
Noncurrent assets:		
Capital assets:		
Vans	12,775,847	13,311,586
Administrative vehicles	145,004	145,004
Equipment - vans	986,540	825,178
Equipment - office	356,035	356,035
Less accumulated depreciation	(10,118,068)	(9,043,777)
Total capital assets (net of accumulated depreciation)	4,145,358	5,594,026
Total noncurrent assets	4,145,358	5,594,026
TOTAL ASSETS	$ 5,451,917	$ 6,905,000
LIABILITIES		
Current liabilities:		
Accounts payable	$ 346,368	$ 321,903
Accrued payroll & related liabilities	145,259	128,710
Current capital leases payable	96,835	-
Total current liabilities	588,462	450,613
Noncurrent liabilities:		
Capital leases payable	92,383	-
Total noncurrent liabilities	92,383	-
TOTAL LIABILITIES	680,845	450,613
NET POSITION		
Invested in capital assets, net of related debt	3,956,140	5,594,026
Unrestricted	814,932	860,361
TOTAL NET POSITION	$ 4,771,072	$ 6,454,387

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, 2015 AND 2014

	2015	2014
OPERATING REVENUES		
Passenger fares	$ 6,971,702	$ 6,777,562
Advertising revenue	1,200	-
Total operating revenues	6,972,902	6,777,562
OPERATING EXPENSES		
Salaries & benefits	1,733,233	1,726,889
Insurance	986,331	850,457
Professional & specialized services	944,224	659,128
General & administrative	822,535	699,550
Fuel, repairs, and maintenance	3,766,287	3,787,868
Depreciation	1,687,647	1,865,516
Total operating expenses	9,940,257	9,589,408
OPERATING LOSS	(2,967,355)	(2,811,846)
NON-OPERATING REVENUE (EXPENSES)		
Federal & state operating grants	55,958	166,590
Other governmental funds	1,160,238	1,122,389
Gain on sale of equipment	20,807	78,522
Other income	54,933	193,374
Interest income	3,122	2,764
Interest expense	(11,018)	-
Total non-operating revenues (expenses)	1,284,040	1,563,639
NET LOSS BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(1,683,315)	(1,248,207)
CAPITAL CONTRIBUTIONS AND TRANSFERS		
Contributions from governmental agencies	-	653,878
Transfer in	-	-
Total capital contributions and transfers	-	653,878
INCREASE (DECREASE) IN NET POSITION	(1,683,315)	(594,329)
TOTAL NET POSITION, BEGINNING OF YEAR	6,454,387	7,048,716
TOTAL NET POSITION, END OF YEAR	$ 4,771,072	$ 6,454,387

The accompanying notes are an integral part of these financial statements

CALIFORNIA VANPOOL AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 6,869,415	$ 6,659,582
Payments to suppliers, contracted entities, and others	(6,545,487)	(6,154,639)
Payments to employees	(1,716,684)	(1,715,508)
Net cash used in operating activities	(1,392,756)	(1,210,565)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Federal, state, and local operating assistance	1,203,200	1,687,770
Transfers in	-	-
Net cash provided by noncapital financing activities	1,203,200	1,687,770
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Federal and state capital grants received	-	653,878
Proceeds from sale of capital assets	89,346	101,276
Payments for capital assets	(17,843)	(620,207)
Principal paid on capital leases	(100,457)	-
Interest paid on debt	(11,018)	-
Net cash (used in) provided by capital and related financing activities	(39,972)	134,947
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest from investments	3,122	2,764
Net cash provided by investing activities	3,122	2,764
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(226,406)	614,916
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	615,506	590
CASH AND CASH EQUIVALENTS AT END OF YEAR	389,100	615,506
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	(2,967,355)	(2,811,846)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	1,687,647	1,865,516
(Gain) loss on sale of capital assets	-	-
(Increase) decrease in:		
Accounts receivable	(103,487)	(117,980)
Prepaid expenses	(50,575)	(326)
Increase (decrease) in:		
Accounts payable	24,465	(157,310)
Accrued payroll and related liabilities	16,549	11,381
Net cash used in operating activities	$ (1,392,756)	$ (1,210,565)

SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING TRANSACTIONS

During the year ended June 30, 2014, Fresno County Rural Transit Agency contributed net capital assets related to the vanpool program to CalVans in the amount of $653,878.

The accompanying notes are an integral part of these 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 ten 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 and the Imperial County Transportation Commission. The Napa County Transportation and Planning Agency was part of the joint powers agency from February 2012 through February 2015.

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 Governors 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 one providing over 450 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.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Implementation of New Pronouncements

During the year ended June 30, 2015, CalVans implemented the following accounting and financial reporting standards:

Government Accounting Standards Board Statement No. 68

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions- an amendment of GASB Statement No. 27.* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows and resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Government Accounting Standards Board Statement No. 71

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date – an Amendment of GASB No. 68.* The objective of this Statement is to address the issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions.* The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68.

D. 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Capital Assets

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

	Years
Revenue equipment	5-10
Service vehicles, shop, office, and other equipment	5-10

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

F. Accrued Vacation and Sick Leave

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

The retiree health benefit percentage 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Accrued Vacation and Sick Leave (Continued)

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.

G. 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. 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, 2015, and net revenue of $653,878 for the year ended June 30, 2014.

I. 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.

J. 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.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Funding Sources/Programs (Continued)

Federal Grants (Continued)

Other Governmental Grants Capital and Operating Grants

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.

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, 2015 and 2014, CalVans had $331,568 and $530,412, respectively, with the County Treasurer. The fair market value of this pool as of that date, provided by the pool sponsor, was $331,506 and $529,713, respectively.

At June 30, 2015and 2014, the reported amount of CalVans' deposits with banks was $57,532 and $85,094, respectively.

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

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 22 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.

The County Treasury does not invest in any one corporate issuer that is in excess of ten percent of the County's total investments. There were no investments in corporate issuers which exceeded five percent.

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

NOTE 3: RECEIVABLES

Receivables consist of the following at June 30:

	2015	2014
Accounts receivable	$ 468,433	$ 364,946
Due from other governments	398,125	330,196
	$ 866,558	$ 695,142

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:

	Balance June 30, 2014	Increases	Decreases	Balance June 30, 2015
Capital assets being depreciated:				
Vans	$ 13,311,586	$ -	$ (535,739)	$ 12,775,847
Administrative vehicles	145,004	-	-	145,004
Equipment – vans	825,178	307,518	(146,156)	986,540
Equipment – office	356,035	-	-	356,035
Total capital assets, being depreciated:	14,637,803	307,518	(681,895)	14,263,426
Less accumulated depreciation for:				
Vans	(8,164,590)	(1,392,810)	497,912	(9,059,488)
Administrative vehicles	(91,836)	(29,000)	-	(120,836)
Equipment – vans	(564,812)	(195,316)	115,444	(644,684)
Equipment – office	(222,539)	(70,521)	-	(293,060)
Total accumulated depreciation:	(9,043,777)	(1,687,647)	613,356	(10,118,068)
Capital assets, net	$ 5,594,026	$ (1,380,129)	$ (68,539)	$ 4,145,358

Depreciation expense for the year ended June 30, 2015 was $1,687,647. Depreciation expense for the year ended June 30, 2014 was $1,865,516.

NOTE 5: LONG-TERM LIABILITIES

A summary of long-term liability activity for the year ended June 30, 2015 is as follows:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2014	Due Within One Year
Capital leases:					
AT&T Capital Bank	-	289,675	(100,457)	189,218	96,835
Total capital leases	-	289,675	(100,457)	189,218	96,835
Compensated absences*	128,710	16,549	-	145,259	145,259
Total debt	$ 128,710	$ 424,772	$ (219,005)	$ 334,477	$ 242,094

*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 4.37%. Thirty six payments are scheduled and the note will mature June 2017.

Leased equipment under capital leases in capital assets at June 30, 2015, included the following.

Equipment	289,675
Less: Accumulated Depreciation	57,935
Net	231,740

As of June 30, 2015, future minimum lease payments are as follows:

2016	$ 96,835
2017	92,383
2018	-
2019	-
2020	-
Thereafter	-
	$ 189,218

NOTE 6: OPERATING LEASE COMMITMENTS

In fiscal year 2015, CalVans leased ninety-one vehicles from Merchants Automotive Group Inc. The ninety-one vehicles have not met their minimum operating lease requirement. The minimum lease obligation associated with these vehicles as of June 30, 2015 is $561,421; all of which is due during the fiscal year ended June 30, 2015.

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, 2015, these rental lease expenditures approximated $59,815 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 32 employees during the fiscal year. The accrued benefits at June 30, 2015 and 2014 were $145,259 and $128,710, respectively, and are included in accrued payroll and related liabilities.

NOTE 8: DEFINED BENEFIT PENSION PLAN

<u>Description of Plan</u>

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.

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, 2015, the following employees were covered by the Plan:

Active employees	28
Inactive employees or beneficiaries currently receiving benefits	-
Inactive employees entitled to but not yet receiving benefits	-
	28

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, 2015, the employee contribution rate was 8.56%. CalVans is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. CalVans contribution rate and required contribution for the year ended June 30, 2015 were 10.4% and $106,671, respectively. Actual contributions for the year equaled $121,514.

NOTE 8: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions

The Plan's net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013. The total pension liability in the June 30, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2015
Inflation	3.00%
Salary increases	3.85% after 22 years of service, including inflation of 7.00%, net of Plan investment expense
Investment rate of return	Consistent with the Non-Industrial rates used to value the
Mortality	Miscellaneous CalPERS Pension Plans
Actuarial cost method	Entry Age Normal

The actuarial non-economic assumptions that determined the total pension liability as of June 30, 2015 were based on the results of an actuarial experience study on the California Public Employees Retirement System using data from the period 1997-2007.

The long-term expected rate of return on Plan investments was determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Cash	3.55%	0.53%
Core Fixed Income	39.19%	2.03%
Broad US Equities	41.29%	5.64%
Developed Foreign Equities	12.29%	6.31%
Emerging Market Equities	3.68%	8.56%
	100%	

NOTE 8: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Change in Net Pension Liability

Changes in CalVan's net pension liability for the year ended June 30, 2015 were as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance, June 30, 2014	$ 430,654	$ 458,814	$ (28,160)
Changes for the year:			
Service cost	171,036	-	171,036
Interest on total pension liability	41,357	-	41,357
Changes in assumptions	-	-	-
Net investment income	-	15,305	(15,305)
Member contributions	-	100,268	(100,268)
Employer contributions	-	121,514	(121,514)
Benefit payments	(22,117)	(22,117)	-
Administrative expense	-	(279)	279
Net changes	190,276	214,691	(24,415)
Balance, June 30, 2015	$ 620,930	$ 673,505	$ (52,575)

NOTE 8: DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

The following presents the net pension liability calculated using the discount rate of 7.0 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate:

	1% Decrease 6%	Current Discount Rate 7%	1% Increase 8%
Total pension liability	$ 755,110	$ 620,930	$ 512,860
Fiduciary net position	673,505	673,505	673,505
Net pension liability	81,605	(52,575)	(160,645)

Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued PARS Retirement Enhancement Plan Agency Annual Statement for the California Vanpool Authority. The Plan report that can be obtained by contacting CalVans.

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

For the year ended June 30, 2015, the Plan recognized pension expense of $78,161. At June 30, 2015, 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	$ -	$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on Plan investments	-	18,938
Total	$ -	$ 18,938

NOTE 8: DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

2016	$ 4,734
2017	4,734
2018	4,734
2019	4,736
2020	-
Thereafter	-
	$ 18,938

Payable to Pension Plan

CalVans reported no contributions payable at June 30, 2015.

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, 2015 and 2014, $41,498 and $40,347, 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 $55,958 for the year ended June 30, 2015, and $132,343 for the year ended June 30, 2014.

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, 2015

Type of Coverage	Amount of Coverage	Effective Dates
Worker's Compensation	1,000,000	12/26/2014 to 12/26/2015
Commercial Property	Varies	12/26/2014 to 12/26/2015
General Liability	$2,000,000	12/26/2014 to 12/26/2015
Commercial Automobile	$1,000,000	12/26/2014 to 12/26/2015
Automobile Excess Liability	$9,000,000	12/26/2014 to 12/26/2015
Crime Policy	Varies	12/26/2014 to 12/26/2015

NOTE 13: OTHER POST EMPLOYMENT BENEFITS

In July 2004, GASB issued Statement 45, Accounting, and Financial Reporting by Employers for Post-retirement Benefits Other Than Pensions. This statement establishes standards for the measurement, recognition, and display of other post-retirement benefits expenses/expenditures and related liabilities (assets), note disclosures and required supplementary information in the financial reports of state and local governmental employers.

CalVans does not offer any post-retirement benefits other than pensions.

REQUIRED SUPPLEMENTARY INFORMATION

CALIFORNIA VANPOOL AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGE IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2015
LAST 10 YEARS*

	June 30, 2015
Total pension liability	
Service cost	$ 171,036
Interest on total pension liability	41,357
Changes in assumptions	-
Benefit payments	(22,117)
Net Change in total pension liability	190,276
Total pension liability, beginning	430,654
Total pension liability, ending (a)	$ 620,930
Plan fiduciary net position	
Net investment income	$ 15,305
Member contributions	100,268
Benefit payments	(22,117)
Employer contributions	121,514
Administrative expense	(279)
Net Change in total pension liability	214,691
Plan fiduciary net position, beginning	458,814
Plan fiduciary net position, ending (b)	$ 673,505
Net pension asset (a) - (b)	$ 52,575
Fiduciary net position as a percentage of the total pension liability	108.47%
Covered payroll	$ 1,059,077
Net pension asset as a percentage of covered payroll	(4.96%)

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

CALIFORNIA VANPOOL AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2015
LAST 10 YEARS*

	June 30, 2015
Actuarially determined contribution	$ 106,671
Actual employer contribution	121,514
Contribution deficiency (excess)	(14,843)
Covered payroll	$ 1,059,077
Contribution as a percentage of covered payroll	11.47%

Notes to Schedule:

Valuation date: June 30, 2013

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	3.0%
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 one year is shown.

OTHER REPORTS SECTION

Dedekian,
George, Small
& Markarian
accountancy corporation

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, 2015, and the related notes to the financial statements, and have issued our report thereon dated January 25, 2016.

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*

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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
January 25, 2016