

March 29, 2017

To the Board of Directors
California Vanpool Authority
Fresno, California

We have audited the financial statements of the business-type activities of the California Vanpool Authority for the year ended June 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 1, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the California Vanpool Authority are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the California Vanpool Authority adopted new accounting guidance; GASBS No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, GASBS No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans - an amendment of GASB Statement No. 68* and GASBS No. 79, *Certain External Investment Pools and Pool Participants*. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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Significant Audit Findings (Continued)

Qualitative Aspects of Accounting Practices (Continued)

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the California Vanpool Authority's financial statements was:

Management's estimate of the useful lives of capital assets and the resulting depreciation expense is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop these estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Significant Audit Findings (Continued)

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 29, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the California Vanpool Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Schedule of Contributions, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Statistical section, which accompany the financial statements but are not RSI. With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

To the Board of Directors
California Vanpool Authority

March 29, 2017
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Restriction on Use

This information is intended solely for the use of The Board of Directors and management of the California Vanpool Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Dedekian, George, Small & Markarian

Dedekian, George, Small & Markarian
Accountancy Corporation

CALIFORNIA VANPOOL AUTHORITY
COUNTY OF KINGS, CALIFORNIA

ANNUAL FINANCIAL REPORTS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

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 years ended June 30, 2016 and 2015, 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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INDEPENDENT AUDITORS' REPORT

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California Vanpool Authority
Hanford, California

Report on Financial Statements

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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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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, 2016 and 2015, 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. 76, 78, and 79

During the year ended June 30, 2016, California Vanpool Authority adopted the provisions of GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans – an amendment of GASB Statement No. 68*, and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. 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.

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 29, 2017, 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 29, 2017

CALIFORNIA VANPOOL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

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, 2016, with selected comparative information for the year ended June 30, 2015. 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, with plans to expand to a thirteenth county in late 2016. 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, 2016. The Board of Directors is comprised of one person from each member agency.

The Financial Statements

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

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

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

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

CALIFORNIA VANPOOL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

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, 2016, 2015 and 2014 is as follows:

	2016	2015	Increase/(Decrease)		2014
			Amount	%	
Operating revenue	\$ 7,539,415	\$ 6,972,902	\$ 566,513	8%	\$ 6,777,562
Operating expenses	10,411,288	9,940,257	471,031	5%	9,589,408
Operating loss	(2,871,873)	(2,967,355)	95,482	(3)%	(2,811,846)
Non-operating revenue	1,123,983	1,284,040	(160,057)	(12)%	1,563,639
Capital contributions	2,812,741	-	2,812,741	100%	653,878
Increase/(decrease) in net position	\$ 1,064,851	\$ (1,683,315)	\$ 2,748,166	(163)%	\$ (594,329)

The combined Operating and Non-operating revenues for fiscal year 2016 increased by \$406,456 over fiscal year 2015. There was an increase in Operating revenues in 2016 over fiscal year 2015 due to an increase in number of vans being operated. The decrease in the Non-operating revenue was primarily due to decreasing funding from the SJV Air District Grant, which happens over time.

Operating expenses for fiscal year 2016 increased by \$471,031 or 5% over fiscal year 2015 primarily due to an increase in number of vans being operated.

Capital contributions in fiscal year 2016 included \$2,812,741 due to a new state grant for the purchase of 80 vans and related equipment. There were zero capital contributions in fiscal year 2015 due to lack of grant funding.

CALIFORNIA VANPOOL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

Financial Highlights (Continued)

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

	2016	2015	Increase/(Decrease)		
			Amount	%	2014
Operating Revenue by Major Source					
Passenger fares	\$ 7,523,935	\$ 6,971,702	\$ 552,233	8%	\$ 6,77,562
Auxiliary	15,480	1,200	14,280	1190%	-
Non-Operating Revenues by Major Source					
Federal grants	7,028	55,958	(48,930)	(87)%	166,590
Other State & Local Funding	438,097	467,838	(29,741)	(6)%	518,933
San Joaquin Air Pollution Control District	503,610	692,400	(188,790)	(27)%	603,456
Miscellaneous	79,541	54,933	24,608	45%	193,374
Gain on sale of equipment	106,155	20,807	85,348	410%	78,522
Interest income (expense), net	(10,448)	(7,896)	(2,552)	23%	2,764
Total Revenue	<u>\$ 8,663,398</u>	<u>\$ 8,256,942</u>	<u>\$ 406,456</u>	<u>5%</u>	<u>\$ 8,341,201</u>

CalVans passenger fares increased by \$552,233 or 8% in fiscal year 2016 over fiscal year 2015 due to the increase in number of vans being operated.

Federal grants decreased by \$48,930 or 87% due to the completion of the JARC program.

State and Local funding decreased by \$29,741 or 6% due to slight decrease in Measure C monies available in the current year.

Funding received from the San Joaquin Air Pollution Control District decreased \$188,790 or 27% due to the decrease in riders eligible to receive San Joaquin Air Pollution Control District vouchers.

Miscellaneous revenues increased by \$24,608 or 45% due to more vehicles sold.

Gain on sale of equipment increased by \$85,348 or 410%. This is due to more vans sold for gain.

Interest income (expense), net increased \$2,552 or 23% due to the interest paid on the capital leases.

CALIFORNIA VANPOOL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

Financial Highlights (Continued)

Below is a schedule showing the detail of operating expenditures.

	2016	2015	Increase/(Decrease)		
			Amount	%	2014
Salaries	\$ 1,296,546	\$ 1,311,906	\$ (15,360)	(1)%	\$ 1,314,746
Fringe Benefits	450,000	421,327	28,673	7%	412,143
Maintenance - Equip	1,311,762	1,065,544	246,218	23%	770,112
Fuel & Oil	2,380,602	2,686,746	(306,144)	(11)%	3,004,642
Other Material & Supplies	129,598	56,661	72,937	129%	23,571
Rents & Leases - Equip	785,413	562,132	223,281	40%	433,592
Utilities	40,508	50,752	(10,244)	(20)%	52,184
Insurance	985,819	986,331	(512)	0%	850,457
Prof & Spec Services	509,115	382,092	127,023	33%	225,536
Miscellaneous	773,526	729,119	44,407	6%	636,909
Depreciation	1,748,399	1,687,647	60,752	4%	1,865,516
Total Operating Expenses	\$ 10,411,288	\$ 9,940,257	\$ 471,031	5%	\$ 9,589,408

Operating expenses, less depreciation, for fiscal year 2016 were \$8,662,889, a net increase from 2015 of \$410,279 or 5%. The increase was due to an increase in Maintenance of Equipment, Rents & Leases - Equip, and Professional & Specialized Services.

Maintenance - Equip had an increase of \$246,218 resulting from aging fleet.

Rents & Leases - Equip had an increase of \$223,281 due to the addition of leased vehicles.

The Professional & Specialized services increased \$127,023 as a result of the increased vanpool activity in the Imperial, Bakersfield and Greenfield Regions.

Miscellaneous expense had an increase of \$44,407 made up mostly of an increase in outreach and marketing expenses.

Fuel & Oil expense decreased by \$306,144 due to lower fuel prices.

Depreciation expense increased by \$60,752 from \$1,687,647 in 2015 to \$1,748,399 in 2016. This was due to a net increase in assets being depreciated versus sold, mainly due to purchase of 80 new vans.

CALIFORNIA VANPOOL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

Statement of Net Position

A comparison of CalVans' Statements of Net Position as of June 30, 2016, 2015, and 2014 is as follows:

	2016	2015	Increase/(Decrease)		2014
			Amount	%	
Current assets	\$ 1,378,898	\$ 1,306,559	72,339	6%	\$ 1,310,974
Noncurrent assets - capital assets, net	5,188,018	4,145,358	1,042,660	25%	5,594,026
Total Assets	\$ 6,566,916	\$ 5,451,917	1,114,999	20%	\$ 6,905,000
Current liabilities	\$ 698,572	\$ 588,462	110,110	19%	\$ 450,613
Noncurrent liabilities	32,421	92,383	(59,962)	(65)%	-
Total Liabilities	\$ 730,993	\$ 680,845	50,148	7%	\$ 450,613
Net position:					
Invested in capital assets net of related debt	5,055,434	3,956,140	1,099,294	28%	5,594,026
Unrestricted	780,489	814,932	(34,443)	(4)%	860,361
Total Net Position	\$ 5,835,923	\$ 4,771,072	1,064,851	22%	\$ 6,454,387

Current Assets increased by \$72,339 primarily because of increase sales resulting in increase in Accounts Receivables.

Noncurrent Assets increased by \$1,042,660 primarily due to purchase of 80 new vans less the sale of vehicles.

Current Liabilities increased by \$110,110 primarily due to an increase in Accounts Payable.

Noncurrent Liabilities decreased by \$59,962 primarily due to long term liabilities becoming current.

CALIFORNIA VANPOOL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

Statement of Cash Flow/Cash Investments

A comparison presentation of CalVans' major sources and uses of cash, for the years ended June 30, 2016, 2015 and 2014 are as follows:

	2016	2015	Increase/(Decrease)		2014
			Amount	%	
Net cash used in operating activities	\$ (1,012,311)	\$ (1,392,756)	\$ 380,445	(27)%	\$ (1,210,565)
Net cash provided by noncapital financing activities	876,948	1,203,200	(326,252)	(27)%	1,687,770
Net cash used in (provided by) capital and related financing activities	56,107	(39,972)	96,079	(240)%	134,947
Net cash provided by investing activities	4,648	3,122	1,526	49%	2,764
Net (decrease) increase in cash and cash equivalents	(74,608)	(226,406)	151,798	(67)%	614,916
Cash and cash equivalents, beginning of year	389,100	615,506	(226,406)	(37)%	590
Cash and cash equivalents, end of year	\$ 314,492	\$ 389,100	\$ (74,608)	(19)%	\$ 615,506

Overall, the total cash at the end of 2016 decreased by \$74,608 over 2015 primarily due to the timing of collection of Accounts Receivables.

CALIFORNIA VANPOOL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

Capital Assets

Details of the capital assets, net of accumulated depreciation, as of June 30, 2016, 2015 and 2014 are as follows:

	2016	2015	Increase/(Decrease)		2014
			Amount	%	
Current assets being depreciated					
Vans	\$ 14,290,061	\$ 12,775,847	\$ 1,514,214	22%	\$ 13,311,586
Administrative vehicles	145,004	145,004	-	-	145,004
Equipment - vans	1,246,940	986,540	260,400	26%	825,178
Equipment - office	398,129	356,035	42,094	12%	356,035
Total capital assets being depreciated	16,080,134	14,263,426	1,816,708	13%	14,637,803
Less: accumulated depreciation:					
Vans	(9,616,113)	(9,059,488)	(556,625)	6%	(8,164,590)
Administrative vehicles	(145,004)	(120,836)	(24,168)	20%	(91,836)
Equipment - vans	(772,159)	(644,684)	(127,475)	20%	(564,812)
Equipment - office	(358,840)	(293,060)	(65,780)	22%	(222,539)
Total accumulated depreciation	(10,892,116)	(10,118,068)	(774,048)	8%	(9,043,777)
Capital Assets, net	\$ 5,188,018	\$ 4,145,358	\$ 1,042,660	25%	\$ 5,594,026

As of the end of fiscal year 2016, CalVans' capital assets, before accumulated depreciation, increased by \$1,816,708 over fiscal year 2015. 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 2016, CalVans had two (2) capital lease obligations outstanding in the amount of \$132,584.

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CALIFORNIA VANPOOL AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

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.

The growth of the program in other areas 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.

Vanpool growth in the Fresno and Tulare County areas continues to be higher than that found in other areas. This is due to the Fresno County Measure C program and the subsidies provided by the cities of Visalia and Porterville. Fresno provided \$600 per month while Visalia and Porterville provide \$300 and \$400 respectively. The San Joaquin Air Pollution Control District continues to provide the \$30 monthly voucher for all valley residents.

The agency was successful in receiving three million dollars in Cap and Trade funds that was made available by the Governor's office. These funds were 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 greenhouse gas and service to those in minority areas that are impacted poor water, air and economic conditions.

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 recent signing of an MOU with the Federal Departments of Labor will only increase the demand for farmworker vanpool service.

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, 2016 AND 2015

	2016	2015
<u>ASSETS</u>		
Current assets:		
Cash	\$ 314,492	\$ 389,100
Receivables	1,063,343	866,558
Prepaid expenses	1,063	50,901
Total current assets	1,378,898	1,306,559
Noncurrent assets:		
Capital assets:		
Vans	14,290,061	12,775,847
Administrative vehicles	145,004	145,004
Equipment - vans	1,246,940	986,540
Equipment - office	398,129	356,035
Less accumulated depreciation	(10,892,116)	(10,118,068)
Total capital assets (net of accumulated depreciation)	5,188,018	4,145,358
Total noncurrent assets	5,188,018	4,145,358
TOTAL ASSETS	\$ 6,566,916	\$ 5,451,917
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	\$ 449,651	\$ 346,368
Accrued compensated absences	148,758	145,259
Current capital leases payable	100,163	96,835
Total current liabilities	698,572	588,462
Noncurrent liabilities:		
Capital leases payable	32,421	92,383
Total noncurrent liabilities	32,421	92,383
TOTAL LIABILITIES	730,993	680,845
<u>NET POSITION</u>		
Invested in capital assets, net of related debt	5,055,434	3,956,140
Unrestricted	780,489	814,932
TOTAL NET POSITION	\$ 5,835,923	\$ 4,771,072

The accompanying notes are an integral part of these financial statements

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CALIFORNIA VANPOOL AUTHORITY
 STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
<u>OPERATING REVENUES</u>		
Passenger fares	\$ 7,523,935	\$ 6,971,702
Advertising revenue	15,480	1,200
Total operating revenues	7,539,415	6,972,902
<u>OPERATING EXPENSES</u>		
Salaries & benefits	1,746,546	1,733,233
Insurance	985,819	986,331
Professional & specialized services	1,294,528	944,224
General & administrative	943,632	822,535
Fuel, repairs, and maintenance	3,692,364	3,766,287
Depreciation	1,748,399	1,687,647
Total operating expenses	10,411,288	9,940,257
OPERATING LOSS	(2,871,873)	(2,967,355)
<u>NON-OPERATING REVENUE (EXPENSES)</u>		
Federal grants	7,028	55,958
State and local funding	941,707	1,160,238
Gain on sale of equipment	106,155	20,807
Other income	79,541	54,933
Interest income	4,648	3,122
Interest expense	(15,096)	(11,018)
Total non-operating revenues (expenses)	1,123,983	1,284,040
NET LOSS BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(1,747,890)	(1,683,315)
<u>CAPITAL CONTRIBUTIONS AND TRANSFERS</u>		
Contributions from governmental agencies	2,812,741	-
Total capital contributions and transfers	2,812,741	-
INCREASE (DECREASE) IN NET POSITION	1,064,851	(1,683,315)
TOTAL NET POSITION, BEGINNING OF YEAR	4,771,072	6,454,387
TOTAL NET POSITION, END OF YEAR	\$ 5,835,923	\$ 4,771,072

The accompanying notes are an integral part of these financial statements

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CALIFORNIA VANPOOL AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts from customers	\$ 7,493,958	\$ 6,869,415
Payments to suppliers, contracted entities, and others	(6,763,222)	(6,545,487)
Payments to employees	(1,743,047)	(1,716,684)
Net cash used in operating activities	(1,012,311)	(1,392,756)
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>		
Federal, state, and local operating assistance	876,948	1,203,200
Net cash provided by noncapital financing activities	876,948	1,203,200
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Federal and state capital grants received	2,812,741	-
Proceeds from sale of capital assets	142,470	89,346
Payments for capital assets	(2,785,280)	(17,843)
Principal paid on capital leases	(98,728)	(100,457)
Interest paid on debt	(15,096)	(11,018)
Net cash (used in) provided by capital and related financing activities	56,107	(39,972)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest from investments	4,648	3,122
Net cash provided by investing activities	4,648	3,122
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(74,608)	(226,406)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	389,100	615,506
CASH AND CASH EQUIVALENTS AT END OF YEAR	314,492	389,100
<u>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:</u>		
Operating loss	(2,871,873)	(2,967,355)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	1,748,399	1,687,647
(Increase) decrease in:		
Accounts receivable	(45,457)	(103,487)
Prepaid expenses	49,838	(50,575)
Increase (decrease) in:		
Accounts payable	103,283	24,465
Accrued payroll and related liabilities	3,499	16,549
Net cash used in operating activities	\$ (1,012,311)	\$ (1,392,756)

SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING TRANSACTIONS

CalVans had non-cash financing transactions relating to a capital lease on new equipment of \$42,094 and \$289,675 for the years ended June 30, 2016 and 2015, respectively.

CALIFORNIA VANPOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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. In October 2016, the San Joaquin Council of Governments was approved to join the joint powers agency. 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 Governor's office seeking a safe way to transport farm workers. The program for the State employees was established with the employees paying 100% of the program cost. The program for the farmworkers was funded by State and Federal grants with the goal of establishing a self-sustaining program. What started with one vanpool for a State employee and her coworkers has grown to a program providing over 550 vanpools serving State and Federal workers, teachers, students and farm workers. This growth resulted in the formation of CalVans, a separate public agency established to provide vanpool services.

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

CALIFORNIA VANPOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016 AND 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting and Presentation

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

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

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

Basis of Accounting

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

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

CALIFORNIA VANPOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016 AND 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Implementation of New Pronouncements

During the year ended June 30, 2016, CalVans implemented the following accounting and financial reporting standards:

Government Accounting Standards Board Statement No. 76

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify-in the context of the current governmental financial reporting environment-the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and address the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

Government Accounting Standards Board Statement No. 78

In December 2015, GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans – an amendment of GASB Statement No. 68*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This statement amends the scope an applicability of Statement 68 to exclude certain pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan. This statement establishes requirements for recognition and measurements of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for applicable pensions.

Government Accounting Standards Board Statement No. 79

In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools

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.

CALIFORNIA VANPOOL AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016 AND 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Pooled Cash and Investments (Continued)

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 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%

CALIFORNIA VANPOOL AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016 AND 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Accrued Vacation and Sick Leave (Continued)

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

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

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

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

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.

CALIFORNIA VANPOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016 AND 2015

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 \$2,812,741 for the year ended June 30, 2016, and net revenue of \$0 for the year ended June 30, 2015.

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.

CALIFORNIA VANPOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016 AND 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Funding Sources/Programs (Continued)

State and Local Funding

Fresno County Measure C: The 2006 Measure "C" Extension Expenditure Plan, passed by voters in November 2006, provides funds for vanpool programs in Fresno County. The program is designed to encourage, facilitate, and help fund new vanpools and offer financial assistance to existing vanpools to ensure their viability.

San Joaquin Valley Air Pollution Control District (the "District") "REMOVE II": The REMOVE II Program provides incentives for specific projects that will reduce motor vehicle emissions within the District. The purpose of the REMOVE II Program is to assist the District in attaining the requirements of the California Clean Air Act. This is accomplished by allocating funds to cost-effective projects that have the greatest motor vehicle emission reductions resulting in long-term impacts on air pollution problems in the San Joaquin Valley. All projects must have a direct air quality benefit to the District. Any portion of a project that does not directly benefit the District within its boundaries will not be allowed for funding or in calculating emission reductions.

Affordable Housing and Sustainable Communities (AHSC) Grant: The AHSC Program provides grants and affordable housing loans for compact transit-oriented development and related infrastructure and programs that reduce greenhouse gas ("GHG") emissions. These projects increase the accessibility of housing, employment centers, and key destinations via low-carbon transportation options (walking, biking, transit) resulting in fewer vehicle miles traveled (VMT) and mode shift.

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, 2016 and 2015, CalVans had \$198,637 and \$331,568, respectively, with the County Treasurer. The fair market value of this pool as of that date, provided by the pool sponsor, was \$199,114 and \$331,506, respectively.

CALIFORNIA VANPOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016 AND 2015

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

At June 30, 2016 and 2015, the reported amount of CalVans' deposits with banks was \$115,855 and \$57,532, respectively.

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

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

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

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

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

CALIFORNIA VANPOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016 AND 2015

NOTE 3: RECEIVABLES

Receivables consist of the following at June 30:

	2016	2015
Accounts receivable	\$ 619,761	\$ 468,433
Due from other governments	443,582	398,125
	\$ 1,063,343	\$ 866,558

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, 2015	Increases	Decreases	Balance June 30, 2016
Capital assets being depreciated:				
Vans	\$ 12,775,847	\$ 2,524,880	\$ (1,010,666)	\$ 14,290,061
Administrative vehicles	145,004	-	-	145,004
Equipment – vans	986,540	260,400	-	1,246,940
Equipment – office	356,035	42,094	-	398,129
	14,263,426	2,827,374	(1,010,666)	16,080,134
Less accumulated depreciation for:				
Vans	(9,059,488)	(1,530,976)	974,351	(9,616,113)
Administrative vehicles	(120,836)	(24,168)	-	(145,004)
Equipment – vans	(644,684)	(127,475)	-	(772,159)
Equipment – office	(293,060)	(65,780)	-	(358,840)
	(10,118,068)	(1,748,399)	974,351	(10,892,116)
Capital assets, net	\$ 4,145,358	\$ 1,078,975	\$ (36,315)	\$ 5,188,018

Depreciation expense for the year ended June 30, 2016 was \$1,748,399. Depreciation expense for the year ended June 30, 2015 was \$1,687,647.

CALIFORNIA VANPOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016 AND 2015

NOTE 5: LONG-TERM LIABILITIES

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

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Due Within One Year
Capital leases:					
AT&T Capital Bank	\$ 189,218	\$ -	\$ (96,836)	\$ 92,382	\$ 92,382
Kansas State Bank	-	42,094	(1,892)	40,202	7,781
Total capital leases	189,218	42,094	(98,728)	132,584	100,163
Compensated absences*	145,259	3,499	-	148,758	148,758
Total	\$ 334,477	\$ 45,593	\$ (98,728)	\$ 281,342	\$ 248,921

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

Capital Leases

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

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

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

Equipment	\$ 331,769
Less: Accumulated Depreciation	118,676
Net	<u>\$ 213,093</u>

As of June 30, 2016, future minimum lease payments are as follows:

2017	\$ 100,163
2018	8,130
2019	8,495
2020	8,877
2021	6,919
Thereafter	-
	<u>\$ 132,584</u>

CALIFORNIA VANPOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016 AND 2015

NOTE 6: OPERATING LEASE COMMITMENTS

In fiscal year 2016, CalVans leased one hundred and thirty-six vehicles from Merchants Automotive Group Inc. The one hundred and thirty-six vehicles have not met their minimum operating lease requirement. The minimum lease obligation associated with these vehicles as of June 30, 2016 is \$785,413; all of which is due during the fiscal year ended June 30, 2016.

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, 2016, these rental lease expenditures approximated \$61,721 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 28 employees during the fiscal year. The accrued benefits at June 30, 2016 and 2015 were \$148,758 and \$145,259, respectively.

NOTE 8: DEFINED BENEFIT PENSION PLAN

Description of Plan

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

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

CALIFORNIA VANPOOL AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016 AND 2015

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, 2016, 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, 2016, the employee contribution rate was 8.54%. CalVans is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. CalVans required contribution for the year ended June 30, 2016 was 8.79% or \$110,137. Actual contributions for the year equaled \$129,543.

CALIFORNIA VANPOOL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016 AND 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, 2016 and 2015, \$47,190 and \$41,498, 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 \$7,028 for the year ended June 30, 2016, and \$55,958 for the year ended June 30, 2015.

CALIFORNIA VANPOOL AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2016 AND 2015

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, 2016

Type of Coverage	Amount of Coverage	Effective Dates
Worker's Compensation	1,000,000	12/26/2015 to 12/26/2016
Commercial Property	Varies	12/26/2015 to 12/26/2016
General Liability	\$2,000,000	12/26/2015 to 12/26/2016
Commercial Automobile	\$1,000,000	12/26/2015 to 12/26/2016
Automobile Excess Liability	\$9,000,000	12/26/2015 to 12/26/2016
Crime Policy	Varies	12/26/2015 to 12/26/2016

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REQUIRED SUPPLEMENTARY INFORMATION

CALIFORNIA VANPOOL AUTHORITY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 FOR THE YEAR ENDED JUNE 30, 2016
 LAST 10 YEARS*

	June 30, 2016	June 30, 2015
Actuarially determined contribution	\$ 110,137	\$ 106,671
Actual employer contribution	129,543	121,514
Contribution deficiency (excess)	(19,406)	(14,843)
Covered payroll	\$ 1,252,370	\$ 1,059,077
Contribution as a percentage of covered payroll	10.34%	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 two years are shown.

OTHER REPORTS SECTION

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

The Board of Directors
California Vanpool Authority
Hanford, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the California Vanpool Authority, as of and for the year ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated March 29, 2017.

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

The Board of Directors
California Vanpool Authority
Hanford, California

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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
March 29, 2017