

CALIFORNIA VANPOOL AUTHORITY
COUNTY OF KINGS, CALIFORNIA

ANNUAL FINANCIAL REPORTS

FOR THE YEAR ENDED JUNE 30, 2013
AND THE PERIOD FROM INCEPTION
(OCTOBER 21, 2011) TO JUNE 30, 2012

PREPARED BY
FINANCE DEPARTMENT

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INDEPENDENT AUDITORS' REPORT

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 year ended June 30, 2013 and the period from inception (October 21, 2011) to June 30, 2012, 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 the 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.

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditors' Responsibility (Continued)

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.

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, 2013 and 2012, 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 Matters

As described in Note 1 to the financial statements, the California Vanpool Authority adopted new accounting guidance; GASB Statement No. 62 - *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, and GASB Statement No. 63 - *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Other Matters

Required Supplementary Information

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the California Vanpool Authority's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2014, 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
March 11, 2014

CALIFORNIA VANPOOL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013 AND THE PERIOD
FROM INCEPTION (OCTOBER 21, 2011) TO JUNE 30, 2012

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, 2013, with selected comparative information for the period from inception (October 21, 2011) to June 30, 2012. 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 17 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.

Since CalVans only operated the vanpool program for six-months (January 1, 2012 – June 31, 2012) the fiscal year 2011-2012 financial statements only reflect revenue and expenses earned or incurred during this six-month period. For this reason, comparative information between fiscal year 2013 and 2012 will show significant increases.

CalVans is a Joint Powers Agency with eleven members as of June 30, 2013. 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.

CALIFORNIA VANPOOL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013 AND THE PERIOD
FROM INCEPTION (OCTOBER 21, 2011) TO JUNE 30, 2012

The Financial Statements (Continued)

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.

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 year ended June 30, 2013 and the period from inception (October 21, 2011) to June 30, 2012 is as follows:

	2013	2012	Increase/(Decrease)	
			Amount	%
Operating revenues	\$ 6,432,286	\$ 2,866,827	\$ 3,565,459	124%
Operating expenses	9,243,628	4,187,877	5,055,751	121%
Operating loss	(2,811,342)	(1,321,050)	(1,490,292)	(113)%
Non-operating revenue	952,594	359,716	592,878	165%
Capital contributions	1,573,705	1,090,725	482,980	44%
Transfer in/(out)	-	7,204,368	(7,204,368)	(100)%
Increase/(decrease) in net position	\$ (285,043)	\$ 7,333,759	\$ (7,618,802)	(104)%

CALIFORNIA VANPOOL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013 AND THE PERIOD
FROM INCEPTION (OCTOBER 21, 2011) TO JUNE 30, 2012

Financial Highlights (Continued)

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

	2013	2012	Increase/(Decrease)	
			Amount	%
Operating Revenues by Major Source				
Passenger fares	\$ 6,432,286	\$ 2,866,827	\$ 3,565,459	124%
Non-Operating Revenues by Major Source				
Federal grants	81,379	127,307	(45,928)	(36)%
Measure C Funding	361,701	102,822	258,879	252%
San Joaquin Air Pollution Control District	474,459	70,890	403,569	569%
Miscellaneous	12,657	413	12,244	2,965%
Gain (loss) on sale of equip	19,536	55,291	(35,755)	(65)%
Interest Income (net expense)	2,862	2,993	(131)	(4)%
Total Revenue	\$ 7,384,880	\$ 3,226,543	\$ 4,158,337	129%

CALIFORNIA VANPOOL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013 AND THE PERIOD
FROM INCEPTION (OCTOBER 21, 2011) TO JUNE 30, 2012

Financial Highlights (Continued)

Below is a schedule showing the detail of operating expenditures.

	2013	2012	Increase/(Decrease)	
			Amount	%
Salaries	\$ 1,158,778	\$ 485,572	\$ 673,206	139%
Fringe Benefits	415,729	161,225	254,504	158%
Maintenance - Equip	821,798	285,162	536,636	188%
Fuel & Oil	3,039,677	1,341,779	1,697,898	127%
Other Material & Supplies	30,045	4,701	25,344	539%
Rents & Leases of Equip	304,420	105,924	198,496	187%
Utilities	38,158	14,821	23,337	157%
Insurance	766,152	486,971	279,181	57%
Miscellaneous	842,007	378,039	463,968	123%
Depreciation	1,826,864	923,683	903,181	98%
Total Operating Expenses	\$ 9,243,628	\$ 4,187,877	\$ 5,055,751	121%

CALIFORNIA VANPOOL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013 AND THE PERIOD
FROM INCEPTION (OCTOBER 21, 2011) TO JUNE 30, 2012

Statement of Net Position

A comparison of CalVans' Statement of Net Position as of June 30, 2013 and 2012 is as follows:

	2013	2012	Increase/(Decrease)	
			Amount	%
Current assets	\$ 783,169	\$ 629,590	\$ 153,579	24%
Noncurrent assets - capital assets, net	6,862,089	7,048,230	(186,141)	(3)%
Total Assets	\$ 7,645,258	\$ 7,677,820	\$ (32,562)	0%
Current liabilities	\$ 596,542	\$ 344,061	\$ 252,481	73%
Total Liabilities	596,542	344,061	252,481	73%
Net position:				
Invested in capital assets, net of related debt	6,862,089	7,048,230	(186,141)	(3)%
Unrestricted	186,627	285,529	(98,902)	(35)%
Total Net Position	\$ 7,048,716	\$ 7,333,759	\$ (285,043)	(4)%

CALIFORNIA VANPOOL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013 AND THE PERIOD
FROM INCEPTION (OCTOBER 21, 2011) TO JUNE 30, 2012

Statement of Cash Flow/Cash Investments

A comparison presentation of CalVans' major sources and uses of cash, for the year ended June 30, 2013 and the period from inception (October 21, 2011) to June 30, 2012 are as follows:

	2013	2012	Increase/(Decrease)	
			Amount	%
Net cash used in operating activities	\$ (806,807)	\$ (368,541)	\$ (438,266)	(119)%
Net cash provided by noncapital financing activities	823,129	410,019	413,110	101%
Net cash used in (provided by) capital and related financing activities	(314,695)	251,630	(566,325)	(225)%
Net cash provided by investing activities	2,862	2,993	(131)	(4)%
Net (decrease) increase in cash and cash equivalents	(295,511)	296,101	(591,612)	(200)%
Cash and cash equivalents, beginning of year	296,101	-	296,101	100%
Cash and cash equivalents, end of year	\$ 590	\$ 296,101	\$ (295,511)	(99)%

CALIFORNIA VANPOOL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013 AND THE PERIOD
FROM INCEPTION (OCTOBER 21, 2011) TO JUNE 30, 2012

Capital Assets

Details of the capital assets, net of accumulated depreciation, as of June 30, 2013 and 2012 are as follows:

	2013	2012	Increase/(Decrease)	
			Amount	%
Capital assets being depreciated				
Vans	\$ 13,277,539	\$ 12,099,333	\$ 1,178,206	10%
Administrative vehicles	164,791	164,791	-	0%
Equipment – vans	825,178	719,122	106,056	15%
Equipment – office	356,035	356,035	-	0%
Total capital assets being depreciated	<u>14,623,543</u>	<u>13,339,281</u>	<u>1,284,262</u>	<u>10%</u>
Less: accumulated depreciation:				
Vans	(7,127,724)	(5,904,889)	(1,222,835)	21%
Administrative vehicles	(82,622)	(53,621)	(29,001)	54%
Equipment – vans	(399,776)	(252,416)	(147,360)	58%
Equipment – office	<u>(151,332)</u>	<u>(80,125)</u>	<u>(71,207)</u>	<u>89%</u>
Total accumulated depreciation	<u>(7,761,454)</u>	<u>(6,291,051)</u>	<u>(1,470,403)</u>	<u>23%</u>
Capital Assets, net	<u>\$ 6,862,089</u>	<u>\$ 7,048,230</u>	<u>\$ (186,141)</u>	<u>(3)%</u>

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

CALIFORNIA VANPOOL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013 AND THE PERIOD
FROM INCEPTION (OCTOBER 21, 2011) TO JUNE 30, 2012

Economic Condition, Outlook, and Activity

As a vanpool provider to over 17 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 provides 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.

High fuel price and poor economic conditions are still the main reasons people inquire about forming a vanpool. This will continue to be the case going forward as fuel prices continue to remain unstable. It will be a number of years before an alternate less expensive fuel source, such as that from drilling in recently discovered Monterey Shale formation become available. Economic condition will also not be improving in the near future.

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. The number of companies providing vouchers has grown from 4 three years ago to over 12 today.

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, 2013 AND 2012

	2013	2012
<u>ASSETS</u>		
Current assets:		
Cash	\$ 590	\$ 296,101
Receivables	782,579	333,489
Total current assets	783,169	629,590
Noncurrent assets:		
Capital assets:		
Vans	13,277,539	12,099,333
Equipment - vans	825,178	719,122
Admin vehicles	164,791	164,791
Equipment - office	356,035	356,035
Less accumulated depreciation	(7,761,454)	(6,291,051)
Total capital assets (net of accumulated depreciation)	6,862,089	7,048,230
Total noncurrent assets	6,862,089	7,048,230
TOTAL ASSETS	\$ 7,645,258	\$ 7,677,820
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	\$ 479,213	\$ 234,086
Accrued payroll & related liabilities	117,329	109,975
Total current liabilities	596,542	344,061
TOTAL LIABILITIES	596,542	344,061
<u>NET POSITION</u>		
Invested in capital assets, net of related debt	6,862,089	7,048,230
Unrestricted	186,627	285,529
TOTAL NET POSITION	\$ 7,048,716	\$ 7,333,759

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 YEAR ENDED JUNE 30, 2013 AND THE PERIOD FROM
 INCEPTION (OCTOBER 21, 2011) TO JUNE 30, 2012

	2013	2012
<u>OPERATING REVENUES</u>		
Passenger fares	\$ 6,432,286	\$ 2,866,827
Total operating revenues	6,432,286	2,866,827
<u>OPERATING EXPENSES</u>		
Salaries & benefits	1,574,507	646,797
Insurance	766,152	486,971
Professional & specialized services	459,619	143,975
General & administrative	753,900	359,510
Fuel, repairs, and maintenance	3,862,586	1,626,941
Depreciation	1,826,864	923,683
Total operating expenses	9,243,628	4,187,877
OPERATING LOSS	(2,811,342)	(1,321,050)
<u>NON-OPERATING REVENUE (EXPENSES)</u>		
Federal & state operating grants	81,379	127,307
Other Governmental Funds	836,160	173,712
Gain on sale of equip	19,536	55,291
Other income	12,657	413
Interest income	2,862	2,993
Total non-operating revenues (expenses)	952,594	359,716
NET LOSS BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(1,858,748)	(961,334)
<u>CAPITAL CONTRIBUTIONS AND TRANSFERS</u>		
Contributions from governmental agencies	1,573,705	1,090,725
Transfer in	-	7,204,368
Total capital contributions and transfers	1,573,705	8,295,093
INCREASE (DECREASE) IN NET POSITION	(285,043)	7,333,759
TOTAL NET POSITION, BEGINNING OF YEAR	7,333,759	-
TOTAL NET POSITION, END OF YEAR	\$ 7,048,716	\$ 7,333,759

The accompanying notes are an integral part of these financial statements

CALIFORNIA VANPOOL AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013 AND THE PERIOD FROM
INCEPTION (OCTOBER 21, 2011) TO JUNE 30, 2012

	2013	2012
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts from customers	\$ 6,377,012	\$ 2,717,131
Payments to suppliers, contracted entities, and others	(5,616,666)	(2,438,602)
Payments to employees	(1,567,153)	(647,070)
Net cash used in operating activities	(806,807)	(368,541)
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>		
Federal, state, and local operating assistance	823,129	159,634
Transfers in	-	250,385
Net cash provided by noncapital financing activities	823,129	410,019
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Federal and state capital grants received	297,700	-
Proceeds from sale of capital assets	113,868	251,630
Payments for capital assets	(726,263)	-
Net cash (used in) provided by capital and related financing activities	(314,695)	251,630
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest from investments	2,862	2,993
Net cash provided by investing activities	2,862	2,993
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(295,511)	296,101
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	296,101	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	590	296,101
<u>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:</u>		
Operating loss	(2,811,342)	(1,321,050)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	1,826,864	923,683
(Gain) loss on sale of capital assets	(19,536)	(55,291)
(Increase) decrease in:		
Accounts receivable	(55,274)	(149,696)
Increase (decrease) in:		
Accounts payable	245,127	234,086
Accrued payroll and related liabilities	7,354	(273)
Net cash used in operating activities	\$ (806,807)	\$ (368,541)

SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING TRANSACTIONS

During the year ended June 30, 2013, Fresno County Rural Transit Agency contributed net capital assets related to the vanpool program to CalVans in the amount of \$953,505.

During the period from inception (October 21, 2011) to June 30, 2012, KCAPTA transferred net capital assets related to the vanpool program to CalVans in the amount of \$7,204,368. In addition, the Santa Barbara County Association of Governments contributed vans to the vanpool program in the amount of \$1,090,725.

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

CALIFORNIA VANPOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

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, Napa County Transportation and Planning Agency, Sacramento Area Council of Governments, Santa Barbara County Association of Governments, Tulare County Association of Governments, Ventura County Transportation Commission, Kern Council of Governments, and the Merced County Association 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 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.

CALIFORNIA VANPOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013 AND 2012

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 general 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, KCAPTA 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 nonoperating 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 nonoperating 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, 2013 AND 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Implementation of New Pronouncements

GASB Statement No. 62

During the year ended June 30, 2013, CalVans implemented GASB Statement No. 62 – *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of GASB 62 is to incorporate certain accounting and financial reporting guidance issued by the Financial Accounting Standards Board (FASB) or American Institute of Certified Public Accountants (AICPA) on or before November 30, 1989, into GASB’s authoritative literature.

GASB Statement No. 63

During the year ended June 30, 2013, CalVans implemented Statement No. 63 of the Governmental Accounting Standards Board, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.” The accompanying financial statements reflect certain changes that have been made with respect to the reporting of the basic financial statements as a result of the implementation of GASB No. 63.

Statement No. 63 requires governments to no longer report net assets, fund balance, or equity, in favor of “net position.” Accordingly, CalVans has reported a Statement of Net Position in lieu of a Statement of Net Assets, with net position being equal to assets, plus deferred outflows of resources, less liabilities, and less deferred inflows of resources.

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditure) until then. CalVans does not have any items that qualify for reporting in this category.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. CalVans does not have any items that qualify for reporting in this category.

CALIFORNIA VANPOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013 AND 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 fifty 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.

F. Accrued Vacation and Sick Leave

All regular full-time and regular part-time employees accumulate vacation based on length of service. Unused accrued vacation is paid out to employees at the date of termination.

CALIFORNIA VANPOOL AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2013 AND 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Accrued Vacation and Sick Leave (Continued)

All regular full-time and regular part-time employees accumulate sick leave based on length of service. 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.

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 25% of accrued sick leave liability for all employees hired after January 1, 1999 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.

CALIFORNIA VANPOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013 AND 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 \$1,573,705 for the year ended June 30, 2013, and net revenue of \$1,090,725 for the period from inception (October 21, 2011) to June 30, 2012.

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.

CALIFORNIA VANPOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013 AND 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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/Program

Federal Grants

Section 5307 Formula Capital and Operating Grants for Urbanized Area with population of 200,000 or more

Section 5307 provides grants to finance planning and capital projects at 80%. Capital projects include the acquisition, construction, improvement, and other incidental costs of facilities and equipment used in the operation or lease of transportation services. Operating assistance is provided at 50% to finance program administration, technical assistance activities, and operating assistance to transit authorities to continue existing service and to meet routine changes in demand.

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.

CALIFORNIA VANPOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013 AND 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Funding Sources/Program (Continued)

Congestion Mitigation and Air Quality (CMAQ)

The State of California apportions Federal CMAQ funding for projects that will contribute to meeting the attainment of national ambient air quality standards. The CMAQ program supports two important goals of the Department of Transportation: improving air quality and relieving congestion. The Safe Accountable Flexible Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) strengthens these goals by establishing priority consideration for cost-effective emission reduction and congestion mitigation activities. The Kings County Council of Governments is responsible for selecting and prioritizing projects for funding, in consultation with the State of California, for this program.

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, 2013, CalVans had a negative cash balance of \$54,446 with the County Treasury.

CALIFORNIA VANPOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013 AND 2012

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

At June 30, 2013, the reported amount of CalVans' deposits with banks was \$55,036.

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.

CALIFORNIA VANPOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013 AND 2012

NOTE 3: RECEIVABLES

Receivables consist of the following at June 30:

	2013	2012
Accounts receivable	\$ 246,966	\$ 191,692
Due from other governments	535,613	141,797
	<u>\$ 782,579</u>	<u>\$ 333,489</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:

	Balance June 30, 2012	Increases	Decreases	Balance June 30, 2013
Capital assets being depreciated:				
Vans	\$ 12,099,333	\$ 1,573,705	\$ (395,499)	\$ 13,277,539
Administrative vehicles	164,791	-	-	164,791
Equipment – vans	719,122	106,056	-	825,178
Equipment – office	356,035	-	-	356,035
Total capital assets, being depreciated:	<u>13,339,281</u>	<u>1,679,761</u>	<u>(395,499)</u>	<u>14,623,543</u>
Less accumulated depreciation for:				
Vans	(5,904,889)	(1,579,296)	356,461	(7,127,724)
Administrative vehicles	(53,621)	(29,001)	-	(82,622)
Equipment – vans	(252,416)	(147,360)	-	(399,776)
Equipment – office	(80,125)	(71,207)	-	(151,332)
Total accumulated depreciation	<u>(6,291,051)</u>	<u>(1,826,864)</u>	<u>356,461</u>	<u>(7,761,454)</u>
Capital assets, net	<u>\$ 7,048,230</u>	<u>\$ (147,103)</u>	<u>\$ 39,038</u>	<u>\$ 6,862,089</u>

Depreciation expense for the year ended June 30, 2013 was \$1,826,864. Depreciation expense for the period from inception (October 21, 2011) to June 30, 2012 was \$923,683.

CALIFORNIA VANPOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013 AND 2012

NOTE 5: OPERATING LEASE COMMITMENTS

In March 2012, CalVans assumed all rights and obligations under a lease negotiated between KCAPTA and ALD Automotive (“ALD”) on January 1, 2009. The term of the lease begins on the date a vehicle is accepted and continues for a minimum of twelve months. After the twelve months, the lease shall continue on a month-to-month basis until the vehicle is surrendered to ALD.

At any time after the expiration of the minimum lease term, the vehicle can be surrendered to ALD. ALD will sell the vehicle. If the net proceeds exceed the depreciated value less the guaranteed residual value, ALD will issue a refund. If the net proceeds are less than the depreciated value, less the guaranteed residual value, CalVans will be billed for the difference. Vehicles are being depreciated over sixty months. The twenty-seven vehicles being leased with ALD have met their minimum operating lease requirement. These vehicles are part of the vanpool fleet that was transferred to CalVans.

On August 31, 2010, Merchants Leasing acquired ALD. The same terms and conditions exist between CalVans and Merchants Leasing that existed between ALD and KCAPTA. In fiscal year 2013, CalVans leased fifty-three vehicles. The fifty-three vehicles have not met their minimum operating lease requirement.

NOTE 6: COMPENSATED ABSENCES

Accumulated compensated absences payable in future years is recorded as an expense in the year earned by employees. CalVans had 39 employees during the fiscal year. The accrued benefits at June 30, 2013 and 2012 were \$117,329 and \$109,975, respectively, and are included in accrued payroll and related liabilities.

NOTE 7: DEFINED BENEFIT PENSION PLAN

Effective July 1, 2013, CalVans became a member of PARS (Public Agency Retirement Services). Existing employees were able to move their accrued time from CalPERS to the PARS plan, effective back to December 31, 2011. PARS is a defined benefit plan providing 2% at 62. The 2% is adjusted should an employee choose to retire before or after their 62nd birthday. Employees are vested after 5 years, with final pay being equal to the highest average consecutive thirty-six (36) months of compensation with the Agency. 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.

Employees are vested after five (5) years and may receive a refund of Employee Contributions plus three percent (3%) interest earnings upon termination. There is no death benefit under the plan.

CALIFORNIA VANPOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013 AND 2012

NOTE 8: 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, 2013 and 2012, \$40,347 and \$3,542, respectively, had 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 9: 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 10: FEDERAL TRANSPORTATION FUNDS

Under provisions of section 5307 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 \$43,801 for the year ended June 30, 2013, and \$4,816 for the period from inception (October 21, 2011) to June 30, 2012.

CALIFORNIA VANPOOL AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2013 AND 2012

NOTE 11: 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, 2013

Type of Coverage	Amount of Coverage	Effective Dates
Worker's Compensation	1,000,000	12/26/2012 to 12/26/2013
Commercial Property	Varies	12/26/2012 to 12/26/2013
General Liability	\$1,000,000	12/26/2012 to 12/26/2013
Commercial Automobile	\$1,000,000	12/26/2012 to 12/26/2013
Automobile Excess Liability	\$9,000,000	12/26/2012 to 12/26/2013
Crime Policy	Varies	12/26/2012 to 12/26/2013

NOTE 12: 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.

SUPPLEMENTARY SCHEDULES AND OTHER REPORTS SECTION

CALIFORNIA VANPOOL AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Number	Federal Expenditures
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<u>Federal Transit Administration:</u>			
Pass-through California Department of Transportation			
FTA 5316 – Job Access Reverse Commute	20.516	SA642641	43,801
			<u>43,801</u>
Pass-through Kings County Area Public Transit Agency			
State of Good Repair Grant (5309)	20.500	CA-04-0257	496,166
Congestion Management and Air Quality Improvement Program	20.205	CA-95-X178	36,458
Congestion Management and Air Quality Improvement Program	20.205	CA-95-X053	1,120
			<u>533,744</u>
Total Federal Transit Administration			<u>577,545</u>
Total Federal Financial Assistance			<u>\$ 577,545</u>

CALIFORNIA VANPOOL AUTHORITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the California Vanpool Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the California Vanpool Authority's basic financial statements.

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, 2013, and the related notes to the financial statements, and have issued our report thereon dated March 11, 2014. Our report included an emphasis of a matter paragraph disclosing the implementation of new accounting principles.

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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2013-01 that we consider to be a significant deficiency.

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*.

California Vanpool Authority's Response to the Finding

The California Vanpool Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Agency's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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)

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
March 11, 2014

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133

The Board of Directors
California Vanpool Authority
Hanford, California

Report on Compliance for Each Major Federal Program

We have audited California Vanpool Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the California Vanpool Authority's major federal programs for the year ended June 30, 2013. The California Vanpool Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the California Vanpool Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the California Vanpool Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY OMB CIRCULAR A-133 (CONTINUED)

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the California Vanpool Authority's compliance.

Opinion on Each Major Program

In our opinion, the California Vanpool Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the California Vanpool Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the California Vanpool Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of California Vanpool Authority's internal control over compliance.

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

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

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY OMB CIRCULAR A-133 (CONTINUED)

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Dedekian, George, Small & Markarian

Dedekian, George, Small & Markarian
Accountancy Corporation
March 11, 2014

FINDINGS AND RECOMMENDATIONS SECTION

CALIFORNIA VANPOOL AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013

Part I – Summary of Auditor’s Results

1. The Independent Auditors’ Report expresses an unqualified opinion on the financial statements of the California Vanpool Authority.
2. One significant deficiency relating to the audit of the financial statements is reported in the “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.” No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of California Vanpool Authority, which would be required to be reported in accordance with “Government Auditing Standards,” were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the “Independent Auditors’ Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.” No material weaknesses are reported.
5. The Independent Auditors’ Report on compliance for the major federal award program for California Vanpool Authority expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs included:

Name	CFDA Number
State of Good Repair Grant	20.500

8. The threshold used for distinguishing between Type A and Type B programs was \$300,000.
9. California Vanpool Authority was determined to be a low-risk auditee.

CALIFORNIA VANPOOL AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
JUNE 30, 2013

Part II – Financial Statement Findings and Other Non-Federal Compliance

Finding 2013-01: Accrual Basis Accounting

Condition: The California Vanpool Authority maintains their accounting records on a cash basis of accounting, and then converts to accrual basis at year-end for financial reporting purposes. During the audit for fiscal year-ended June 30, 2013, it became apparent that revenues and expenditures were overstated for as a result of necessary adjustments not being made when converting the accounting records from the cash basis to the accrual basis of accounting.

Criteria: Generally accepted accounting principles require the accrual basis of accounting for financial reporting purposes.

Cause: The California Vanpool Authority does not have formal procedures in place for converting their accounting records from a cash basis to an accrual basis at year-end.

Effect: As a result of the errors in converting from the cash basis to the accrual basis of accounting, revenues were overstated by \$333,489 and expenses were overstated by \$233,950 for the fiscal year ended June 30, 2013.

Recommendation: We recommend that management implement formal accounting procedures for converting the accounting records from the cash basis of accounting to the accrual basis of accounting.

Response: Management will implement the recommended procedures.

Part III – Findings and Questioned Costs for Major Federal Award Programs

None.

CALIFORNIA VANPOOL AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2012

There were no reportable audit findings for the fiscal year ended June 30, 2012.