



# BROWN ARMSTRONG

*Certified Public Accountants*

To the Board of Directors  
Solano County Transit  
Vallejo, California

**BAKERSFIELD OFFICE  
(MAIN OFFICE)**

4200 TRUXTUN AVENUE  
SUITE 300  
BAKERSFIELD, CA 93309  
TEL 661.324.4971  
FAX 661.324.4997  
EMAIL [info@bacpas.com](mailto:info@bacpas.com)

**FRESNO OFFICE**

10 RIVER PARK PLACE EAST  
SUITE 208  
FRESNO, CA 93720  
TEL 559.476.3592

**LAGUNA HILLS OFFICE**

23272 MILL CREEK DRIVE  
SUITE 255  
LAGUNA HILLS, CA 92653  
TEL 949.652.5422

**STOCKTON OFFICE**

1919 GRAND CANAL BLVD  
SUITE C6  
STOCKTON, CA 95207  
TEL 888.565.1040

[WWW.BACPAS.COM](http://WWW.BACPAS.COM)

We have audited the financial statements of Solano County Transit (SolTrans) for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America and *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 18, 2018. Professional standards also require that we communicate to you the following information related to our audit.

**Significant Audit Matters**

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by SolTrans are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2018. We noted no transactions entered into by SolTrans 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.

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 estimates affecting SolTrans' financial statements were:

Management's estimate of the useful lives of capital assets - Management's estimates the useful lives of its capital assets for purposes of calculating depreciation expense to be reported in SolTrans' results of operations. Estimated useful lives range from three to fifty years. We evaluated the key factors and assumptions used to develop the estimates of useful lives of assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of net pension liability (NPL) and related deferred inflows of resources and deferred outflows of resources are based on an actuarial valuation. We evaluated the key factors and assumptions used to develop the estimates of NPL and related deferred inflows of resources and deferred outflows of resources in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were related to the useful lives of capital assets and NPL and related deferred inflows of resources and deferred outflows of resources.

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. There were no such misstatements.

*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.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 17, 2018.

*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 SolTrans' 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 SolTrans' 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 required supplementary information, which are required supplementary information (RSI) that supplement 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 Schedule of Expenditures of Federal Awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, 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.

**Restriction on Use**

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

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong*  
*Accountancy Corporation*

Bakersfield, California  
December 17, 2018



**SOLANO COUNTY TRANSIT  
VALLEJO, CALIFORNIA**

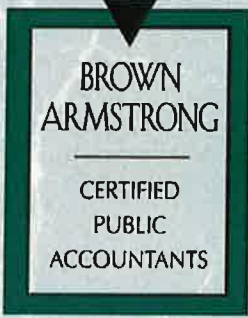
**FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITOR'S REPORT**

**JUNE 30, 2018**

**SOLANO COUNTY TRANSIT  
VALLEJO, CALIFORNIA  
JUNE 30, 2018**

**TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditor's Report .....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Statement of Net Position.....	10
Statement of Revenues, Expenses, and Changes in Fund Net Position.....	11
Statement of Cash Flows .....	12
Notes to the Basic Financial Statements.....	13
Required Supplementary Information:	
Schedule of Changes in the Net Pension Liability and Related Ratios.....	28
Schedule of Contributions .....	30
Other Supplementary Information:	
Schedule of Expenditures of Federal Awards .....	31
Notes to the Schedule of Expenditures of Federal Awards.....	32
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 <i>Government Auditing Standards</i> .....	33
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance.....	35
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.....	37
Schedule of Findings and Questioned Costs.....	39



# 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, 2018, and the related notes to the 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.

#### BAKERSFIELD OFFICE (MAIN OFFICE)

4200 TRUXTUN AVENUE  
SUITE 300  
BAKERSFIELD, CA 93309  
TEL 661.324.4971  
FAX 661.324.4997  
EMAIL [info@bacpas.com](mailto:info@bacpas.com)

#### FRESNO OFFICE

10 RIVER PARK PLACE EAST  
SUITE 208  
FRESNO, CA 93720  
TEL 559.476.3592

#### LAGUNA HILLS OFFICE

23272 MILL CREEK DRIVE  
SUITE 255  
LAGUNA HILLS, CA 92653  
TEL 949.652.5422

#### STOCKTON OFFICE

1919 GRAND CANAL BLVD  
SUITE C6  
STOCKTON, CA 95207  
TEL 888.565.1040

[WWW.BACPAS.COM](http://WWW.BACPAS.COM)

## 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, 2018, 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.

## 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 the Governmental Accounting Standards Board (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 Solano County Transit's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2018, on our consideration of 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.

Bakersfield, California  
December 17, 2018

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong*  
*Accountancy Corporation*



**SOLANO COUNTY TRANSIT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

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, 2018.

**START OF OPERATIONS AND FINANCIAL HIGHLIGHTS**

- The assets of SolTrans exceeded its liabilities at the close of the years ended June 30, 2018 and 2017, by \$49,529,775 and \$48,810,223, respectively.
- Operating expenses (excluding depreciation) were \$13,852,414 and \$13,740,688 for the years ended June 30, 2018 and 2017, respectively.

**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, 2018.

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, noncapital financing, and investing activities and decisions during the year ended June 30, 2018.

SolTrans' basic financial statements are shown on pages 10 – 12 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.

The 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 13 – 27 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 Statement of Net Position for the years ended June 30, 2018 and 2017, is shown below. The focus is on Net Position (Note 1):

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Capital Assets, Net	\$ 49,454,716	\$ 48,735,164
All Other Assets	<u>8,182,176</u>	<u>7,987,257</u>
Total Assets	<u>57,636,892</u>	<u>56,722,421</u>
Deferred Outflows of Resources	<u>39,113</u>	<u>86,215</u>
Total Liabilities	<u>8,146,230</u>	<u>7,998,413</u>
Deferred Inflows of Resources	<u>-</u>	<u>-</u>
Net Position (Note 1)		
Net Investment in Capital Assets	49,454,716	48,735,164
Unrestricted	<u>75,059</u>	<u>75,059</u>
Total Net Position	<u>\$ 49,529,775</u>	<u>\$ 48,810,223</u>

For the years ended June 30, 2018 and 2017, 99.8% of SolTrans' net position is reflected in its net 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 years ended June 30, 2018 and 2017, was \$1,000. Any item purchased that did not meet the aforementioned criteria was expensed in the period.

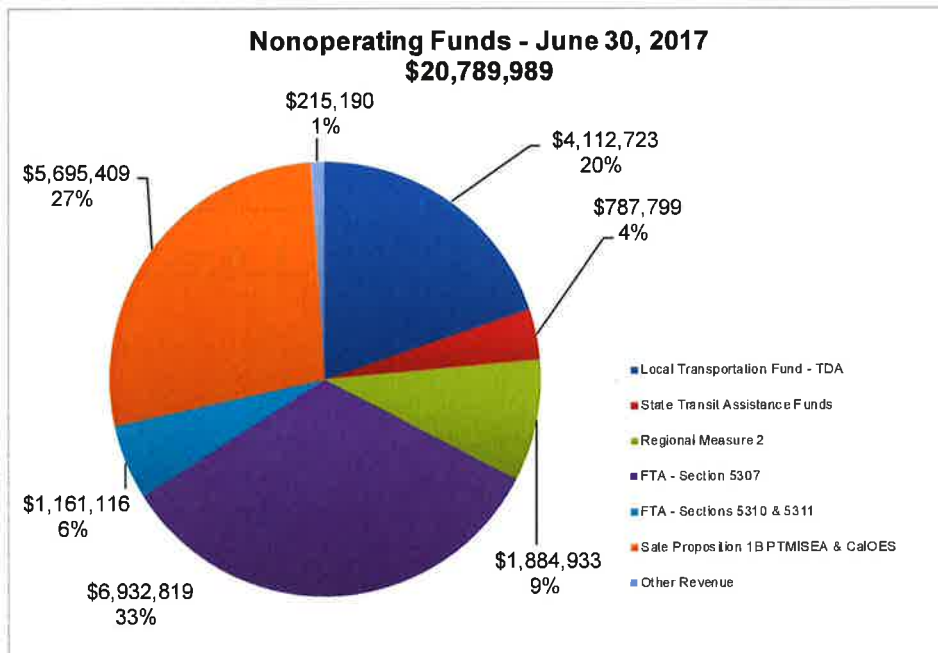
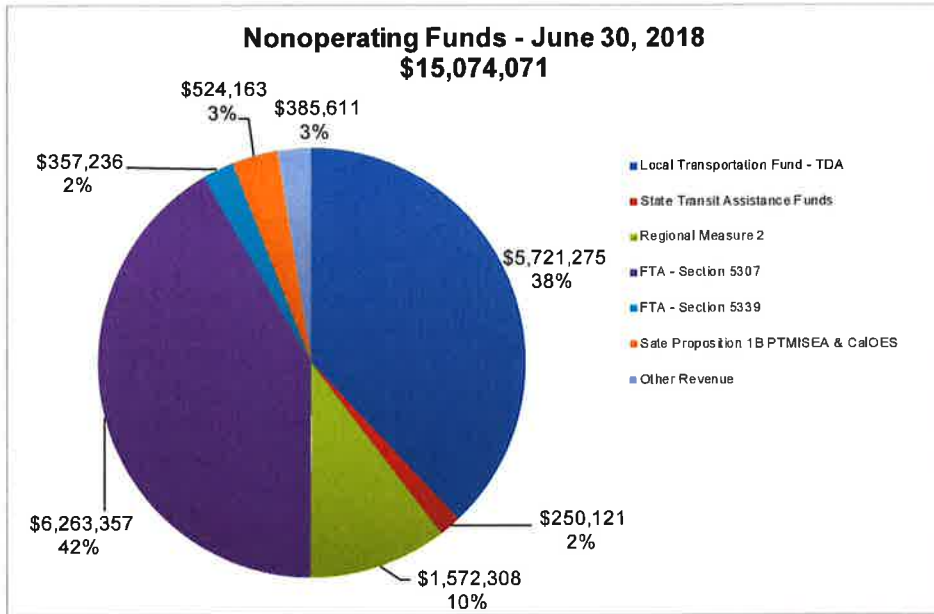
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

The Statement of Revenues, Expenses, and Changes in Fund Net Position provides information regarding SolTrans' revenues and expenses. The table below reflects a summary of SolTrans' Statement of Revenues, Expenses, and Changes in Fund Net Position during the years ended June 30, 2018 and 2017.

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Revenues		
Passenger fares	\$ 3,364,555	\$ 3,486,252
Nonoperating funds	15,074,071	20,789,989
Ferry reimbursement	-	324,549
Interest income	35,776	82,648
	<u>18,474,402</u>	<u>24,683,438</u>
Total Revenues		
Expenses		
Transit service contract	9,076,524	8,932,189
Salaries and benefits	1,470,592	1,345,159
Fuel	1,135,732	1,058,496
Professional services	800,029	970,993
Maintenance	290,668	233,351
Advertising and marketing	145,261	328,748
Security	267,344	243,707
General and administrative	666,264	628,045
	<u>13,852,414</u>	<u>13,740,688</u>
Subtotal Expenses Before Depreciation		
Depreciation Expense	3,902,436	3,096,041
	<u>17,754,850</u>	<u>16,836,729</u>
Total Expenses Including Depreciation		
Change in Net Position	719,552	7,846,709
Net Position, Beginning of Year	<u>48,810,223</u>	<u>40,963,514</u>
Net Position, End of Year	<u>\$ 49,529,775</u>	<u>\$ 48,810,223</u>

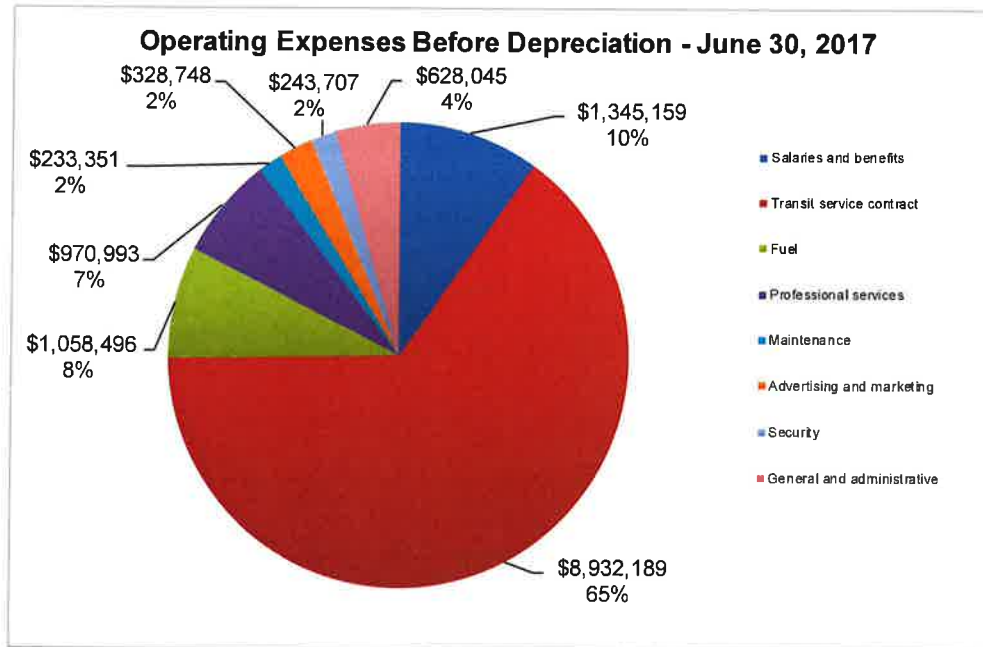
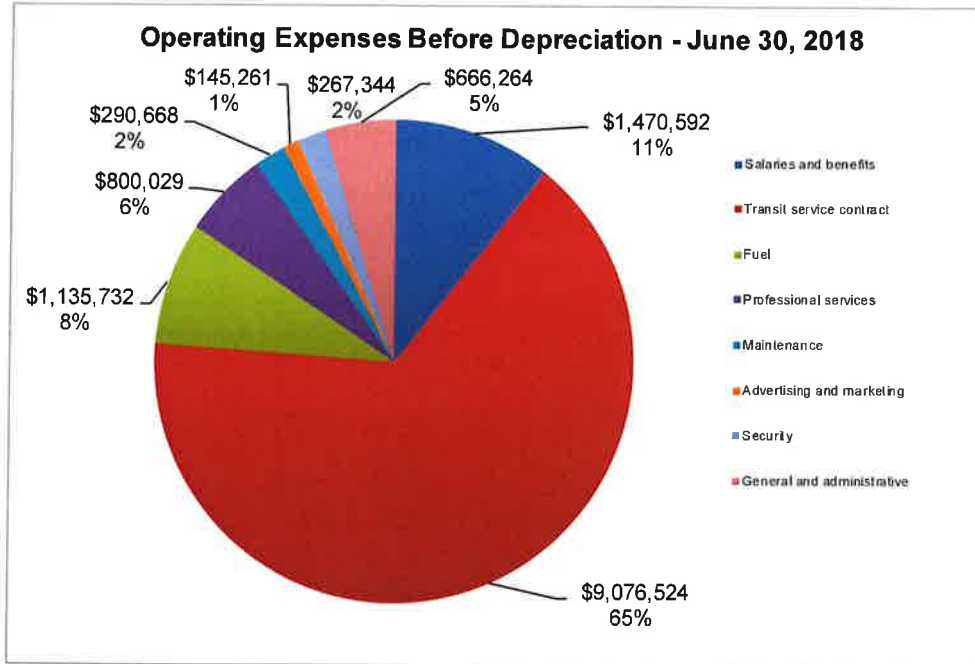
**Revenues.** Passenger Fares represented 18.2% and 14.3%, while Nonoperating Funds were 81.6% and 85.3% of the fiscal years 2018 and 2017 revenue, respectively. The remaining 0.2% and 0.3% of 2018 and 2017 revenue, respectively, were from Interest Income and Ferry Reimbursements for Route 200.

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 years ended June 30, 2018 and 2017, 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 \$13,852,414 and \$13,740,668 (excluding depreciation expense) for the years ended June 30, 2018 and 2017, respectively. A breakdown of operating expenses (as a percentage of net operating expenses) are shown below:



Depreciation expense was \$3,902,436 and \$3,096,041 for the years ended June 30, 2018 and 2017, respectively.

## 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, was \$14,480,000 for the year ended June 30, 2018.

SolTrans finished the year ended June 30, 2018, with operating expenses net of depreciation expense \$627,586 under budget primarily due to diesel fuel costs staying low throughout the year and lower than expected payroll costs due to timing of filling three positions during the year.

## CAPITAL ASSETS

SolTrans' investment in capital assets (net of accumulated depreciation) as of June 30, 2018 and 2017, amounted to \$49,454,716 and \$48,735,164, respectively. 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 and to SolTrans.

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 schedules below:

	Balance July 1, 2017	Additions	Retirements	Capital Contributions	Balance June 30, 2018
Capital Assets, Being Depreciated:					
Buildings and Improvements	\$ 32,820,849	\$ 5,177,483	\$ -	\$ -	\$ 37,998,332
Vehicles and In-Vehicle Monitoring Systems	39,022,822	3,544,464	(4,425,537)	-	38,141,749
Equipment and Furniture	590,798	44,104	-	-	634,902
<b>Total Capital Assets, Being Depreciated</b>	<b>72,434,469</b>	<b>8,766,051</b>	<b>(4,425,537)</b>	<b>-</b>	<b>76,774,983</b>
Accumulated Depreciation	27,877,122	3,902,436	(4,425,537)	-	27,354,021
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>44,557,347</b>	<b>4,863,615</b>	<b>-</b>	<b>-</b>	<b>49,420,962</b>
Construction in Progress	4,177,817	33,753	(4,177,816)	-	33,754
<b>Total Capital Assets, Net</b>	<b>\$ 48,735,164</b>	<b>\$ 4,897,368</b>	<b>\$ (4,177,816)</b>	<b>\$ -</b>	<b>\$ 49,454,716</b>
	Balance July 1, 2016	Additions	Retirements	Capital Contributions	Balance June 30, 2017
Capital Assets, Being Depreciated:					
Buildings and Improvements	\$ 17,346,888	\$ 15,473,961	\$ -	\$ -	\$ 32,820,849
Vehicles and In-Vehicle Monitoring Systems	32,483,832	6,538,990	-	-	39,022,822
Equipment and Furniture	488,480	102,318	-	-	590,798
<b>Total Capital Assets, Being Depreciated</b>	<b>50,319,200</b>	<b>22,115,269</b>	<b>-</b>	<b>-</b>	<b>72,434,469</b>
Accumulated Depreciation	24,781,081	3,096,041	-	-	27,877,122
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>25,538,119</b>	<b>19,019,228</b>	<b>-</b>	<b>-</b>	<b>44,557,347</b>
Construction in Progress	15,347,589	3,922,631	(15,092,403)	-	4,177,817
<b>Total Capital Assets, Net</b>	<b>\$ 40,885,708</b>	<b>\$ 22,941,859</b>	<b>\$ (15,092,403)</b>	<b>\$ -</b>	<b>\$ 48,735,164</b>

Additional detail on SolTrans' capital asset activity during the fiscal year 2018 is shown in Note 4 of the Notes to the Basic Financial Statements on page 20 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 2018-19:

- Contracted transit service contract escalation costs for a full year impact.
- Assumptions regarding fuel costs and the addition of six more Compressed Natural Gas (CNG) buses to the fleet in 2019.

The approved operating budget for fiscal year 2018-19 totals \$14,940,000, excluding depreciation expense, a 3.2 percent increase when compared to the budget for the year ended June 30, 2018.

SolTrans relies on operating subsidies for approximately 65 to 75 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. The Transportation Development Act (TDA), the Metropolitan Transportation Commission (MTC), and the 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 the MTC. The fiscal year 2018-19 predetermined target ratio is 20 percent. SolTrans' Board of Directors approved the fiscal year 2018-19 operating budget, which indicates a projected farebox recovery ratio of 22.3 percent, which would result in a projected favorable variance of 2.3 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 21 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, 2018**

	2018
<b>ASSETS</b>	
<b>CURRENT ASSETS:</b>	
Cash, cash equivalents, and investments (Note 2)	\$ 5,233,552
Accounts receivable	129,121
Due from other governmental agencies (Note 3)	2,610,677
Prepaid expenses	84,702
Net pension asset (Note 9)	124,124
<b>Total Current Assets</b>	<b>8,182,176</b>
<b>NONCURRENT ASSETS:</b>	
Capital assets, net (Note 4)	49,454,716
<b>Total Assets</b>	<b>57,636,892</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension contributions (Note 9)	39,113
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES:</b>	
Accounts payable and accrued expenses	1,503,519
Advances on grant revenue (Note 8)	6,561,260
Accrued payroll and related taxes	81,451
<b>Total Current Liabilities</b>	<b>8,146,230</b>
<b>Total Liabilities</b>	<b>8,146,230</b>
<b>NET POSITION</b>	
<b>NET POSITION:</b>	
Net investment in capital assets	49,454,716
Unrestricted	75,059
<b>Total Net Position</b>	<b>\$ 49,529,775</b>

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, 2018**

	2018
<b>OPERATING REVENUES:</b>	
Passenger fares	\$ 3,364,555
<b>Total Operating Revenues</b>	3,364,555
<b>OPERATING EXPENSES:</b>	
Transit service contract	9,076,524
Depreciation	3,902,436
Salaries and benefits	1,470,592
Fuel	1,135,732
Professional services	800,029
Maintenance	290,668
Advertising and marketing	145,261
Security	267,344
General and administrative	666,264
<b>Total Operating Expenses</b>	17,754,850
<b>OPERATING LOSS</b>	(14,390,295)
<b>NONOPERATING REVENUES (EXPENSES):</b>	
Nonoperating funds:	
Local Transportation Fund - Transportation Development Act	5,721,275
State Transit Assistance Fund	250,121
Regional Measure 2	1,572,308
Federal Transit Administration - Section 5307	6,263,357
Federal Transit Administration - Section 5339	357,236
State Proposition 1B PTMISEA and CalOES	524,163
Other Revenue	385,611
<b>Total Nonoperating Funds</b>	15,074,071
Interest income	35,776
<b>Net Nonoperating Income</b>	15,109,847
<b>Change in Net Position</b>	719,552
<b>NET POSITION:</b>	
Beginning of year	48,810,223
End of year	\$ 49,529,775

See accompanying notes to the basic financial statements.

**SOLANO COUNTY TRANSIT  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2018**

	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from passengers	\$ 3,427,512
Cash payments to suppliers for operations	(9,558,209)
Cash payments for general and administrative expenses	(4,836,946)
<b>Net Cash Used by Operating Activities</b>	<b>(10,967,643)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Capital contributions	4,608,141
Operating subsidies received	10,892,196
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>15,500,337</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Cash (payments) made on the acquisition of capital assets	(4,580,536)
Proceeds from sale of property and equipment	(41,452)
<b>Net Cash Used by Capital and Related Financing Activities</b>	<b>(4,621,988)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest received	35,776
<b>Net Cash Provided by Investing Activities</b>	<b>35,776</b>
<b>Net Decrease in Cash, Cash Equivalents, and Investments</b>	<b>(53,518)</b>
<b>CASH, CASH EQUIVALENTS, AND INVESTMENTS:</b>	
Beginning balance	5,287,070
Ending balance	<b>\$ 5,233,552</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:</b>	
Operating loss	\$ (14,390,295)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	3,902,436
Changes in operating assets and liabilities:	
Decrease in accounts receivable	62,957
Decrease in prepaid expenses	69,942
(Increase) in net pension asset	(38,984)
(Decrease) in accounts payable, accrued expenses, and due to other governmental agencies	(551,627)
(Decrease) in accrued payroll and related taxes	(22,072)
<b>Net Cash Used by Operating Activities</b>	<b>\$ (10,967,643)</b>

See accompanying notes to the basic financial statements.

**SOLANO COUNTY TRANSIT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**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; GASB Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*; and GASB 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 resources measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) are included on the Statement of Net Position. The Statement 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 Statement 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**

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, 2018. 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 SolTrans has 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."

**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.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**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 are reported as nonoperating revenues in the Statement 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. 75 – Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.** The provisions of this statement are effective for fiscal years beginning after June 15, 2017. There was no effect on SolTrans' accounting or financial reporting as a result of implementing this standard.

**GASB Statement No. 81 – Irrevocable Split-Interest Agreements.** The requirements of this statement are effective for reporting periods beginning after December 15, 2016. Earlier application is encouraged. There was no effect on SolTrans' accounting or financial reporting as a result of implementing this standard.

**GASB Statement No. 85 – Omnibus 2017.** The requirements for this statement are effective for fiscal years beginning after June 15, 2017. This statement addresses practice issues that have been identified during implementation of various GASB Statements, including *Fair Value Measurement and Application*. There was no effect on SolTrans' accounting or financial reporting as a result of implementing this standard.

**GASB Statement No. 86 – Certain Debt Extinguishment Issues.** The requirements of this statement are effective for periods beginning after June 15, 2017. There was no effect on SolTrans' accounting or financial reporting as a result of implementing this standard.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**M. Future GASB Statements**

**GASB Statement No. 83 – Certain Asset Retirement Obligations.** The requirements of this statement are effective for the reporting periods beginning after June 15, 2018. Earlier application is encouraged. SolTrans has not fully judged the effect of implementation of GASB Statement No. 83 as of the date of the basic financial statements.

**GASB Statement No. 84 – Fiduciary Activities.** The requirements for this statement are effective for fiscal years beginning after December 15, 2018. SolTrans has not fully judged the effect of implementation of GASB Statement No. 84 as of the date of the basic financial statements.

**GASB Statement No. 87 – Leases.** The requirements of this statement are effective for periods beginning after December 15, 2019. SolTrans has not fully judged the effect of implementation of GASB Statement No. 87 as of the date of the basic financial statements.

**GASB Statement No. 88 – Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.** The requirements of this statement are effective for periods beginning after June 15, 2018. SolTrans has not fully judged the effect of implementation of GASB Statement No. 88 as of the date of the basic financial statements.

**GASB Statement No. 89 – Accounting for Interest Cost Incurred before the End of a Construction Period.** The requirements of this statement are effective for periods beginning after December 15, 2019. SolTrans has not fully judged the effect of implementation of GASB Statement No. 89 as of the date of the basic financial statements.

**GASB Statement No. 90 – Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61.** The requirements of this statement are effective for periods beginning after December 15, 2018. SolTrans has not fully judged the effect of implementation of GASB Statement No. 90 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.

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, 2018
Measurement Date (MD)	June 30, 2018
Measurement Period (MP)	July 1, 2017 to June 30, 2018

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, 2018, 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. An additional \$2,178,189 is held in a financial institution.

**NOTE 2 – CASH, CASH EQUIVALENTS, AND INVESTMENTS** (Continued)

Total cash, cash equivalents, and investments held was \$5,233,552 as of June 30, 2018.

	<u>2018</u>
Cash, Cash Equivalents, and Investments	<u>\$ 5,233,552</u>
Total Cash, Cash Equivalents, and Investments	<u>\$ 5,233,552</u>

	<u>2018</u>
Deposits with Financial Institutions	<u>\$ 2,178,189</u>
City Investment Pool	<u>3,055,363</u>
Total Cash, Cash Equivalents, and Investments	<u>\$ 5,233,552</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 and SolTrans' investment policy. The table also identifies certain provisions of the California Government Code and SolTrans' investment policy 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 \$35,776 in interest income for the year ended June 30, 2018.



**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 table that shows the distribution of SolTrans' investments by maturity:

Investment Type	Remaining Maturity (in Months)			
	12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
City Investment Pool	\$ 3,055,363	\$ 3,055,363	\$ -	\$ -
Total	\$ 3,055,363	\$ 3,055,363	\$ -	\$ -

**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.

Investment Type	Minimum Legal Rating	Rating as of Year-End
		AAA
City Investment Pool	\$ 3,055,363	N/A
Total	\$ 3,055,363	\$ 3,055,363

**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 2 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)**

**Fair Value Measurements**

SolTrans categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. These principles recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Investments reflect prices quoted in active markets;
- Level 2: Investments reflect prices that are based on a similar observable asset, either directly or indirectly, which may include inputs in markets that are not considered to be active; and
- Level 3: Investments reflect prices based upon unobservable sources.

Investments in the City investment pool totaling \$3,055,363 as of June 30, 2018, are measured at fair value.

Cash on deposit as of June 30, 2018, includes approximately \$2,153,583 held by a financial institution which exceeded the \$250,000 insurance limits of the Federal Deposit Insurance Corporation.

**NOTE 3 – DUE FROM OTHER GOVERNMENTAL AGENCIES**

Amounts due from other governmental agencies consisted of the following at June 30, 2018:

	<u>2018</u>
Federal (FTA):	
Section 5307	\$ 1,436,162
State (STAF):	
Transportation Development Act	614,882
Local:	
Assembly Bill (AB) 664	58,350
Regional Measure 2	159,320
City of Benicia	2,285
MTC - Clipper	<u>339,678</u>
Total	<u>\$ 2,610,677</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 operating expenses 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, 2018, consisted of the following:

	Balance July 1, 2017	Additions	Retirements	Capital Contributions	Balance June 30, 2018
Capital Assets, Being Depreciated:					
Buildings and Improvements	\$ 32,820,849	\$ 5,177,483	\$ -	\$ -	\$ 37,998,332
Vehicles and In-Vehicle Monitoring Systems	39,022,822	3,544,464	(4,425,537)	-	38,141,749
Equipment and Furniture	590,798	44,104	-	-	634,902
Total Capital Assets, Being Depreciated	72,434,469	8,766,051	(4,425,537)	-	76,774,983
Accumulated Depreciation	27,877,122	3,902,436	(4,425,537)	-	27,354,021
Total Capital Assets, Being Depreciated, Net	44,557,347	4,863,615	-	-	49,420,962
Construction in Progress	4,177,817	33,753	(4,177,816)	-	33,754
Total Capital Assets, Net	\$ 48,735,164	\$ 4,897,368	\$ (4,177,816)	\$ -	\$ 49,454,716

Depreciation expense for the year ended June 30, 2018, was \$3,902,436.

#### **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, automobile liability for administrative vehicles, 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, 2018, 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, 2018, was 26.2% as calculated below, which indicates that SolTrans in the year ended June 30, 2018, was in compliance with the provisions of PUC Section 99270.

	<u>2018</u>
Farebox revenue	\$ 3,364,555
Add: other local revenue	<u>262,869</u>
Farebox revenue for calculation	<u>\$ 3,627,424</u>
Total operating expenses	\$ 17,754,850
Less: depreciation	<u>(3,902,436)</u>
Net operating expense	<u>\$ 13,852,414</u>
Farebox ratio	26.2%

**NOTE 8 – ADVANCES**

The combined change in advances for the fiscal year ended June 30, 2018, is summarized as follows:

	<u>TDA</u>	<u>Proposition 1B</u>	<u>Low Carbon Transit Operations Program</u>	<u>Total</u>
Advances, June 30, 2017	\$ 4,979,570	\$ 524,163	\$ 336,011	\$ 5,839,744
Advances received	-	110,951	163,035	273,986
Funds expended	(4,338,877)	(524,163)	-	(4,863,040)
TDA operating funds received	5,310,570	-	-	5,310,570
TDA operating funds returned	-	-	-	-
Advances, June 30, 2018	<u>\$ 5,951,263</u>	<u>\$ 110,951</u>	<u>\$ 499,046</u>	<u>\$ 6,561,260</u>

**Transportation Development Act (TDA) Funds**

SolTrans receives TDA funds throughout the fiscal year to pay for operating expenses. After expending all other sources of operating revenue, if there are TDA funds in excess of expenses, the excess funds are moved to advances. These funds will be returned to MTC who holds the funds in trust for the benefit of SolTrans. These funds can then be claimed in future years for operating and capital needs.

**NOTE 8 – 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 CalOES under Homeland Security.

*PTMISEA - Public Transportation Modernization, Improvement, and Service Enhancement 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 the California Department of Transportation (CalTrans).

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

Low Carbon Transit Operations Program (LCTOP)

The Low Carbon Transit Operations Program (LCTOP) is one of several programs that are part of the Transit, Affordable Housing, and Sustainable Communities Program established by the California Legislature in 2014 by Senate Bill 862. The LCTOP was created to provide operating and capital assistance for transit agencies to reduce greenhouse gas emission and improve mobility, with a priority on serving disadvantaged communities. Approved projects in LCTOP will support new or expanded bus or rail services, expand intermodal transit facilities, and may include equipment acquisition, fueling, maintenance, and other costs to operate those services or facilities, with each project reducing greenhouse gas emissions. For agencies whose service area includes disadvantaged communities, of which SolTrans does, at least 50 percent of the total moneys received shall be expended on projects that will benefit disadvantaged communities. Senate Bill 862 continuously appropriates five percent of the annual auction proceeds in the Greenhouse Gas Reduction Fund (Fund) for LCTOP, beginning in 2015-16.

This program will be administered by CalTrans in coordination with the Air Resources Board (ARB) and the State Controller's Office (SCO). CalTrans is responsible for ensuring that the statutory requirements of the program are met in terms of project eligibility, greenhouse reduction, disadvantaged community benefit, and other requirements of the law.

## NOTE 9 – 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% of the prior year's annual benefit.

The plan's provisions and benefits in effect at June 30, 2018, are summarized as follows:

Hire Date	Prior to December 31, 2012	On or after January 1, 2013
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%	8.000%
Required Employer Contribution Rates	8.060%	8.060%

#### *Employees Covered by Benefit Terms*

At June 30, 2018, the following employees were covered by the benefit terms.

	2018
Inactive Employees or Beneficiaries Currently Receiving Benefits	-
Inactive Employees Non-Vested Entitled to but not yet Receiving Benefits	6
Inactive Employees Vested Entitled to but not yet Receiving Benefits	1
Active Employees	12
Total	19

#### *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, 2018, the average active employee contribution rate was 7 percent of annual pay, and SolTrans' actual average contribution rate was 8 percent of annual payroll.

Contributions to the pension plan from SolTrans were \$86,717 for the year ended June 30, 2018.

At June 30, 2018, SolTrans reported a net pension (asset) liability of \$(124,124). The net pension (asset) liability was measured as of June 30, 2018, and the total pension (asset) liability used to calculate the net pension (asset) liability was determined by an actuarial valuation as of June 30, 2018.

**NOTE 9 – PENSION PLAN** (Continued)

**B. Net Pension (Asset) Liability**

SolTrans' net pension (asset) liability for the plan is measured as the total pension (asset) liability, less the pension plan's fiduciary net position. The net pension (asset) liability of the plan is measured as of June 30, 2018, using a biennial actuarial valuation as of that date. A summary of principal assumptions and methods used to determine the net pension (asset) liability is shown below.

*Actuarial Assumptions and Methods*

The June 30, 2018 total pension (asset) liability was based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.00%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	Entry Age 30 <sup>(1)</sup>
Investment Rate of Return	7.0% <sup>(2)</sup>
Mortality	Derived using CalPERS' <sup>(3)</sup> 2017 Experience Study

<sup>(1)</sup> Derived from 2017 California Public Employees Retirement System (CalPERS) Experience Study Public Agency Miscellaneous, Entry Age 30 2.75% wage inflation added to the following rates:

<u>Service</u>	<u>Rate</u>
0	7.8%
3	4.3%
5	3.0%
10	1.4%
15	1.0%
20	0.8%
25	0.7%
30	0.7%

<sup>(2)</sup> Net of pension plan investment expenses, including inflation.

<sup>(3)</sup> The mortality table used was developed based on CalPERS' 2017 Experience Study Service Retiree and Beneficiary Mortality.

All other demographic assumptions used in the June 30, 2018 valuation were based on the rates from the 2017 CalPERS Experience Study for Miscellaneous Employees.

**NOTE 9 – PENSION PLAN** (Continued)

**B. Net Pension (Asset) 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%	6.0%
Fixed Income	35%	1.5%
Cash	5%	-1.5%
Total	<u>100%</u>	

*Discount Rate*

The discount rate used to measure the total pension (asset) liability was 7.00 percent for the year ended June 30, 2018. 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<sup>(a)</sup></u>	<u>Real Return Years 11+<sup>(b)</sup></u>
Global Equity	60.00%	N/A	5.70%
Global Fixed Income	35.00%	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	5.00%	N/A	0.00%
Total	<u>100.00%</u>		

<sup>(a)</sup> An expected inflation of 2.5% used for this period.

<sup>(b)</sup> An expected inflation of 3.0% used for this period.



**NOTE 9 – PENSION PLAN** (Continued)

**C. Changes in the Net Pension (Asset) Liability**

The changes in the net pension (asset) liability for the plan are as follows:

	Increase (Decrease)		
	Total Pension Liability/(Asset)	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at July 1, 2017 <sup>(1)</sup>	\$ 481,834	\$ 519,872	\$ (38,038)
Changes in the Year:			
Service Cost	125,524	-	125,524
Interest on the Total Pension (Asset) Liability	32,939	-	32,939
Differences between Actual and Expected Experience	(60,168)	-	(60,168)
Changes in Assumptions	19,764	-	19,764
Changes in Benefit Terms	-	-	-
Contribution - Employer	-	86,717	(86,717)
Contribution - Employee (Paid by Employer)	-	-	-
Contribution - Employee	-	85,784	(85,784)
Net Investment Income <sup>(2)</sup>	-	34,803	(34,803)
Administrative Expenses	-	(3,159)	3,159
Benefit Payments, Including Refunds of Employee Contributions	(22,924)	(22,924)	-
Net Changes	95,135	181,221	(86,086)
Balance at June 30, 2018 <sup>(1)</sup>	\$ 576,969	\$ 701,093	\$ (124,124)

<sup>(1)</sup> 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.

<sup>(2)</sup> 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:

	2018
1% Decrease Net Pension (Asset) Liability	\$ (1,589)
Current Discount Rate Net Pension (Asset) Liability	\$ (124,124)
1% Increase Net Pension (Asset) Liability	\$ (220,759)

*Pension Plan Fiduciary Net Position*

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

**NOTE 9 – PENSION PLAN** (Continued)

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

For the year ended June 30, 2018, SolTrans recognized pension expense of \$47,733. At June 30, 2018, 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	\$ -	\$ -
Differences between Actual and Expected Experience	16,754	-
Changes in Assumptions	17,094	-
Net Differences between Projected and Actual Earnings on Plan Investments	<u>5,265</u>	<u>-</u>
Total	<u>\$ 39,113</u>	<u>\$ -</u>

There was \$0 reported as deferred outflows of resources related to contributions subsequent to the measurement date to be recognized as a reduction of the net pension (asset) liability in the year ended June 30, 2019. 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>	
2019	\$ 13,322
2020	11,922
2021	9,229
2022	11,504
2023	798
Thereafter	<u>(7,662)</u>
Total	<u>\$ 39,113</u>

**E. Payable to the Pension Plan**

At June 30, 2018, SolTrans reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

**NOTE 10 – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through December 17, 2018, 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  
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS  
FOR THE LAST 10 YEARS ENDED JUNE 30, 2018\***

	Measurement Period 2017/18	Measurement Period 2016/17	Measurement Period 2015/16	Measurement Period 2014/15
<b>Total Pension Liability</b>				
Service Cost	\$ 125,524	\$ 122,181	\$ 70,517	\$ 70,569
Interest on Total Pension Liability	32,939	24,064	10,950	5,688
Differences between Expected and Actual Experience	(60,168)	-	115,700	-
Changes in Assumptions	19,764	-	-	-
Changes in Benefits	-	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	(22,924)	(16,103)	(3,730)	(5,376)
Net Change in Total Pension Liability	95,135	130,142	193,437	70,881
Total Pension Liability - Beginning	481,834	351,692	158,255	87,374
Total Pension Liability - Ending (a)	<u>\$ 576,969</u>	<u>\$ 481,834</u>	<u>\$ 351,692</u>	<u>\$ 158,255</u>
<b>Plan Fiduciary Net Position</b>				
Contributions - Employer	\$ 86,717	\$ 68,678	\$ 68,404	\$ 63,357
Contributions - Employee	85,784	66,310	65,092	46,575
Net Investment Income	34,803	40,756	6,862	2,355
Administrative Expenses	(3,159)	(2,227)	(1,505)	-
Benefit Payments	(22,924)	(16,103)	(3,730)	(5,376)
Net Change in Plan Fiduciary Net Position	181,221	157,414	135,123	106,911
Plan Fiduciary Net Position - Beginning	519,872	362,458	227,335	120,424
Plan Fiduciary Net Position - Ending (b)	<u>\$ 701,093</u>	<u>\$ 519,872</u>	<u>\$ 362,458</u>	<u>\$ 227,335</u>
Net Pension (Asset) Liability - Ending [(a) - (b)]	<u>\$ (124,124)</u>	<u>\$ (38,038)</u>	<u>\$ (10,766)</u>	<u>\$ (69,080)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	121.51%	107.89%	103.06%	143.65%
Covered Payroll	\$ 1,116,822	\$ 1,001,089	\$ 907,662	\$ 686,965
Net Pension (Asset) Liability as a Percentage of Covered Payroll	11.11%	3.80%	1.19%	10.06%

\* Fiscal year 2015 was the 1<sup>st</sup> year of implementation; therefore, only four years are shown.

**SOLANO COUNTY TRANSIT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS (Continued)  
FOR THE LAST 10 YEARS ENDED JUNE 30, 2018\***

**Notes to Schedule:**

**Benefit Changes.** In 2018, 2017, 2016, and 2015, there were no benefit changes.

**Changes in Assumptions.** In 2018, 2017, 2016, and 2015, amounts reported as changes in assumptions resulted primarily from rates changed from those specified in the 2014 CalPERS Experience Study for Public Agency Miscellaneous members to those in the 2017 CalPERS Experience Study for Public Agency Miscellaneous members:

Wage Inflation  
Salary Scale (Merit)  
Retirement  
Turnover  
Post-Retirement Mortality

**SOLANO COUNTY TRANSIT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS  
FOR THE LAST 10 YEARS ENDED JUNE 30, 2018\***

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Actuarially Determined Contributions	\$ 90,016	\$ 68,678	\$ 68,404	\$ 63,357
Contributions in Relation to the Actuarially Determined Contributions	<u>(86,717)</u>	<u>(68,678)</u>	<u>(60,837)</u>	<u>(32,121)</u>
Contribution Deficiency (Excess)	<u>\$ 3,299</u>	<u>\$ -</u>	<u>\$ 7,567</u>	<u>\$ 31,236</u>
Covered Payroll	\$ 1,116,822	\$ 1,001,089	\$ 907,662	\$ 686,965
Contributions as a Percentage of Covered Payroll	7.76%	6.86%	6.70%	4.68%

**Notes to Schedule:**

Valuation date June 30, 2018

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method Entry Age Normal

Amortization method Level percentage of pay

Remaining amortization period 11 years

Asset valuation method Actuarial Value of Assets

Inflation 2.75%

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' 2017 Experience Study

\* Fiscal year 2015 was the 1<sup>st</sup> year of implementation; therefore, only four years are shown.

**OTHER SUPPLEMENTARY INFORMATION**

**SOLANO COUNTY TRANSIT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor / Pass-Through Grantor / Program Title	CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Program or Award Amount	Federal Expenditures Incurred for the Year Ended June 30, 2018
<b>U.S. Department of Transportation/ Federal Transit Administration (FTA) Federal Transit Cluster</b>					
<i>Direct:</i>					
<b>Formula Grants:</b>					
Federal and Transit Formula Grants	20.507	CA 2016-142	(FTA Sec. 5307)	\$ -	\$ 2,898,726
Federal and Transit Formula Grants	20.507	CA 2018-001	(FTA Sec. 5307)	-	399,223
Federal and Transit Formula Grants	20.507	CA 2018-017	(FTA Sec. 5307)	-	2,662,007
Bus and Bus Facilities Formula Grant	20.526	CA 2016-142	(FTA Sec. 5339)	-	1,512,215
Bus and Bus Facilities Formula Grant	20.526	CA 2018-017	(FTA Sec. 5339)	-	369,748
Total formula grants				-	7,841,919
<i>Direct:</i>					
<b>Operating Grants:</b>					
Federal and Transit Formula Grants	20.507	CA 2016-142	(FTA Sec. 5307)	-	716,598
Federal and Transit Formula Grants	20.507	CA 2018-017	(FTA Sec. 5307)	-	3,035,327
				-	3,751,925
<i>Passed-Through Caltrans:</i>					
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	64AM16-00071	(FTA Section 5310)	209,158	300,000
Total operating grants				209,158	4,051,925
<b>Total Federal Transit Administration</b>				209,158	11,893,844
<b>Total Federal Awards</b>				\$ 209,158	\$ 11,893,844
					\$ 6,620,593

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, 2018**

**NOTE 1 – GENERAL**

The accompanying Schedule of Expenditures of Federal Awards (SEFA) presents the activity of all Federal award programs of Solano County Transit (SolTrans). 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.

**NOTE 3 – INDIRECT COST RATE**

SolTrans has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.



# 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

### **BAKERSFIELD OFFICE (MAIN OFFICE)**

4200 TRUXTON AVENUE  
SUITE 300  
BAKERSFIELD, CA 93309  
TEL 661.324.4971  
FAX 661.324.4997  
EMAIL [info@bacpas.com](mailto:info@bacpas.com)

### **FRESNO OFFICE**

10 RIVER PARK PLACE EAST  
SUITE 208  
FRESNO, CA 93720  
TEL 559.476.3592

### **LAGUNA HILLS OFFICE**

23272 MILL CREEK DRIVE  
SUITE 255  
LAGUNA HILLS, CA 92653  
TEL 949.652.5422

### **STOCKTON OFFICE**

1919 GRAND CANAL BLVD  
SUITE C6  
STOCKTON, CA 95207  
TEL 888.565.1040

[WWW.BACPAS.COM](http://WWW.BACPAS.COM)

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, 2018, and the related notes to the basic financial statements, which collectively comprise SolTrans' basic financial statements, and have issued our report thereon dated December 17, 2018.

### **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.

### **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*.

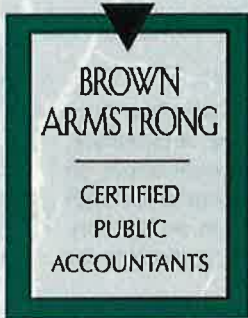
### **Purpose of this Report**

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 17, 2018



# BROWN ARMSTRONG

*Certified Public Accountants*

## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors  
Solano County Transit  
Vallejo, California

### **BAKERSFIELD OFFICE (MAIN OFFICE)**

4200 TRUXTUN AVENUE  
SUITE 300  
BAKERSFIELD, CA 93309  
TEL 661.324.4971  
FAX 661.324.4997  
EMAIL [info@bacpas.com](mailto:info@bacpas.com)

### **FRESNO OFFICE**

10 RIVER PARK PLACE EAST  
SUITE 208  
FRESNO, CA 93720  
TEL 559.476.3592

### **LAGUNA HILLS OFFICE**

23272 MILL CREEK DRIVE  
SUITE 255  
LAGUNA HILLS, CA 92653  
TEL 949.652.5422

### **STOCKTON OFFICE**

1919 GRAND CANAL BLVD  
SUITE C6  
STOCKTON, CA 95207  
TEL 888.565.1040

[WWW.BACPAS.COM](http://WWW.BACPAS.COM)

REGISTERED with the Public Company  
Accounting Oversight Board and  
MEMBER of the American Institute of  
Certified Public Accountants

### **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) *Compliance Supplement* that could have a direct and material effect on each of SolTrans' major federal programs for the year ended June 30, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2018.

## 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 the Uniform Guidance, 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.

### Purpose of this Report

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong*  
*Accountancy Corporation*

Bakersfield, California  
December 17, 2018



# 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**

### **BAKERSFIELD OFFICE (MAIN OFFICE)**

4200 TRUXTUN AVENUE  
SUITE 300  
BAKERSFIELD, CA 93309  
TEL 661.324.4971  
FAX 661.324.4997  
EMAIL [info@bacpas.com](mailto:info@bacpas.com)

### **FRESNO OFFICE**

10 RIVER PARK PLACE EAST  
SUITE 208  
FRESNO, CA 93720  
TEL 559.476.3592

### **LAGUNA HILLS OFFICE**

23272 MILL CREEK DRIVE  
SUITE 255  
LAGUNA HILLS, CA 92653  
TEL 949.652.5422

### **STOCKTON OFFICE**

1919 GRAND CANAL BLVD  
SUITE C6  
STOCKTON, CA 95207  
TEL 888.565.1040

[WWW.BACPAS.COM](http://WWW.BACPAS.COM)

REGISTERED with the Public Company  
Accounting Oversight Board and  
MEMBER of the American Institute of  
Certified Public Accountants

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, 2018, and have issued our report thereon dated December 17, 2018.

### **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 grant agreements, 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 the Transportation Commission 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, 2018, Proposition 1B funds received and expended were verified in the course of our audit as follows:

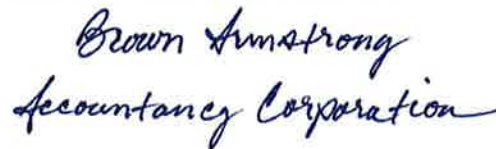
<b>Schedule of Proposition 1B Funds For the Year Ended June 30, 2018</b>	
<b>Description</b>	<b>Amount</b>
<b>Balance – beginning of the year</b>	\$ 524,163
<b>Received</b>	\$ 110,817
<b>Interest</b>	\$ 134
<b>Expenses</b>	\$ (524,163)
<b>Balance – end of the year</b>	<u>\$ 110,951</u>

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 testing of 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



Bakersfield, California  
December 17, 2018

**SOLANO COUNTY TRANSIT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**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 the Uniform Guidance? 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? \$750,000

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.