

**SOLANO COUNTY TRANSIT
VALLEJO, CALIFORNIA**

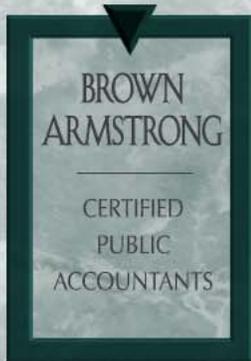
**BASIC FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2015

**SOLANO COUNTY TRANSIT
VALLEJO, CALIFORNIA
JUNE 30, 2015**

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BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Solano County Transit
Vallejo, California

Report on the Financial Statements

We have audited the accompanying financial statements of Solano County Transit as of and for the year ended June 30, 2015, and the related notes to the basic financial statements, which collectively comprise Solano County Transit's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Solano County Transit'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 Solano County Transit'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.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Solano County Transit as of June 30, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

During the year ended June 30, 2015, Solano County Transit adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68*, which modified the current financial reporting of these elements. Our opinion is not modified with respect to the matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of Changes in the Net Pension Liability and Related Ratios, and Schedule of Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, 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 Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Solano County Transit's basic financial statements. The schedule of expenditures of federal awards is presented for additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is 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 relates 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.

Other Reporting Required by *Government Audit Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2015, on our consideration of the Solano County Transit'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 Solano County Transit's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

*Brown Armstrong
Accountancy Corporation*

Bakersfield, California
December 31, 2015

**SOLANO COUNTY TRANSIT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

As management of Solano County Transit (SolTrans), operating under the name SolTrans, we offer readers of SolTrans' basic financial statements this narrative overview and analysis of the financial activities of SolTrans for the year ended June 30, 2015, with selected comparative information for the year ended June 30, 2014.

START OF OPERATIONS AND FINANCIAL HIGHLIGHTS

- SolTrans began operation on July 1, 2011, with a transfer of all transportation related assets from the Cities of Vallejo and Benicia. No other assets were transferred from the Cities of Vallejo or Benicia to SolTrans. The only liability transferred was \$121,621 from the City of Benicia for asset related debt. All operating and capital grants from governmental agencies were transferred to SolTrans, as of June 30, 2015.
- The assets of SolTrans exceeded its liabilities at the close of the year ended June 30, 2015, by \$34,448,791.
- Operating expenses (excluding depreciation) were \$11,980,268 for the year ended June 30, 2015.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to SolTrans' basic financial statements. SolTrans accounts for expenses in only one fund (Enterprise Fund); therefore, the basic financial statements do not reflect the activities of multiple funds.

SolTrans' basic financial statements consist of the Statement of Net Position; Statement of Revenues, Expenses, and Changes in Fund Net Position; and Statement of Cash Flows.

The Statement of Net Position presents information on all of SolTrans' assets and liabilities, with the difference between the two reported as Net Position. Over time, increases or decreases in net position may serve as a useful indicator of SolTrans' financial position.

The Statement of Revenues, Expenses, and Changes in Fund Net Position provides information regarding the revenues generated and received (passenger fares and grants) and the expenses incurred in which to generate those revenues. The difference between the revenues and expenses plus capital contributions represent the Change in Net Position for the year ended June 30, 2015.

The Statement of Cash Flows presents information on SolTrans' cash receipts/payments and net changes in cash (and cash equivalents) from operating, capital/capital-related financing, non-capital financing, and investing activities and decisions during the year ended June 30, 2015.

SolTrans' basic financial statements are shown on pages 11 – 13 of this report.

Accompanying the basic financial statements are Notes to the Basic Financial Statements. These notes provide supplemental information on significant accounting policies, cash and investments, governmental subsidies, inventory, capital assets, long-term debt, advances, and other significant events in other areas which resulted in the financial performance reflected in those statements.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes can be found on pages 14 – 28 of this report.

FINANCIAL STATEMENT ANALYSIS

STATEMENT OF NET POSITION

As stated earlier, increases or decreases in net position over time may serve as a useful indicator of SolTrans' financial position. A summary of the Statements of Net Position for the year ended June 30, 2015, is shown below. The focus is on Net Position (Note 1):

	<u>June 30, 2015</u>
Capital Assets, Net	\$ 34,390,759
All Other Assets	<u>21,786,862</u>
Total Assets	56,177,621
Deferred Outflows:	<u>113,100</u>
Total Liabilities	<u>21,778,573</u>
Deferred Inflows:	<u>63,357</u>
Net Position (Note 1)	
Net Investment in Capital Assets	34,390,759
Unrestricted	<u>58,032</u>
Total Net Position	<u>\$ 34,448,791</u>

For the year ended June 30, 2015, 99.9% of SolTrans' net position is reflected in its investment in capital assets (e.g., buses, support vehicles, parking facilities/lots, bus shelters, and peripheral buildings and equipment for operations, maintenance, and administrative support). SolTrans uses these capital assets to provide transportation service to the Cities of Vallejo and Benicia, as well as maintain the necessary service infrastructure. All of SolTrans' capital assets were procured with a mix of federal, state, and local funds. The capitalization threshold for rolling stock (bus equipment, parts, and materials) is \$5,000 and all other maintenance/office equipment and furniture for the year ended June 30, 2015, was \$1,000. Any item purchased that did not meet the aforementioned criteria was expensed in the period.

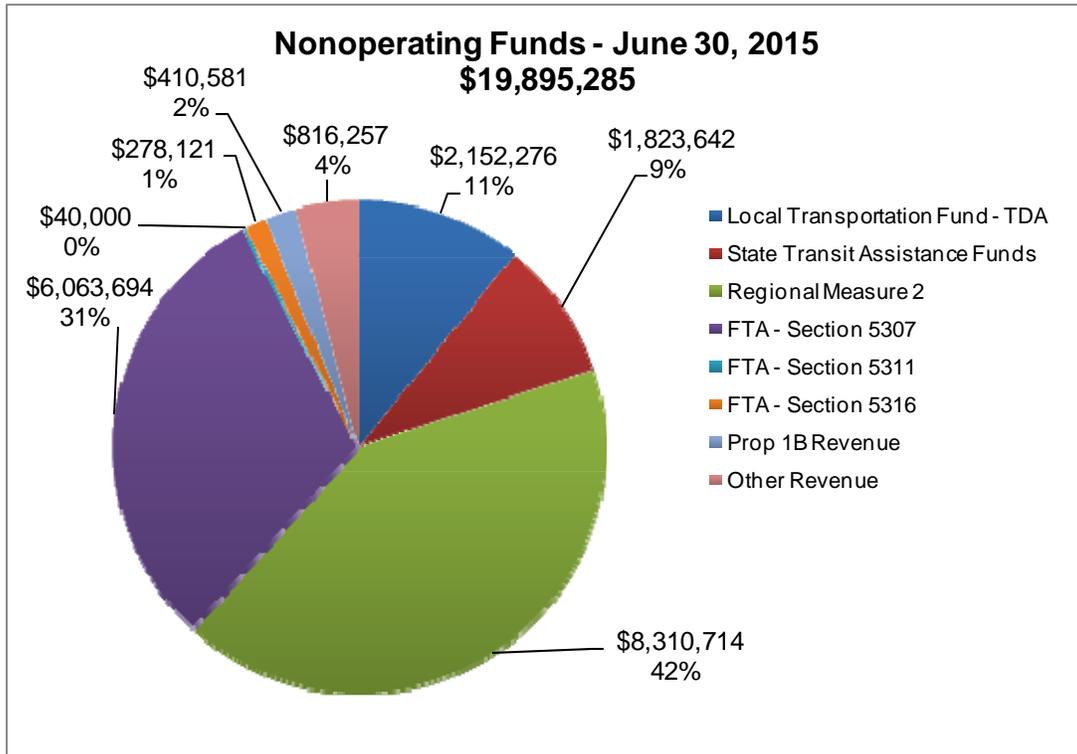
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

The Statement of Revenues, Expenses, and Changes in Fund Net Position provides information regarding SolTrans' revenues and expenditures. The table below reflects a summary of SolTrans' Statements of Revenues, Expenses, and Changes in Fund Net Position during the year ended June 30, 2015.

	<u>June 30, 2015</u>
Revenues	
Passenger fares	\$ 3,418,514
Nonoperating funds	19,895,285
Ferry reimbursement	605,232
Interest income	<u>32,213</u>
 Total Revenues	 <u>23,951,244</u>
 Expenses	
Transit service contracts	8,097,525
Fuel	1,174,192
Salaries and temporary employees	1,043,316
Professional services	556,286
Other operating expenses	669,480
Security	231,077
Advertising and marketing	<u>208,392</u>
 Subtotal Expenses Before Depreciation	 <u>11,980,268</u>
 Depreciation Expense	 <u>2,618,881</u>
 Total Expenses Including Depreciation	 <u>14,599,149</u>
 Change in Net Position	 9,352,095
 Net Position, Beginning of Year, as restated	 <u>25,096,696</u>
 Net Position, End of Year	 <u>\$ 34,448,791</u>

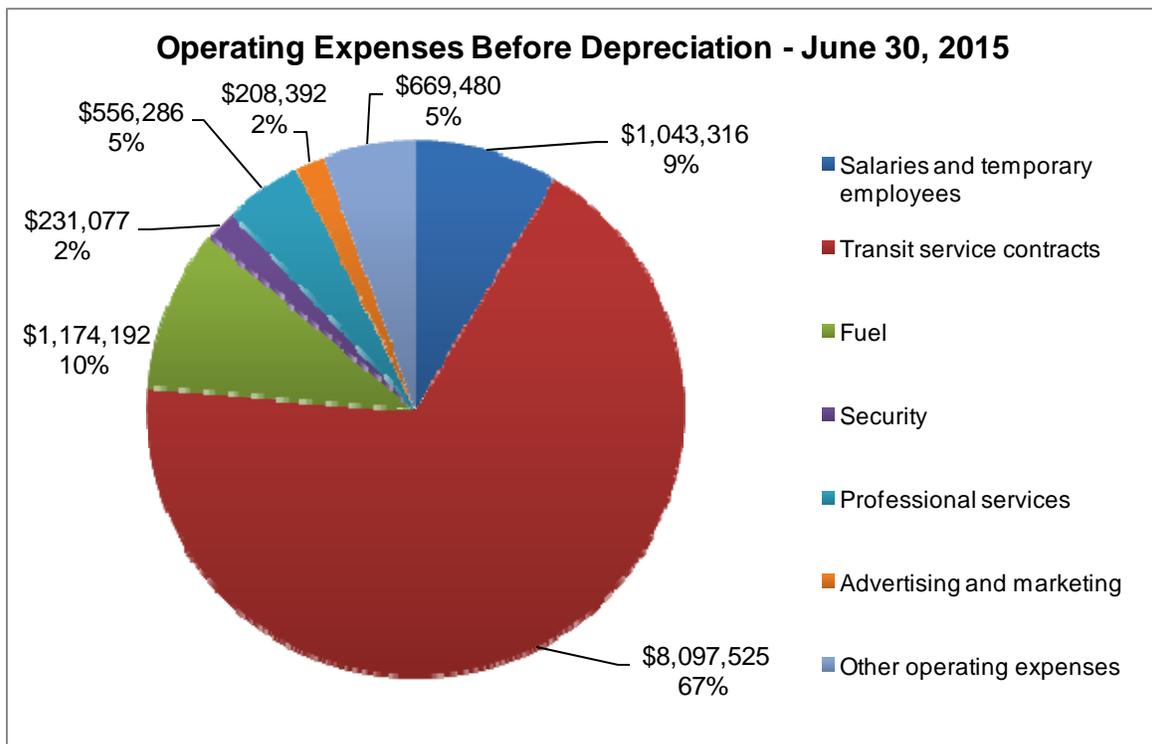
Revenues. Passenger Fares represented 14%, while Nonoperating Funds were 83% of the fiscal year's 2015 revenue. The remaining 3% of 2015 revenue was from Interest Income and Ferry Reimbursements for ticket office operations and Route 200. See Note 8 to the financial statements for more information.

The Nonoperating Funds include funding for operations as well as capital projects and come from a variety of specific funding sources. Each funding source is guided by government regulations regarding type and use of funds. A breakdown of specific Nonoperating Fund dollar amounts by funding source for the year ended June 30, 2015, is shown below:



Expenses. Adopted SolTrans policies, procedures, and business processes are used as management tools to control expenses and attain goals and objectives. These controllable operating expenses consist of cost elements that exclude depreciation. For purposes of this analysis, operating expenses before depreciation will be discussed.

Operating expenses totaled \$11,980,268 for the year ended June 30, 2015. A breakdown of operating expenses (as a percentage of net operating expenses) is shown below:



Depreciation expense was \$2,618,881 for the year ended June 30, 2015.

BUDGETARY HIGHLIGHTS

Annual operating/capital budgets and plans are used as a management tool to monitor revenue and expenses and evaluate operating performance. SolTrans’ Board of Directors approves these items prior to implementation. The budget for operating expenses, net of reimbursement from the Ferry, was \$12,319,340 for the year ended June 30, 2015.

SolTrans finished the year ended June 30, 2015, with operating expenses net of depreciation expense and the reimbursement from the Ferry \$924,299 under budget primarily due to lower staffing costs due to timing of hiring and diesel fuel costs staying low throughout the year.

CAPITAL ASSETS

SolTrans’ investment in capital assets (net of accumulated depreciation) as of June 30, 2015, amounted to \$34,390,759. This investment in capital assets includes land, buildings, fleet, communication/farebox systems, machinery/equipment, and passenger facilities. All assets have been purchased with federal, state, or local grants awarded to SolTrans’ predecessors with the exception of current year additions that were purchased with state and local grants awarded to SolTrans. All capital assets relating to transportation were transferred from the Cities of Vallejo and Benicia to SolTrans as part of SolTrans’ formation in July 2011.

To gain an understanding of capital asset additions and retirements at a historical cost relationship, an analysis of capital asset activity before accumulated depreciation is shown in the schedule below:

	Balance July 1, 2014	Additions	Retirements	Capital Contributions	Balance June 30, 2015
Capital Assets, Being Depreciated:					
Buildings and Improvements	\$ 11,600,326	\$ 48,602	\$ (15,414)	\$ -	\$ 11,633,514
Vehicles and In-Vehicle Monitoring Systems	30,666,097	61,022	-	-	30,727,119
Equipment and Furniture	507,259	59,260	(122,467)	-	444,052
Total Capital Assets, Being Depreciated	42,773,682	168,884	(137,881)	-	42,804,685
Accumulated Depreciation	20,738,417	2,618,881	(137,881)	-	23,219,417
Total Capital Assets, Being Depreciated, Net	22,035,265	(2,449,997)	-	-	19,585,268
Construction in Progress	3,060,427	11,745,064	-	-	14,805,491
Total Capital Assets, Net	\$ 25,095,692	\$ 9,295,067	\$ -	\$ -	\$ 34,390,759

Additional detail on SolTrans' capital asset activity is shown in Note 4 of the Notes to the Basic Financial Statements on page 21 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

These significant factors were considered as budget assumptions when preparing SolTrans' budget for fiscal year 2015-16:

- Full year impact of the increase in fixed route service from changes to existing service on January 31, 2015, to provide more frequent service and optimize routes. This will increase the number of revenue service hours we pay to National Express Transit, our service provider.
- Increase in salaries and benefits for potentially adding a 12th employee.
- Utilization of professional consultants that will enhance future operations in the area of route planning and scheduling as well as productivity improvement will be utilized as needed.

The approved operating budget for fiscal year 2015-16 totals \$13,096,200, excluding depreciation expense and net of the expected reimbursement from the Ferry, a 6 percent increase when compared to the budget for the year ended June 30, 2015.

SolTrans relies on operating subsidies for 65 to 72 percent of its total revenue. These subsidies come from a variety of specific funding sources. Each funding source is guided by government regulations regarding type and use of funds. A component of SolTrans' operating funds is local operating assistance, which is comprised of Local Transportation Funds (LTF), Regional Measure 2, and State Transportation Assistance (STA) funds. Transportation Development Act (TDA), the MTC, and Public Utilities Code (PUC) provisions govern the use of these funds.

One such provision is conformance to a predetermined Farebox Recovery Ratio (Fare Revenue/Operating Expenses) set by the TDA and enforced by MTC. The fiscal year 2015-16 predetermined target ratio is 20 percent. SolTrans' Board of Directors approved the fiscal year 2015-16 operating budget, which indicates a projected farebox recovery ratio of 28 percent, which would result in a projected favorable variance of 8 percent. SolTrans anticipates being in conformance with the Farebox Recovery Ratio provision.

Additional information on TDA conformance is found in Note 7 of the Notes to the Basic Financial Statements, page 22 of this report.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of SolTrans' finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance and Administration Manager, SolTrans, 311 Sacramento Street, Vallejo, California 94590.

BASIC FINANCIAL STATEMENTS

**SOLANO COUNTY TRANSIT
STATEMENT OF NET POSITION
JUNE 30, 2015**

	2015
ASSETS	
CURRENT ASSETS:	
Cash, cash equivalents, and investments (Note 2)	\$ 14,831,594
Accounts receivable	24,387
Due from other governmental agencies (Note 3)	6,809,534
Prepaid expenses	46,461
Other assets	5,806
Net pension asset (Note 10)	69,080
Total Current Assets	21,786,862
NONCURRENT ASSETS:	
Capital assets, net (Note 4)	34,390,759
Total Assets	56,177,621
Deferred Outflows of Resources - Pension Contributions (Note 10)	113,100
LIABILITIES	
CURRENT LIABILITIES:	
Accounts payable and accrued expenses	3,957,746
Advances on grant revenue (Note 9)	17,703,019
Accrued payroll and related taxes	117,808
Total Current Liabilities	21,778,573
Total Liabilities	21,778,573
Deferred Inflows of Resources - Pension Investment Earnings (Note 10)	63,357
NET POSITION	
NET POSITION:	
Net investment in capital assets	34,390,759
Unrestricted	58,032
Total Net Position	\$ 34,448,791

See accompanying notes to the basic financial statements.

**SOLANO COUNTY TRANSIT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015**

	2015
OPERATING REVENUES:	
Passenger fares	\$ 3,418,514
Ferry reimbursement (Note 8)	605,232
	4,023,746
OPERATING EXPENSES:	
Transit service contracts	8,097,525
Depreciation	2,618,881
Fuel	1,174,192
Salaries and temporary employees	1,043,316
Professional services	537,238
Other operating expenses	877,872
Security	231,077
Insurance cost	19,048
	14,599,149
OPERATING LOSS	(10,575,403)
NONOPERATING REVENUES (EXPENSES):	
Nonoperating funds:	
Local Transportation Fund - TDA	2,152,276
State Transit Assistance Fund	1,823,642
Regional Measure 2	8,310,714
Federal Transit Administration - Section 5307	6,063,694
Federal Transit Administration - Section 5311	40,000
Federal Transit Administration - Section 5316	278,121
Prop 1B Revenue	410,581
Other Revenue	816,257
	19,895,285
Interest income	32,213
	19,927,498
Net Nonoperating Income	19,927,498
Change in Net Position	9,352,095
NET POSITION:	
Beginning of year, as restated (see Note 11)	25,096,696
End of year	\$ 34,448,791

See accompanying notes to the basic financial statements.

**SOLANO COUNTY TRANSIT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015**

	2015
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from passengers	\$ 4,016,332
Cash payments to suppliers for operations	(7,173,707)
Cash payments for general and administrative expenses	(3,905,200)
Net Cash Used by Operating Activities	(7,062,575)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Capital contributions	(2,658,016)
Operating subsidies received	29,349,211
Net Cash Provided by Noncapital Financing Activities	26,691,195
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Cash (payments) received on the acquisition of capital assets	(11,913,948)
Net Cash Used by Capital and Related Financing Activities	(11,913,948)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	32,213
Net Cash Provided by Investing Activities	32,213
Net Increase in Cash, Cash Equivalents, and Investments	7,746,885
CASH, CASH EQUIVALENTS, AND INVESTMENTS:	
Beginning balance	7,084,709
Ending balance	\$ 14,831,594
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating loss	\$ (10,575,403)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	2,618,881
Changes in operating assets and liabilities:	
(Increase)/Decrease in accounts receivable and due from other governmental agencies	(1,608)
(Increase) in prepaids	(46,461)
(Increase) Decrease in deferred outflows	(113,100)
Increase in accounts payable, accrued expenses, and due to other governmental agencies	964,473
Increase in accrued payroll and related taxes	19,179
(Increase) Decrease in deferred inflows	63,357
Increase (Decrease) in Net pension liability	8,107
Net Cash Used by Operating Activities	\$ (7,062,575)

See accompanying notes to the basic financial statements.

**SOLANO COUNTY TRANSIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Solano County Transit (SolTrans) are in conformity with accounting principles generally accepted in the United States of America applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. The following is a summary of the significant accounting policies:

A. *Financial Reporting Entity*

SolTrans was established in November 2010 as a Joint Powers Agency (JPA) under authority of Title I, Division 7, Chapter 5, as amended by the Government Code of the State of California. By joint exercise of their common power, Solano Transportation Authority and the Cities of Vallejo and Benicia created SolTrans to serve as a separate public transportation agency. SolTrans owns, maintains, and operates (directly or through contracts with other operators) the public transit system of Western Solano County under the name SolTrans.

SolTrans is a special purpose governmental unit with no component units and is eligible for funding under Section 99200 et. seq. of the California Public Utilities Code.

B. *Basic Financial Statements*

The basic financial statements (i.e., the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Fund Net Position; and the Statement of Cash Flows) report information on all of the enterprise activities of SolTrans. These basic financial statements are presented in accordance with GASB Statement No. 34, *Basic Financial Statements — Management's Discussion and Analysis – for State and Local Governments*, and related standards; Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; and Statement No. 38, *Certain Financial Statement Note Disclosures*. The standards provide for significant changes in terminology, recognition of contributions in the Statement of Revenues, Expenses, and Changes in Fund Net Position, inclusion of a Management's Discussion and Analysis as supplementary information, and other changes.

C. *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

The basic financial statements are prepared using the economic resource measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statements of Net Position. The Statements of Revenues, Expenses, and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

SolTrans distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing transportation services. The principal operating revenues of SolTrans are charges to passengers for transportation services (passenger fares) and reimbursement from the local ferry operator for the cost of operating the ferry ticket office and the supplemental bus service operated during the non-ferry hours. Operating expenses include the cost of providing service, including general and administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Capital contributions are reported as a separate line item in the Statements of Revenues, Expenses, and Changes in Fund Net Position. SolTrans' policy is to use restricted resources for the purposes intended, then unrestricted resources as they are needed.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Cash Equivalents

SolTrans' cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

E. Investments

All investments are stated at fair value, except for money market investments that have a remaining maturity of less than one year when purchased which are stated at amortized cost. Money market investments are short-term, highly liquid debt instruments including commercial paper, bankers' acceptances, and U.S. Treasury and Agency obligations. Fair value is the value at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. All investment income, including changes in fair value, is included in nonoperating revenues.

F. Capital Assets

SolTrans received \$30,082,769 in assets and \$121,621 in related liabilities from the Cities of Vallejo and Benicia as part of the formation of SolTrans. The assets were recorded at cost, net of accumulated depreciation, as of the date of transfer. The capitalization threshold for any purchases of rolling stock, equipment, and additions or improvements of rolling stock was \$5,000 in the year ended June 30, 2015. All other items purchased with a cost of \$1,000 or more and having an estimated life of more than one year have also been capitalized. Depreciation is based on the estimated useful lives of the assets, which range from 3 to 50 years, using the straight-line method.

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

The estimated useful lives of capital assets are as follows:

Buildings and improvements	30 – 50 years
Buses and in-bus monitoring systems	5 – 12 years
Furniture and equipment	3 – 10 years

G. Compensated Absences

Vested or accumulated vacation leave is recorded as an expense and liability as the benefits accrue to employees. No liability is recorded for non-vested accumulated rights to receive sick pay benefits.

H. Net Position

In the Statement of Net Position, net position is classified in the following categories:

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments, of which there is none.

Unrestricted Net Position – This amount is all net position that does not meet the definition of “net investment in capital assets” or “restricted net position.”

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

J. Government Grants and Subsidies

Subsidies and grants for operating assistance, the acquisition of equipment, or other capital outlay are not formally recognized in the accounts until the grant becomes a valid receivable as a result of SolTrans' complying with appropriate grant requirements.

For presentation purposes, operating assistance subsidies are included in nonoperating revenues in the year in which the grant is applicable and the related reimbursable expenditure is incurred.

As required by GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, capital contributions beginning in the year ended June 30, 2001, are reported as nonoperating revenues in the Statements of Revenues, Expenses, and Changes in Fund Net Position. Assets acquired with restricted capital grant funds are included in capital assets. Beginning the year ended June 30, 1999, federal operating revenues were replaced by allowing capitalization and subsequent reimbursements of percentage of eligible maintenance operating expenses as defined by the Federal Transit Administration (FTA). These proceeds are recorded as nonoperating revenues.

Grants received in excess of allowable expenditures are recorded as advances.

K. Budget

SolTrans' fiscal policies establish the framework for the management and control of SolTrans' resources to ensure that SolTrans remains fiscally sound. SolTrans' goals and policies, which are approved by the Board of Directors, determine where and how SolTrans' resources should be dedicated. For this reason, SolTrans' goals, objectives, short and long-range planning, and performance analyses are incorporated into the budget development process.

It is the policy of SolTrans that the Board of Directors approves an annual budget prior to the beginning of each year. The budget is developed generally using the accrual basis of accounting. All annual operating appropriations lapse at the fiscal year-end.

L. New Accounting Pronouncements – Implemented

GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27*. The provisions of GASB Statement No. 68 are effective for financial statements beginning after June 15, 2014. SolTrans has implemented the provisions of GASB Statement No. 68 in the current year. See Note 10 for detailed discussion of the effects of SolTrans' current and prior period financial statements as a result of the adoption of this standard.

GASB Statement No. 69 – *Government Combinations and Disposals of Government Operations*. The provisions of GASB Statement No. 69 are effective for financial statements beginning after December 15, 2013. There was no effect on SolTrans' accounting or financial reporting as a result of implementing this standard.

GASB Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date* amends paragraph 137 of GASB Statement No. 68. The provisions of GASB Statement No. 71 were applied simultaneously with the provisions of GASB Statement No. 68. See Note 10 for detailed discussion of the effects of SolTrans' current and prior period financial statements as a result of the adoption of this standard.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Future GASB Statements

GASB Statement No. 72 – Fair Value Measurement and Application. The provisions of this statement are effective for financial statements for reporting periods beginning after June 15, 2015. SolTrans has not fully judged the effect of the implementation of GASB Statement No. 72 as of the date of the basic financial statements.

GASB Statement No. 73 – Accounting and Financial Reporting for Pensions and Related Assets that are Not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68. The provisions of this statement are effective for fiscal years beginning after June 15, 2015 – except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, which are effective for fiscal years beginning after June 15, 2016. SolTrans has not fully judged the effect of the implementation of GASB Statement No. 73 as of the date of the basic financial statements.

GASB Statement No. 74 – Financial Reporting for Postemployment Benefits Other than Pension Plans. The provisions of this statement are effective for fiscal years beginning after June 15, 2016. SolTrans has not fully judged the effect of the implementation of GASB Statement No. 74 as of the date of the basic financial statements.

GASB Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other than Pension Plans. The provisions of this statement are effective for fiscal years beginning after June 15, 2017. SolTrans has not fully judged the effect of the implementation of GASB Statement No. 75 as of the date of the basic financial statements.

GASB Statement No. 76 – Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The provisions of this statement are effective for fiscal years beginning after June 15, 2015. SolTrans has not fully judged the effect of the implementation of GASB Statement No. 76 as of the date of the basic financial statements.

GASB Statement No. 77 – Tax Abatement Disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2015. SolTrans has not fully judged the effect of the implementation of GASB Statement No. 77 as of the date of the basic financial statements.

GASB Statement No. 78 – Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans. The requirements of this statement are effective for fiscal years beginning after December 15, 2015. SolTrans has not fully judged the effect of the implementation of GASB Statement No. 79 as of the date of the basic financial statements.

GASB Statement No. 79 – Certain External Investment Pools and Pool Participant. The requirements of this statement are effective for fiscal years beginning after June 15, 2015, except for the provisions in paragraphs 18, 19, 23–26, and 40, which are effective for reporting periods beginning after December 15, 2015. SolTrans has not fully judged the effect of the implementation of GASB Statement No. 79 as of the date of the basic financial statements.

N. Pensions

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the Solano County Transit Public Agency Retirement System (PARS) Retirement Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Pensions (Continued)

GASB Statement No. 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

Valuation Date (VD)	June 30, 2014
Measurement Date (MD)	June 30, 2015
Measurement Period (MP)	July 1, 2014 to June 30, 2015

The Solano County Transit PARS Retirement Plan provides benefits for all eligible employees.

NOTE 2 – CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash, cash equivalents, and investments as of June 30, 2015, are held in a cash and investment pool maintained by the City of Vacaville (the City). This pooled cash is invested by the City’s Investment Officer and overseen by the City’s Treasurer. The pooled interest earned is allocated to SolTrans based on cash and investment balances in these funds at the end of each accounting period.

Cash, cash equivalents, and investments held in the pool were \$14,831,594 as of June 30, 2015.

	<u>2015</u>
Pooled Cash and Investments	<u>\$ 14,831,594</u>
Total Cash, Cash Equivalents, and Investments	<u><u>\$ 14,831,594</u></u>

	<u>2015</u>
City Investment Pool	<u>\$ 14,831,594</u>
Total Cash, Cash Equivalents, and Investments	<u><u>\$ 14,831,594</u></u>

Investments Authorized by the California Government Code and SolTrans’ Investment Policy

The table below identifies the **investment types** that are authorized for SolTrans by the California Government Code. The table also identifies certain provisions of the California Government Code that address **interest rate risk**, **credit risk**, and **concentration of credit risk**.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Investment Fund (LAIF)	N/A	100%	N/A
U.S. Government Securities	None	100%	100%
U.S. Agency Securities	None	100%	100%
Commercial Paper	270 days	25%	25%
Certificates of Deposit	N/A	N/A	N/A
Corporate Notes	5 years	30%	30%
U.S. Agency Discount Notes	None	100%	100%
Municipal Bonds	None	100%	100%
Money Market Mutual Funds	N/A	20%	10%
Repurchase Agreements	1 year	100%	100%
Bankers’ Acceptances	180 days	40%	30%

Investments were stated at fair value using the aggregate method in all funds, resulting in \$32,213 in interest income for the year ended June 30, 2015.

NOTE 2 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)**Disclosures Relating to Interest Rate Risk**

Information about the sensitivity of the fair values of SolTrans' investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following tables that show the distribution of SolTrans' investments by maturity:

2015 <u>Investment Type</u>	<u>Remaining Maturity (in Months)</u>			
	<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>More Than 60 Months</u>
City Investment Pool	<u>\$ 14,831,594</u>	<u>\$ 14,831,594</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$ 14,831,594</u>	<u>\$ 14,831,594</u>	<u>\$ -</u>	<u>\$ -</u>

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, SolTrans' investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

2015 <u>Investment Type</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year-End</u>
		<u>AAA</u>
City Investment Pool	<u>\$ 14,831,594</u>	<u>\$ 14,831,594</u>
Total	<u>\$ 14,831,594</u>	<u>\$ 14,831,594</u>

Concentration of Credit Risk

The investment policy of SolTrans contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total SolTrans' investments.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and SolTrans' investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure SolTrans' deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

NOTE 3 – DUE FROM OTHER GOVERNMENTAL AGENCIES

Amounts due from other governmental agencies consisted of the following at June 30, 2015:

	<u>2015</u>
Federal (FTA):	
Section 5316	\$ 278,121
Section 5307	1,651,194
State:	
Transportation Development Act	1,422,668
Local:	
Regional Measure 2	3,351,474
Water Emergency Transportation Authority (WETA)	99,732
City of Benicia	<u>6,345</u>
Total	<u>\$ 6,809,534</u>

Federal

Under provisions of the FTA, funds are available to SolTrans for maintenance costs; transportation planning; operations; and the acquisition, construction, improvement, and maintenance of transit facilities, transit vehicles, and equipment.

State

Under provisions of a 1979 amendment to the Transportation Development Act of 1971 (TDA), the State of California's appropriations through the State Transit Assistance Fund (STAF) are available for capital projects of a public transportation system. To qualify for operating funds, a transit operator must meet one of the efficiency standards under TDA Section 00314.6.

Local

The State of California Local Transportation Fund (LTF) monies under the TDA, as amended, are available for transit operations and development. The Solano Transportation Authority (STA) administers these funds on behalf of the County of Solano. Funds are apportioned to eligible transit operators based on the percentage of the County of Solano's population that lies within each operator's service area.

NOTE 4 – CAPITAL ASSETS

Capital assets of SolTrans for the year ended June 30, 2015, consisted of the following:

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Capital Contributions</u>	<u>Balance June 30, 2015</u>
Capital Assets, Being Depreciated:					
Buildings and Improvements	\$ 11,600,326	\$ 48,602	\$ (15,414)	\$ -	\$ 11,633,514
Vehicles and In-Vehicle Monitoring Systems	30,666,097	61,022	-	-	30,727,119
Equipment and Furniture	507,259	59,260	(122,467)	-	444,052
 Total Capital Assets, Being Depreciated	 42,773,682	 168,884	 (137,881)	 -	 42,804,685
 Accumulated Depreciation	 20,738,417	 2,618,881	 (137,881)	 -	 23,219,417
 Total Capital Assets, Being Depreciated, Net	 22,035,265	 (2,449,997)	 -	 -	 19,585,268
 Construction in Progress	 3,060,427	 11,745,064	 -	 -	 14,805,491
 Total Capital Assets, Net	 <u>\$ 25,095,692</u>	 <u>\$ 9,295,067</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 34,390,759</u>

Depreciation expense for the year ended June 30, 2015, was \$2,618,881.

NOTE 5 – LIABILITY INSURANCE

SolTrans maintained insurance through its transit operator, National Express Transit. The transit operator maintained coverage of \$13,500,000 per occurrence for general and auto liability, workers' compensation for employees of the transit operator, and employer's liability of \$2,000,000 per accident.

SolTrans also maintains insurance through its own carrier for general liability and workers' compensation.

NOTE 6 – CONTINGENCIES AND COMMITMENTS

A. Lawsuits

SolTrans is currently not involved in any lawsuits.

B. Federal and State Grant Programs

SolTrans has received state and federal funds for specific purposes that are subject to review and audit by grantor agencies. No cost disallowance is expected as a result of these audits; however, these programs are subject to further examination by the grantors. Awards which may be disallowed, if any, by the granting agencies cannot be determined at this time. SolTrans expects such amounts, if any, to be immaterial.

C. Commitments

As of June 30, 2015, in the opinion of SolTrans' management, there were no outstanding matters that would have a significant effect on the financial position of SolTrans.

NOTE 7 – TRANSPORTATION DEVELOPMENT ACT CONFORMANCE MATTERS

SolTrans is subject to the provision of the Public Utilities Code (PUC) Section 99270.1 and must maintain a minimum fare ratio of 20% of operating revenues over operating expenses. After allocation of indirect costs to each type of service and taking into consideration certain cost exemption provisions of the TDA, SolTrans' farebox ratio for the year ended June 30, 2015, was 29.9%, as calculated below, which indicates that SolTrans in the year ended June 30, 2015, was in compliance with the provisions of PUC Section 99270.

	<u>2015</u>
Farebox revenue	\$ 3,418,514
Less: regional taxi scrip	<u>-</u>
Farebox revenue for calculation	<u>\$ 3,418,514</u>
Total operating expenses	\$ 14,599,149
Less: depreciation	(2,618,881)
Less: ferry ticket reimbursement	<u>(605,232)</u>
Net operating expense	<u>\$ 11,375,036</u>
Farebox ratio	30.1%

NOTE 8 – FERRY REIMBURSEMENT

The San Francisco Bay Area Water Emergency Transportation Authority (WETA) contracts with SolTrans to manage the City of Vallejo ferry ticket office and to run bus service (Route 200) for ferry passengers. SolTrans is reimbursed for all expenses related to the ferry ticket office and for all hours that Route 200 is in service at an agreed upon hourly rate. The total reimbursement received from WETA for the year ended June 30, 2015, was \$605,232. SolTrans will no longer manage the ferry ticket office beginning July 1, 2015.

NOTE 9 – ADVANCES

The combined change in advances for the fiscal year ended June 30, 2015, is summarized as follows:

	<u>TDA</u>	<u>Prop 1B</u>	<u>Prop 1B funds held for Subrecipient</u>	<u>STAF</u>	<u>Other</u>	<u>Total</u>
Advances, June 30, 2014	\$ 6,569,505	\$ -	\$ -	\$ 970,892	\$ 64,029	\$ 7,604,426
Advances received	-	7,458,235	2,622,808	-	169,444	10,250,487
Funds expended	-	(509,970)	-	(970,892)	(208,029)	(1,688,891)
TDA operating funds received	3,101,277	-	-	-	-	3,101,277
TDA operating funds earned	<u>(1,564,280)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,564,280)</u>
Advances, June 30, 2015	<u>\$ 8,106,502</u>	<u>\$ 6,948,265</u>	<u>\$ 2,622,808</u>	<u>\$ -</u>	<u>\$ 25,444</u>	<u>\$ 17,703,019</u>

Transportation Development Act (TDA) Funds

SolTrans records all TDA advances for operating grant funds as advances. SolTrans earns TDA funds by incurring operating expenses in excess of fares and other revenues.

NOTE 9 – ADVANCES (Continued)

Proposition 1B Programs

The Highway Safety, Traffic Reduction, Air Quality and Port Security Bond Act of 2006, approved by the voters as Proposition 1B at the November 7, 2006 general election, authorizes the issuance of nineteen billion nine hundred twenty five million dollars (\$19,925,000,000) in general obligation bonds for specified purposes, including grants for transit system safety, security, and disaster response projects.

CalOES - California Office of Emergency Services/Homeland Security

Proposition 1B provides \$1 billion to California's Transit System Safety, Security, and Disaster Response Account for capital projects that provide increased protection against security and safety threats. Funds may also be used for capital expenditures to increase the capacity of transit operators, including waterborne transit operators, to develop disaster response transportation systems that can move people, goods, and emergency personnel and equipment in the aftermath of a disaster that impairs the mobility of goods, people, and equipment. Amounts received prior to being earned are recorded as advances within these financial statements. These grants are managed by the California Office of Emergency Services under Homeland Security.

PTMISEA - Public Transportation Modernization, Improvement, and Service Enhancements Account

Proposition 1B provides \$4 billion for public transportation modernization, improvement and service enhancements. These funds are available to the California Department of Transportation for intercity rail projects and to transit operators in California for rehabilitation, safety, or modernization improvements; capital service enhancements or expansions; new capital projects; bus rapid transit improvements; or for rolling stock procurement, rehabilitation, or replacement. Amounts received prior to being earned are recorded as advances. These grants are managed by CalTrans.

The audit of public transportation operator finances, pursuant to Section 99245 of PUC and required under the TDA, was expanded to include verification of receipt and appropriate expenditure of Prop 1B bond funds.

SolTrans also received Prop 1B PTMISEA funds on behalf of WETA. WETA will incur project expenses and submit the invoices to SolTrans for reimbursement.

State Transit Assistance Fund (STAF)

SolTrans records all STAF advances for operating grant funds as advances. SolTrans earns STAF funds by incurring operating expenses in excess of fares and other revenues.

NOTE 10 – PENSION PLAN

A. *General Information about the Pension Plan*

Plan Description and Benefits Provided

The plan is a single employer defined benefit pension plan sponsored by SolTrans. For employees hired before January 1, 2013, the Plan provides retirement benefits payable beginning at age 60 that are equal to 2% of the employee's final 3-year average compensation times the employee's years of service. For employees hired on or after January 1, 2013, the Plan provides retirement benefits payable beginning at age 62 that are equal to 2% of the employee's final 3-year average compensation times the employee's years of service. An employee who has at least five years of service may retire as early as age 55 with a reduced pension. An employee who terminates from SolTrans may withdraw his or her contributions, plus any accumulated interest. Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustments are equal to 2 percent of the prior year's annual benefit.

NOTE 10 – PENSION PLAN (Continued)

A. General Information about the Pension Plan (Continued)

Plan Description and Benefits Provided (Continued)

The Plan's provisions and benefits in effect at June 30, 2015, are summarized as follows:

Hire Date	<u>Prior to December 31, 2012</u>	<u>On or after January 1, 2013</u>
Benefit Formula	2%@60	2%@62
Benefit Vesting Schedule	5 years service	5 years service
Benefit Payments	monthly for life	monthly for life
Retirement Age	60	62
Monthly Benefits, as a Percentage of Eligible Compensation	2.000%-2.418%	1.800%-2.100%
Required Employee Contribution Rates	7.000%	7.000%
Required Employer Contribution Rates	7.020%	7.020%

Employees Covered by Benefit Terms

At June 30, 2015, the following employees were covered by the benefit terms.

Inactive Employees or Beneficiaries Currently Receiving Benefits	-
Inactive Employees Entitled to but not yet Receiving Benefits	-
Active Employees	<u>5</u>
Total	<u><u>5</u></u>

Contributions

SolTrans establishes annual contribution rates based on an actuarially determined rate recommended 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. SolTrans is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2014, the average active employee contribution rate is 7.0 percent of annual pay, and SolTrans' average contribution rate was 8.75 percent of annual payroll.

Contributions to the pension plan from SolTrans were \$109,932 for the year ended June 30, 2015.

At June 30, 2015, SolTrans reported a net pension (asset) liability of \$(69,080). The net pension (asset) liability was measured as of June 30, 2015, and the total pension (asset) liability used to calculate the net pension (asset) liability was determined by an actuarial valuation as of June 30, 2014.

B. Net Pension Liability

SolTrans' net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net pension. The net pension liability of the Plan is measured as of June 30, 2014, using an annual actuarial valuation as of June 30, 2013, rolled forward to June 30, 2014, using standard update procedures. A summary of principal assumptions and methods used to determine net pension liability is shown below.

NOTE 10 – PENSION PLAN (Continued)

B. Net Pension Liability (Continued)

Actuarial Assumptions and Methods

For the measurement period ending June 30, 2014 (the measurement date), the total pension (asset) liability was determined by rolling forward the June 30, 2014 total pension (asset) liability. Both the June 30, 2014 total pension (asset) liability and the June 30, 2015 total pension (asset) liability were based on the following actuarial methods and assumptions:

Valuation Date	July 1, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.00%
Inflation	3.00%
Payroll Growth	3.00%
Projected Salary Increase	Varies by Entry Age and Service ⁽¹⁾
Investment Rate of Return	7.0% ⁽²⁾
Mortality	Derived using ⁽³⁾ CalPERS' 2014 Experience Study

⁽¹⁾ Derived from 2014 CalPERS Experience Study Public Agency Miscellaneous, Entry Age 30 3.0% wage inflation added to the following rates:

<u>Service</u>	<u>Rate</u>
0	8.6%
3	4.2%
5	3.0%
10	1.3%
15	1.0%
20	0.8%
25	0.6%
30	0.4%

⁽²⁾ Net of pension plan investment expenses, including inflation.

⁽³⁾ The mortality table used was developed based on CalPERS' 2014 Experience Study Service Retiree and Beneficiary Mortality.

All other demographic assumptions used in the June 30, 2014 valuation were based on the rates from the 2014 CalPERS Experience Study for Miscellaneous Employees.

NOTE 10 – PENSION PLAN (Continued)**B. Net Pension Liability** (Continued)*Actuarial Assumptions and Methods* (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	60%	5.7%
Fixed Income	38%	2.4%
Cash	<u>2%</u>	0.0%
Total	<u><u>100%</u></u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that SolTrans contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension (asset) liability.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10^(a)</u>	<u>Real Return Years 11+^(b)</u>
Global Equity	60.00%	N/A	5.70%
Global Fixed Income	38.00%	N/A	2.40%
Inflation Sensitive	N/A	N/A	N/A
Private Equity	N/A	N/A	N/A
Real Estate	N/A	N/A	N/A
Infrastructure and Forestland	N/A	N/A	N/A
Liquidity	<u>2.00%</u>	N/A	0.00%
Total	<u><u>100.00%</u></u>		

^(a) An expected inflation of 2.5% used for this period.

^(b) An expected inflation of 3.0% used for this period.

NOTE 10 – PENSION PLAN (Continued)

C. Changes in the Net Pension Liability

The changes in the Net Pension (Asset) Liability for the Plan is as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at July 1, 2014 (1)	\$ 87,374	\$ 120,424	\$ (33,050)
Changes in the year:			
Service Cost	70,569	-	70,569
Interest on the Total Pension Liability	5,688	-	5,688
Differences between Actual and Expected Experience	-	-	-
Changes in Assumptions	-	-	-
Changes in Benefit Terms	-	-	-
Contribution - Employer	-	63,357	(63,357)
Contribution - Employee (Paid by Employer)	-	-	-
Contribution - Employee	-	46,575	(46,575)
Net Investment Income (2)	-	3,332	(3,332)
Administrative Expenses	-	(977)	977
Benefit Payments, Including Refunds of Employee Contributions	(5,376)	(5,376)	-
Net Changes	70,881	106,911	(36,030)
Balance at June 30, 2015 (1)	\$ 158,255	\$ 227,335	\$ (69,080)

(1) The fiduciary net position includes receivables for employee service buybacks, deficiency reserves, fiduciary self-insurance and other post-employment benefits (OPEB) expense. This may differ from the plan assets reported in the funding actuarial valuation report.

(2) Net of administrative expenses.

Sensitivity of the Employer's Proportionate Share of the Net Pension (Asset) Liability to Changes in the Discount Rate

The following presents SolTrans' net pension (asset) liability of the Plan calculated using the discount rate of 7.00 percent, as well as what the net pension (asset) liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.00 percent) or 1 percentage-point higher (8.00 percent) than the current rate:

1% Decrease Net Pension Liability (Asset)	\$ 37,429
Current Discount Rate Net Pension Liability (Asset)	\$ 69,080
1% Increase Net Pension Liability (Asset)	\$ 100,731

NOTE 10 – PENSION PLAN (Continued)**C. Changes in the Net Pension Liability** (Continued)*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in the separate financial report.

D. Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2015, SolTrans recognized pension expense of \$21,721. At June 30, 2015, SolTrans reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension Contributions Subsequent to Measurement Date	\$ 63,357	\$ -
Differences between Actual and Expected Experience	-	-
Changes in Assumptions	-	-
Net Differences between Projected and Actual Earnings on Plan Investments	<u>49,743</u>	<u>63,357</u>
Total	<u>\$ 113,100</u>	<u>\$ 63,357</u>

\$63,357 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Measurement Period Ended June 30</u>	
2015	\$ 3,403
2016	3,403
2017	3,403
2018	3,405
2019	-
Thereafter	<u>-</u>
Total	<u>\$ 13,614</u>

E. Payable to the Pension Plan

At June 30, 2015, SolTrans reported a payable of \$69,080 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

NOTE 11 – RESTATEMENT OF BEGINNING NET POSITION

The accompanying financial statements reflect adjustments that resulted in the restatement of beginning net position of the Business-Type Activities. The adjustments occurred due to a change in accounting principle. Refer to Note 1L – New Accounting Pronouncements – Implemented.

NOTE 11 – RESTATEMENT OF BEGINNING NET POSITION (Continued)

The following schedule summarizes the effect of the restatement of the beginning net position as of July 1, 2014, resulting from implementation of GASB Statement No. 68:

	<u>Business-Type Activities</u>
Net Position at July 1, 2014	\$ 25,019,509
Cumulative Effect of Change in Accounting Principle	<u>77,187</u>
Net Position at July 1, 2014, as Restated	<u><u>\$ 25,096,696</u></u>

NOTE 12 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 31, 2015, the date the basic financial statements were available to be issued.

There are no subsequent events that are material to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**SOLANO COUNTY TRANSIT
REQUIRED SUPPLEMENTARY INFORMATION
A SINGLE MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2015
LAST 10 YEARS***

	<u>Measurement Period 2014/15</u>
Total Pension Liability	
Service Cost	\$ 70,569
Interest on Total Pension Liability	5,688
Differences between Expected and Actual Experience	-
Changes in Assumptions	-
Changes in Benefits	-
Benefit Payments, Including Refunds of Employee Contributions	<u>(5,376)</u>
Net Change in Total Pension Liability	70,881
Total Pension Liability - Beginning	<u>87,374</u>
Total Pension Liability - Ending (a)	<u><u>\$ 158,255</u></u>
 Plan Fiduciary Net Position	
Contributions - Employer	\$ 63,357
Contributions - Employee	46,575
Net Investment Income	2,355
Benefit Payments	<u>(5,376)</u>
Net Change in Plan Fiduciary Net Position	106,911
Plan Fiduciary Net Position - Beginning	<u>120,424</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 227,335</u></u>
Net Pension Liability - Ending [(a) - (b)]	<u><u>\$ (69,080)</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	143.65%
Covered-Employee Payroll	\$ 686,965
Net Pension Liability as a Percentage of Covered- Employee Payroll	-10.06%

* Fiscal year 2015 was the 1st year of implementation; therefore, only one year is shown.

**SOLANO COUNTY TRANSIT
REQUIRED SUPPLEMENTARY INFORMATION
A SINGLE MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS (Continued)
FOR THE YEAR ENDED JUNE 30, 2015
LAST 10 YEARS***

Notes to Schedule:

Benefit Changes. In 2015, there were no benefit changes.

Changes in assumptions. In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of miscellaneous employees.

**SOLANO COUNTY TRANSIT
A SINGLE MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2015
LAST 10 YEARS***

	June 30, 2015
Actuarially Determined Contributions	\$ 63,357
Contributions in Relation to the Actuarially Determined Contributions	(32,121)
Contribution Deficiency (Excess)	\$ 31,236
Covered-Employee Payroll	\$ 686,965
Contributions as a Percentage of Covered- Employee Payroll	9.22%

Notes to Schedule:

Valuation date:	June 30, 2013
Methods and assumptions used to determine contribution rates:	
Agent Single-Employer	Entry Age Normal
Amortization method	
Remaining amortization period	
Asset valuation method	
Inflation	3.00%
Salary increases	Varies by Entry Age and Service
Investment rate of return	7.00%, net of pension plan investment expense, including inflation
Retirement age	60 years
Mortality	CalPERS' 2014 Experience Study

* Fiscal year 2015 was the 1st year of implementation; therefore, only one year is shown.

OTHER SUPPLEMENTARY INFORMATION

**SOLANO COUNTY TRANSIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Federal Grantor / Pass-Through Grantor / Program Title	CFDA Number	Pass-Through Entity Identifying Number	Program or Award Amount	Federal Expenditures Incurred for the Year Ended June 30, 2015	
U.S. Department of Transportation/ Federal Transit Administration (FTA) Federal Transit Cluster					
<i>Direct:</i>					
Capital Grants:					
	20.507	CA Y980-00	(FTA Sec. 5307)	\$ 3,863,550	\$ 1,188,185
	20.507	CA Z078-00	(FTA Sec. 5307)	2,150,000	1,917,605
	20.507		(FTA Sec. 5307)	<u>1,796,983</u>	<u>48,817</u>
Total capital grants			7,810,533	3,154,607	
Operating Grants:					
	20.507	CA Z078-00	(FTA Sec. 5307)	5,371,749	2,909,087
	20.507		(FTA Sec. 5307)	3,141,658	-
	20.507		(FTA Sec. 5307-JARC)	<u>418,135</u>	<u>278,124</u>
			8,931,542	3,187,211	
<i>Passed-Through the State of California:</i>					
	20.509	643167	(FY 2014 Section 5311)	<u>40,000</u>	<u>40,000</u>
Total operating grants			8,971,542	3,227,211	
Total Federal Transit Administration			<u>16,782,075</u>	<u>6,381,818</u>	
Total Federal Awards			<u>\$ 16,782,075</u>	<u>\$ 6,381,818</u>	

See accompanying notes to the schedule of expenditures of federal awards.

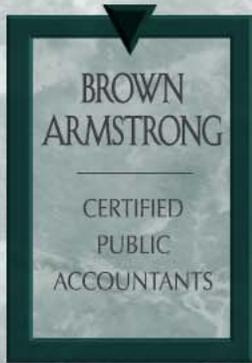
**SOLANO COUNTY TRANSIT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE 1 – GENERAL

The accompanying Schedule of Expenditures of Federal Awards (SEFA) presents the activity of all Federal award programs of Solano County Transit. All federal awards received directly from Federal agencies as well as Federal awards passed through from other government agencies are included on the SEFA.

NOTE 2 – BASIS OF ACCOUNTING

The accompanying SEFA has been prepared on the accrual basis of accounting.



BROWN ARMSTRONG

Certified Public Accountants

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

To the Board of Directors
Solano County Transit
Vallejo, 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 Solano County Transit (SolTrans), as of and for the year ended June 30, 2015, and the related notes to the basic financial statements, which collectively comprise SolTrans' basic financial statements, and have issued our report thereon dated December 31, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered SolTrans' 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 SolTrans' internal control. Accordingly, we do not express an opinion on the effectiveness of SolTrans' 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 SolTrans' financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether SolTrans' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

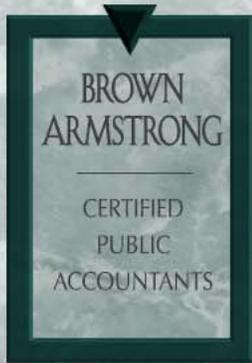
Purpose of this Report

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 SolTrans' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SolTrans' internal control and compliance. Accordingly, this report is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

*Brown Armstrong
Accountancy Corporation*

Bakersfield, California
December 31, 2015



BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors
Solano County Transit
Vallejo, California

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Report on Compliance for Each Major Federal Program

We have audited Solano County Transit's (SolTrans) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of SolTrans' major federal programs for the year ended June 30, 2015. SolTrans' 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of SolTrans' 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 SolTrans' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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 SolTrans' compliance.

Opinion on Each Major Federal Program

In our opinion, SolTrans 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, 2015.

Report on Internal Control Over Compliance

Management of SolTrans 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 SolTrans' 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 SolTrans' 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 a 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.

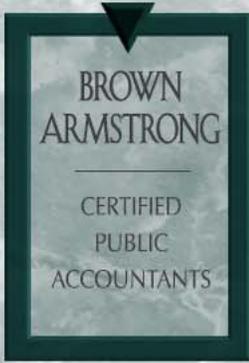
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any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

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 the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
December 31, 2015



BROWN ARMSTRONG
Certified Public Accountants

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH THE STATUTES,
RULES, AND REGULATIONS OF THE CALIFORNIA
TRANSPORTATION DEVELOPMENT ACT AND THE
ALLOCATION INSTRUCTIONS AND RESOLUTIONS OF
THE TRANSPORTATION COMMISSION**

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To the Board of Directors
Solano County Transit
Vallejo, 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 Solano County Transit (SolTrans) as of and for the year ended June 30, 2015, and have issued our report thereon dated December 31, 2015.

Compliance

As part of obtaining reasonable assurance about whether SolTrans’ financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Additionally, we performed tests to determine that allocations made and expenditures paid by SolTrans were made in accordance with the allocation instructions and resolutions of SolTrans and in conformance with the California Transportation Development Act (TDA). Specifically, we performed each of the specific tasks identified in the California Code of Regulations Sections 6666 and 6667 that are applicable to SolTrans. In connection with our audit, nothing came to our attention that caused us to believe SolTrans failed to comply with the Statutes, Rules, and Regulations of the California TDA and the allocation instructions and resolutions of the Transportation Commission. 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.

Also as part of our audit, we performed tests of compliance to determine whether certain state funds were received and expended in accordance with the applicable bond act and state accounting requirements.

Other Matters

The Highway Safety, Traffic Reduction, Air Quality and Port Security Bond Act of 2006, approved by the voters as Proposition 1B at the November 7, 2006 general election, authorizes the issuance of nineteen billion nine hundred twenty five million dollars (\$19,925,000,000) in general obligation bonds for specified purposes, including grants for transit system safety, security, and disaster response projects. These grants are managed by the California Office of Emergency Services under Homeland Security.

Proposition 1B provides \$1 billion to California's Transit System Safety, Security, and Disaster Response Account for capital projects that provide increased protection against security and safety threats. Funds may also be used for capital expenditures to increase the capacity of transit operators, including waterborne transit operators, to develop disaster response transportation systems that can move people, goods, and emergency personnel and equipment in the aftermath of a disaster that impairs the mobility of goods, people, and equipment.

As of June 30, 2015, Proposition 1B funds received and expended were verified in the course of our audit as follows:

Schedule of Proposition 1B Funds For the Year Ended June 30, 2015	
Description	Amount
Balance – beginning of the year	\$ 7,458,235
Expenses:	<u>\$ (509,970)</u>
Balance – end of year	<u>\$ 6,948,265</u>

The results of our tests indicated that, with respect to the items tested, SolTrans complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that SolTrans had not complied, in all material respects, with those provisions.

Purpose of this Report

The purpose of this report is solely to describe the scope of our internal control and compliance and the results of that testing, based on the requirements of the California Transportation Development Act and the Allocation Instructions and Resolutions of the Transportation Commission. Accordingly, this report is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION



*Brown Armstrong
Accountancy Corporation*

Bakersfield, California
December 31, 2015

**SOLANO COUNTY TRANSIT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements:

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? None Reported

Noncompliance material to financial statements noted? No

Federal Awards:

Internal control over major programs:

- Material weaknesses identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? None Reported

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? No

Identification of major programs:

Federal Transit Cluster – CFDA #20.507 Capital Investment Grants and Operating Grants

Dollar threshold used to distinguish between Type A and Type B? \$300,000

Auditee qualified as low-risk auditee? Yes

SECTION II – FINANCIAL STATEMENT FINDINGS

None.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

SECTION IV – STATUS OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS

There were no prior year findings.