

**SOLANO COUNTY TRANSIT
VALLEJO, CALIFORNIA**

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

JUNE 30, 2022

**SOLANO COUNTY TRANSIT
VALLEJO, CALIFORNIA
JUNE 30, 2022**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Solano County Transit
Vallejo, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying basic financial statements of Solano County Transit (SolTrans) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise SolTrans's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of SolTrans, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SolTrans and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SolTrans' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 SolTrans' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SolTrans' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 (Asset) and Related Ratios, and Schedule of Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise SolTrans' basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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. The 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 22, 2022, on our consideration of SolTrans' 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 solely 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 the effectiveness of SolTrans' 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 SolTrans' internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive style and is positioned below the printed name of the firm.

Bakersfield, California
December 22, 2022

**SOLANO COUNTY TRANSIT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

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, 2022.

FINANCIAL HIGHLIGHTS

- The assets of SolTrans exceeded its liabilities at the close of the years ended June 30, 2022 and 2021, by \$46,173,550 and \$45,340,010, respectively.
- Operating expenses (excluding depreciation) were \$15,068,421 and \$12,928,132 for the years ended June 30, 2022 and 2021, 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 Fund Net Position for the year ended June 30, 2022.

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, 2022.

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

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

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 14 – 28 of this report.

FINANCIAL STATEMENT ANALYSIS

STATEMENT OF NET POSITION

As stated earlier, increases or decreases in net position over time may serve as a useful indicator of SolTrans' financial position. A summary of the Statement of Net Position for the years ended June 30, 2022 and 2021, is shown below. The focus is on Net Position (Note 1):

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Capital Assets, Net	\$ 46,447,709	\$ 45,549,981
All Other Assets	<u>13,791,602</u>	<u>12,657,239</u>
Total Assets	<u>60,239,311</u>	<u>58,207,220</u>
Deferred Outflows of Resources	<u>478,736</u>	<u>144,671</u>
Current Liabilities	14,126,599	12,853,230
Noncurrent Liabilities	<u>398,365</u>	<u>-</u>
Total Liabilities	<u>14,524,964</u>	<u>12,853,230</u>
Deferred Inflows of Resources	<u>19,533</u>	<u>158,651</u>
Net Position (Note 1)		
Net Investment in Capital Assets	46,447,709	45,549,981
Unrestricted	<u>(274,159)</u>	<u>(209,971)</u>
Total Net Position	<u>\$ 46,173,550</u>	<u>\$ 45,340,010</u>

For the years ended June 30, 2022 and 2021, 100.59% and 100.46%, respectively, 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, 2022 and 2021, was \$1,000. Any item purchased that did not meet the aforementioned criteria was expensed in the period.

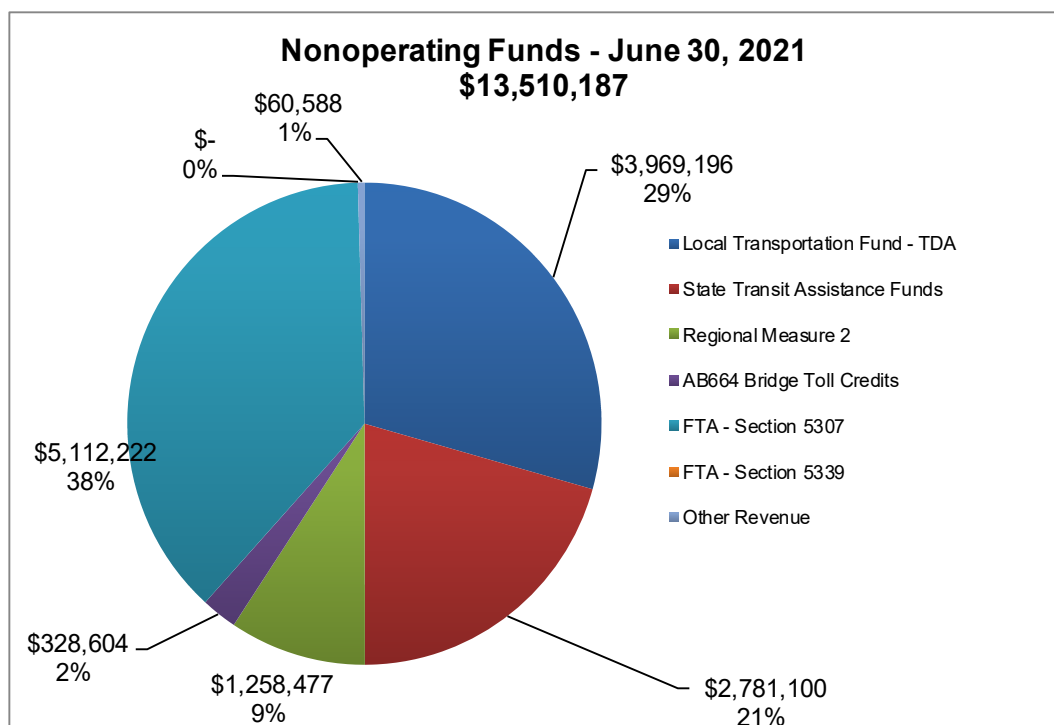
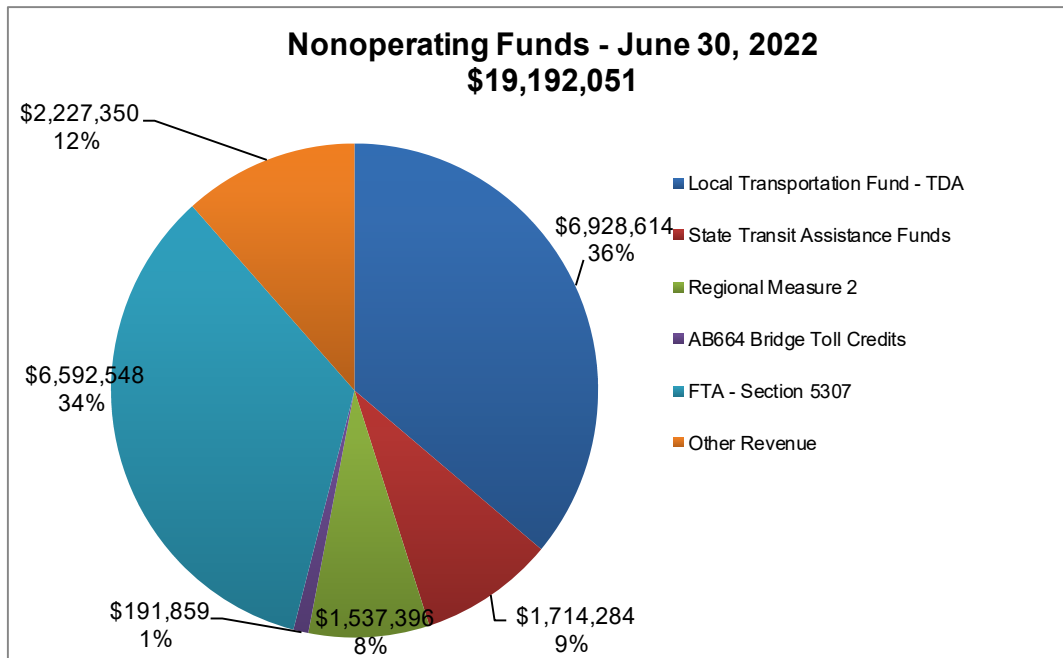
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

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, 2022 and 2021.

	June 30, 2022	June 30, 2021
Revenues		
Passenger fares	\$ 1,443,280	\$ 1,103,990
Nonoperating funds	19,192,051	13,510,187
Gain (Loss) on sale of operator property	(696)	-
Interest income	28,625	18,199
Total Revenues	20,663,260	14,632,376
Expenses		
Transit service contract	9,535,254	8,902,729
Salaries and benefits	1,923,707	1,692,245
Fuel	1,149,410	621,846
General and administrative	918,839	741,259
Security	361,819	336,807
Professional services	273,572	258,678
Maintenance	785,376	287,535
Advertising and marketing	120,444	87,033
Subtotal Expenses Before Depreciation	15,068,421	12,928,132
Depreciation Expense	4,761,299	5,682,223
Total Expenses Including Depreciation	19,829,720	18,610,355
Change in Fund Net Position	833,540	(3,977,979)
Net Position, Beginning of Year	45,340,010	49,317,989
Net Position, End of Year	\$ 46,173,550	\$ 45,340,010

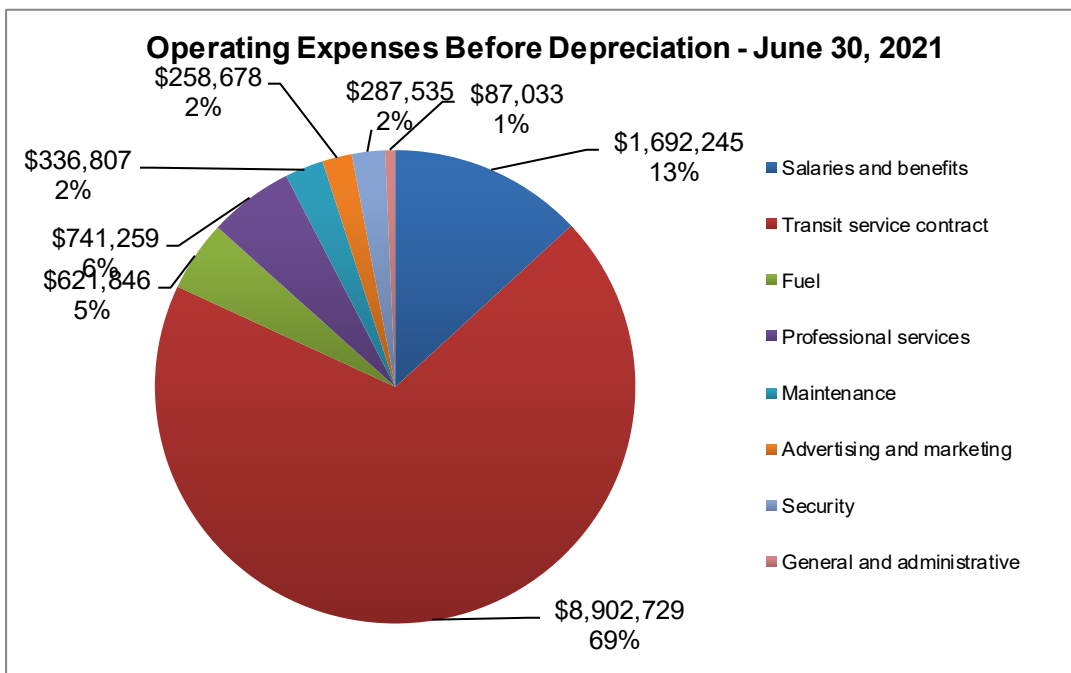
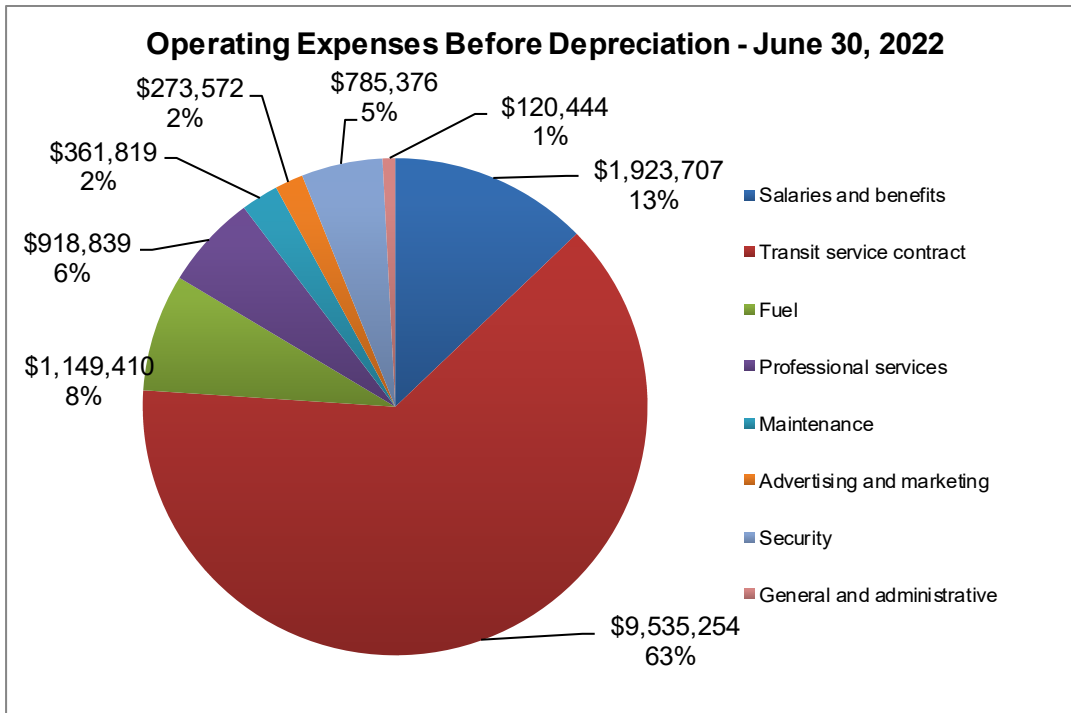
Revenues. Passenger Fares represented 7.0% and 7.5%, while Nonoperating Funds were 92.9% and 92.3% of the fiscal years 2022 and 2021 revenue, respectively. The remaining 0.1% and 0.2% of 2022 and 2021 revenue, respectively, were from Interest Income and gain/loss on sale of assets.

Included in Non-operating Funds is \$2,135,639 of in-kind revenue to account for the transfer of five 45' diesel commuter coaches from Fairfield-Suisun Transit (FAST) to be used to operate the Solano Express Green Line transferred from FAST to SolTrans on April 3, 2022. The Nonoperating Funds also 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, 2022 and 2021, 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 \$15,068,421 and \$12,928,132 (excluding depreciation expense) for the years ended June 30, 2022 and 2021, respectively. A breakdown of operating expenses (as a percentage of net operating expenses) are shown below:



Depreciation expense was \$4,761,299 and \$5,682,223 for the years ended June 30, 2022 and 2021, 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 amended budget for operating expenses was \$15,557,555 for the year ended June 30, 2022.

SolTrans finished the year ended June 30, 2022, with operating expenses net of depreciation expense \$489,134 under budget primarily due to vehicle parts and other administrative expenses coming in lower than expected.

CAPITAL ASSETS

SolTrans' investment in capital assets (net of accumulated depreciation) as of June 30, 2022 and 2021, amounted to \$46,447,709 and \$45,549,981, 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, 2021	Additions	Retirements	Reclassifications	Balance June 30, 2022
Capital Assets, Being Depreciated:					
Buildings and Improvements	\$ 38,348,901	\$ 128,968	\$ -	\$ -	\$ 38,477,869
Vehicles and In-Vehicle Monitoring Systems	35,885,340	3,007,092	(2,912,170)	88,110	36,068,372
Equipment and Furniture	775,500	153,982	-	(5,700)	923,782
Total Capital Assets, Being Depreciated	75,009,741	3,290,042	(2,912,170)	82,410	75,470,023
Accumulated Depreciation	30,792,417	4,761,299	(2,906,056)	-	32,647,660
Total Capital Assets, Being Depreciated, Net	44,217,324	(1,471,257)	(6,114)	82,410	42,822,363
Construction in Progress	1,332,657	2,375,099	-	(82,410)	3,625,346
Total Capital Assets, Net	\$ 45,549,981	\$ 903,842	\$ (6,114)	\$ -	\$ 46,447,709
	Balance July 1, 2020	Additions	Retirements	Reclassifications	Balance June 30, 2021
Capital Assets, Being Depreciated:					
Buildings and Improvements	\$ 38,149,746	\$ 199,155	\$ -	\$ -	\$ 38,348,901
Vehicles and In-Vehicle Monitoring Systems	37,166,952	279,458	(1,612,549)	51,479	35,885,340
Equipment and Furniture	650,948	124,552	-	-	775,500
Total Capital Assets, Being Depreciated	75,967,646	603,165	(1,612,549)	51,479	75,009,741
Accumulated Depreciation	26,722,743	5,682,223	(1,612,549)	-	30,792,417
Total Capital Assets, Being Depreciated, Net	49,244,903	(5,079,058)	-	51,479	44,217,324
Construction in Progress	51,479	1,332,657	-	(51,479)	1,332,657
Total Capital Assets, Net	\$ 49,296,382	\$ (3,746,401)	\$ -	\$ -	\$ 45,549,981

Additional detail on SolTrans' capital asset activity during the fiscal year 2022 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' operating budget for fiscal year 2022-2023:

- Added additional significant service hours to operate SolanoExpress Green and Blue lines. Due to the transition of these routes to SolTrans, an amendment to the operating contract was triggered and negotiations were underway during the time the budget was approved. The budget was amended and approved by the SolTrans Board of Directors in October 2022 after the contract amendment was executed.
- A north county site is required to operate the SolanoExpress Blue line. Costs to rent land and outfit with an office/driver breakroom, lights, security and a generator have been estimated as part of the budget.
- Ridership is returning but fare revenue is still significantly lower than prior to the pandemic

The approved operating budget for fiscal year 2022-23, as amended in October 2022, totals \$19,462,860, excluding depreciation expense, a 25 percent increase when compared to the amended budget for the year ended June 30, 2022.

SolTrans relies on operating subsidies for approximately 85-90 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 customary predetermined target ratio is 20 percent. The Farebox Recovery Ratio standard has been suspended due to the COVID-19 pandemic and the resulting significant loss of ridership and farebox revenue.

SolTrans' Board of Directors approved the fiscal year 2022-23 amended operating budget, which indicates a projected farebox recovery ratio of 10.6 percent.

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 Deputy Director, SolTrans, 311 Sacramento Street, Vallejo, California 94590.

BASIC FINANCIAL STATEMENTS

**SOLANO COUNTY TRANSIT
STATEMENT OF NET POSITION
JUNE 30, 2022**

ASSETS

CURRENT ASSETS:

Cash, cash equivalents, and investments (Note 2)	\$ 9,561,081
Accounts receivable	38,847
Due from other governmental agencies (Note 3)	3,699,355
Prepaid expenses	97,832
Parts and supplies	<u>394,487</u>

Total Current Assets	<u>13,791,602</u>
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NONCURRENT ASSETS:

Capital assets, net (Note 4)	<u>46,447,709</u>
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Total Noncurrent Assets	<u>46,447,709</u>
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Total Assets	<u>60,239,311</u>
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DEFERRED OUTFLOWS OF RESOURCES

Pension (Note 10)	<u>478,736</u>
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LIABILITIES

CURRENT LIABILITIES:

Accounts payable and accrued expenses	2,736,575
Advances on grant revenue (Note 8)	11,203,795
Accrued payroll and related taxes	<u>186,229</u>

Total Current Liabilities	<u>14,126,599</u>
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LONG-TERM DEBT:

Net pension liability (Note 10)	<u>398,365</u>
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Total Long-Term Debt	<u>398,365</u>
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Total Liabilities	<u>14,524,964</u>
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DEFERRED INFLOWS OF RESOURCES

Pension (Note 10)	<u>19,533</u>
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NET POSITION

NET POSITION:

Net investment in capital assets	46,447,709
Unrestricted	<u>(274,159)</u>

Total Net Position	<u>\$ 46,173,550</u>
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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, 2022**

OPERATING REVENUES:	
Passenger fares	\$ 1,443,280
Total Operating Revenues	1,443,280
OPERATING EXPENSES:	
Transit service contract	9,535,254
Depreciation	4,761,299
Salaries and benefits	1,923,707
Fuel	1,149,410
General and administrative	918,839
Security	361,819
Professional services	273,572
Maintenance	785,376
Advertising and marketing	120,444
Total Operating Expenses	19,829,720
OPERATING LOSS	(18,386,440)
NONOPERATING REVENUES:	
Nonoperating funds:	
Local Transportation Fund - Transportation Development Act	6,928,614
State Transit Assistance Fund	1,714,284
Regional Measure 2	1,537,396
AB664 Bridge Toll Credits	191,859
Federal Transit Administration - Section 5307	6,592,548
In-Kind Revenue	2,135,639
Other revenue	91,711
Total Nonoperating Revenues	19,192,051
Interest income	28,625
Loss on sale of operator property	(696)
Net Nonoperating Income	19,219,980
Change in Fund Net Position	833,540
NET POSITION:	
Beginning of year	45,340,010
End of year	\$ 46,173,550

See accompanying notes to the basic financial statements.

**SOLANO COUNTY TRANSIT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from passengers	\$ 1,460,142
Cash payments to suppliers for operations	(8,232,487)
Cash payments for general and administrative expenses	<u>(5,431,884)</u>
Net Cash Used by Operating Activities	<u>(12,204,229)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Operating subsidies received	11,403,672
Capital subsidies received	3,764,780
Return to MTC	<u>(363,729)</u>
Net Cash Provided by Noncapital Financing Activities	<u>14,804,723</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Cash payments made on the acquisition of capital assets	(3,529,502)
Proceeds from sale of property and equipment	<u>5,418</u>
Net Cash Used by Capital and Related Financing Activities	<u>(3,524,084)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	<u>28,625</u>
Net Cash Provided by Investing Activities	<u>28,625</u>
Net Decrease in Cash, Cash Equivalents, and Investments	(894,965)
CASH, CASH EQUIVALENTS, AND INVESTMENTS:	
Beginning balance	<u>10,456,046</u>
Ending balance	<u><u>\$ 9,561,081</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating loss	\$ (18,386,440)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	4,761,299
Changes in operating assets and liabilities:	
Decrease in accounts receivable	16,862
Decrease in prepaid expenses	66,266
Increase in other assets	(275,530)
Increase in net pension liability	67,435
Increase in accounts payable, accrued expenses, and due to other governmental agencies	1,512,031
Increase in accrued payroll and related taxes	<u>33,848</u>
Net Cash Used by Operating Activities	<u><u>\$ (12,204,229)</u></u>

See accompanying notes to the basic financial statements.

**SOLANO COUNTY TRANSIT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

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, 2022. 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. 87 – Leases. The requirements of this statement are effective for fiscal years beginning after June 15, 2021. There was no effect on SolTrans' accounting or financial reporting as a result of implementing this standard.

GASB Statement No. 89 – Accounting for Interest Cost Incurred Before the End of a Construction Period. The requirements of this statement are effective for fiscal years beginning after December 15, 2021. There was no effect on SolTrans' accounting or financial reporting as a result of implementing this standard.

GASB Statement No. 92 – Omnibus 2020. The requirements of this statement are effective for fiscal years beginning after June 15, 2021. There was no effect on SolTrans' accounting or financial reporting as a result of implementing this standard.

GASB Statement No. 93 – Replacement of Interbank Offered Rates. The requirements of this statement are effective for fiscal years beginning after June 15, 2022. There was no effect on SolTrans' accounting or financial reporting as a result of implementing this standard.

GASB Statement No. 97 – Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. The requirements of this statement are effective for fiscal years beginning after June 15, 2021. 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. 91 – Conduit Debt Obligations. The requirements of this statement are effective for fiscal years beginning after December 15, 2021. SolTrans will implement GASB Statement No. 91 if and where applicable.

GASB Statement No. 94 – Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The requirements of this statement are effective for fiscal years beginning after June 15, 2022. SolTrans will implement GASB Statement No. 94 if and where applicable.

GASB Statement No. 96 – Subscription-Based Information Technology Arrangements. The requirements of this statement are effective for fiscal years beginning after June 15, 2022. SolTrans will implement GASB Statement No. 96 if and where applicable.

GASB Statement No. 99 – Omnibus 2022. The requirements of this statement are effective as follows:

- The requirements related to the extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in GASB Statement No. 34, as amended, and terminology updates related to GASB Statement No. 53 and GASB Statement No. 63 are effective upon issuance.
- The requirements related to leases, public-private and public-public partnerships (PPPs), and subscription-based information technology arrangements (SBITAs) are effective for fiscal years beginning after June 15, 2022, and all fiscal years thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of GASB Statement No. 53 are effective for fiscal years beginning after June 15, 2023, and all fiscal years thereafter. SolTrans will implement GASB Statement No. 99 if and where applicable.

GASB Statement No. 100 – Accounting Changes and Error Corrections. The requirements of this statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all fiscal years thereafter. Earlier application is encouraged. SolTrans will implement GASB Statement No. 100 if and where applicable.

GASB Statement No. 101 – Compensated Absences. The requirements of this statement are effective for fiscal years beginning after December 15, 2023, and all fiscal years thereafter. Earlier application is encouraged. SolTrans will implement GASB Statement No. 101 if and where applicable.

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, 2022
Measurement Date (MD)	June 30, 2022
Measurement Period (MP)	July 1, 2021 to June 30, 2022

The Plan provides benefits for all eligible employees.

NOTE 2 – CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash, cash equivalents, and investments consisted of the following as of June 30, 2022:

Deposits with Financial Institutions	\$ 1,459,720
Local Agency Investment Fund (LAIF)	<u>8,101,361</u>
 Total Cash, Cash Equivalents, and Investments	 <u>\$ 9,561,081</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 (or SolTrans' investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or SolTrans' investment policy, where more restrictive) 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>
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%

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 as of June 30, 2022:

<u>Investment Type</u>	<u>Remaining Maturity (in Months)</u>			
	<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>More Than 60 Months</u>
LAIF	\$ 8,101,361	\$ 8,101,361	\$ -	\$ -
Total	<u>\$ 8,101,361</u>	<u>\$ 8,101,361</u>	<u>\$ -</u>	<u>\$ -</u>

Disclosures Relating to Credit Risk

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

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

Disclosures Relating to Credit Risk (Continued)

Investment Type	Amount	Minimum Legal Rating	Rating as of
			Year-End
			Not Rated
LAIF	\$ 8,101,361	N/A	\$ 8,101,361
Total	\$ 8,101,361		\$ 8,101,361

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 as of June 30, 2022.

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 fair 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.

GASB Statement No. 40 requires that the following disclosure be made with respect to custodial credit risks relating to deposits and investments: \$1,163,873 of the SolTrans deposits with financial institutions were in excess of federal depository insurance limits and were held in collateralized accounts as of June 30, 2022.

Investment in State Investment Pool

SolTrans is a voluntary participant in the LAIF that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the SolTrans investment in this pool is reported in the accompanying basic financial statements at amounts based upon the SolTrans pro-rata share of the fair value for the entire LAIF portfolio (in relation to the amortized cost of that portfolio).

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.

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

Fair Value Measurements (Continued)

Investments in LAIF totaling \$8,101,361 is measured at a mix of fair value and amortized cost. LAIF is not registered as investment companies with the Securities and Exchange Commission (SEC) nor are they SEC Rule 2a7-like pools.

NOTE 3 – DUE FROM OTHER GOVERNMENTAL AGENCIES

Amounts due from other governmental agencies consisted of the following at June 30, 2022:

Federal :	
FTA - Section 5307	\$ 1,430,814
Federal Emergency Management Agency (FEMA)	142,531
State :	
STA	147,295
Metropolitan Transportation Commission (MTC) - State of Good Repair	11,913
MTC - STA	38,309
Local:	
MTC - TDA	1,470,348
MTC - Regional Measure 2	384,349
MTC - Other	60,333
Other local Cities and Agencies	<u>13,463</u>
Total	<u>\$ 3,699,355</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. FEMA funds are a one-time federal grant to reimburse SolTrans for pandemic related cleaning costs.

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 (STA) Fund 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.

NOTE 4 – CAPITAL ASSETS

Capital assets of SolTrans for the year ended June 30, 2022, consisted of the following:

	Balance July 1, 2021	Additions	Retirements	Reclassifications	Balance June 30, 2022
Capital Assets, Being Depreciated:					
Buildings and Improvements	\$ 38,348,901	\$ 128,968	\$ -	\$ -	\$ 38,477,869
Vehicles and In-Vehicle Monitoring Systems	35,885,340	3,007,092	(2,912,170)	88,110	36,068,372
Equipment and Furniture	775,500	153,982	-	(5,700)	923,782
Total Capital Assets, Being Depreciated	75,009,741	3,290,042	(2,912,170)	82,410	75,470,023
Accumulated Depreciation	30,792,417	4,761,299	(2,906,056)	-	32,647,660
Total Capital Assets, Being Depreciated, Net	44,217,324	(1,471,257)	(6,114)	82,410	42,822,363
Construction in Progress	1,332,657	2,375,099	-	(82,410)	3,625,346
Total Capital Assets, Net	\$ 45,549,981	\$ 903,842	\$ (6,114)	\$ -	\$ 46,447,709

Depreciation expense for the year ended June 30, 2022, was \$4,761,299.

NOTE 5 – LIABILITY INSURANCE

SolTrans maintained insurance through its transit operator, Transdev Services, Inc. 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, 2022, 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, 2022, was 10.2% as calculated below. SolTrans was not required to comply during the year ended June 30, 2022, due to COVID-19.

Farebox revenue	\$ 1,443,280
Add: other local revenue	2,227,350
Less: in-kind donation	<u>(2,135,639)</u>
Farebox revenue for calculation	<u>\$ 1,534,991</u>
Total operating expenses	\$ 19,829,720
Less: depreciation	<u>(4,761,299)</u>
Net operating expense	<u>\$ 15,068,421</u>
Farebox ratio	10.2%

NOTE 8 – ADVANCES

The combined change in advances for the year ended June 30, 2022, is summarized as follows:

	<u>TDA</u>	<u>STA</u>	<u>Low Carbon Transit Operations Program</u>	<u>Total</u>
Advances, June 30, 2021	\$ 9,834,588	\$ 363,729	\$ 1,277,988	\$ 11,476,305
Advances received	-	-	510,724	510,724
Funds expended	-	(363,729)	-	(363,729)
TDA operating funds received	3,880,744	-	-	3,880,744
TDA operating funds returned	<u>(4,300,249)</u>	<u>-</u>	<u>-</u>	<u>(4,300,249)</u>
Advances, June 30, 2022	<u>\$ 9,415,083</u>	<u>\$ -</u>	<u>\$ 1,788,712</u>	<u>\$ 11,203,795</u>

TDA Funds and STA Funds

SolTrans receives TDA & STA funds throughout the fiscal year to pay for operating expenses. After expending all other sources of operating revenue, if there are TDA or STA 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)

Low Carbon Transit Operations Program (LCTOP)

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 emissions 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 monies 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 – SENATE BILL 1 (SB 1) – STATE OF GOOD REPAIR

The Road Repair and Accountability Act of 2017, SB 1 (Chapter 5, Statutes of 2017), signed by the Governor on April 28, 2017, includes a program that will provide additional revenues for transit infrastructure repair and service improvements. This investment in public transit will be referred to as the State of Good Repair (SGR) program. This program provides funding of approximately \$105 million annually to the State Transit Assistant Account. These funds are to be made available for eligible transit maintenance, rehabilitation, and capital projects.

This program demonstrates California's commitment to clean, sustainable transportation, and the role that public transit plays in that vision. While SB 1 addresses a variety of transportation needs, this program has a specific goal of keeping transit systems in a state of good repair, including the purchase of new transit vehicles, the maintenance and rehabilitation of transit facilities and vehicles. These investments will lead to cleaner transit vehicle fleets, increased reliability and safety, and reduced greenhouse gas emissions and other pollutants.

In the year ended June 30, 2022, SolTrans received SGR funds of \$54,666.

NOTE 10 – PENSION PLAN

A. *General Information about the Pension Plan*

Plan Description and Benefits Provided

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

NOTE 10 – PENSION PLAN (Continued)

A. General Information about the Pension Plan (Continued)

Plan Description and Benefits Provided (Continued)

The plan's provisions and benefits in effect at June 30, 2022, 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		1.800%-2.100%
Required Employee Contribution Rates	2.000%-2.418%	7.500%
Required Employer Contribution Rates	9.390%	9.390%

Employees Covered by Benefit Terms

At June 30, 2022, the following employees were covered by the benefit terms.

Retirees and Beneficiaries Currently Receiving Benefits	2
Inactive Employees Non-Vested Entitled to but not yet Receiving Benefits	1
Inactive Employees Vested Entitled to but not yet Receiving Benefits	1
Active Employees	<u>13</u>
Total	<u><u>17</u></u>

Contributions

SolTrans establishes annual contribution rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. SolTrans is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2022, the average active employee contribution rate was 6.75 percent of annual pay, and SolTrans' actual average contribution rate was 9.4 percent of annual payroll.

Contributions to the pension plan from SolTrans were \$124,024 for the year ended June 30, 2022.

At June 30, 2022, SolTrans reported a net pension liability of \$398,365. The net pension liability was measured as of June 30, 2022, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of June 30, 2020.

B. Net Pension Liability

SolTrans' net pension liability for the plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the plan is measured as of June 30, 2022, using a biennial actuarial valuation as of June 30, 2020. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

NOTE 10 – PENSION PLAN (Continued)

B. Net Pension Liability (Continued)

Actuarial Assumptions and Methods

The June 30, 2022 total pension liability was based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2022
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal (level % of Pay)
Actuarial Assumptions:	
Discount Rate	6.75%
Inflation	2.80%
Payroll Growth	2.80% average, including wage inflation
Projected Salary Increase	Varies by entry age and service ⁽¹⁾
Investment Rate of Return	6.75% ⁽²⁾
Post-Retirement Mortality	Derived using CalPERS' ⁽³⁾ 2021 Experience Study

⁽¹⁾ Derived from 2021 California Public Employees Retirement System (CalPERS) Experience Study, Public Agency Miscellaneous, that vary by entry age and service. 2.80% Wage Inflation added to the following rates:

<u>Service</u>	<u>Rate</u>
0	6.2%
3	3.8%
5	2.8%
10	1.3%
15	1.0%
20	0.8%
25	0.7%
30	0.5%

⁽²⁾ Net of pension plan investment expenses.

⁽³⁾ The mortality table used was developed based on CalPERS' 2017 Experience Study Healthy Retiree and Beneficiary Mortality.

All other demographic assumptions used in the June 30, 2022 valuation were based on the rates from the 2017 CalPERS Experience Study for Miscellaneous Employees.

NOTE 10 – PENSION PLAN (Continued)

B. Net Pension Liability (Continued)

Long-Term Expected Rate of Return

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 as of June 30, 2022:

<u>Asset Class</u>	<u>Target Allocation</u>
Cash	2%
Core Bond	33%
Real Estate	4%
US Equity	37%
US Equity Sm/Mid	10%
Non-US Equity Developed	9%
Non-US Equity Emerging	5%
	<hr/>
Total	100%

Discount Rate

The discount rate used to measure the total pension liability was 6.75 percent for the year ended June 30, 2022. 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 liability.

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

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset) Liability
Balance at July 1, 2021	\$ 1,405,214	\$ 1,547,467	\$ (142,253)
Changes in the Year:			
Service Cost	207,942	-	207,942
Interest on the Total Pension Liability		-	-
Differences between Expected and Actual Experience	97,825	-	97,825
Changes in Assumptions	56,232	-	56,232
Other Liability Experience (Gain)/Loss	176,238	-	176,238
Contribution - Employer	-	124,024	(124,024)
Contribution - Employee	-	89,125	(89,125)
Expected Investment Return	-	114,873	(114,873)
Net Investment Income	-	(323,320)	323,320
Administrative Expenses	-	(7,083)	7,083
Benefit Payments	(15,695)	(15,695)	-
Net Changes	522,542	(18,076)	540,618
Balance at June 30, 2022	\$ 1,927,756	\$ 1,529,391	\$ 398,365

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

The following presents SolTrans' net pension liability of the plan calculated using the discount rate of 6.75 percent, as well as what the net pension asset would be if it were calculated using a discount rate that is 1 percentage-point lower (5.75 percent) or 1 percentage-point higher (7.75 percent) than the current rate:

	<u>June 30, 2022</u>
1% Decrease 5.75% Net Pension Liability	\$ 768,585
Current Discount Rate 6.75% Net Pension Liability	\$ 398,365
1% Increase 7.75% Net Pension Liability	\$ 98,982

Pension Plan Fiduciary Net Position

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

NOTE 10 – PENSION PLAN (Continued)**D. Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions**

For the year ended June 30, 2022, SolTrans recognized pension expense of \$191,459. At June 30, 2022, 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>
Differences between Actual and Expected Experience	\$ 264,476	\$ 19,533
Changes in Assumptions	56,975	-
Net Differences between Projected and Actual Earnings on Plan Investments	<u>157,285</u>	<u>-</u>
Total	<u>\$ 478,736</u>	<u>\$ 19,533</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 in the year ended June 30, 2023. 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>	
2023	\$ 71,900
2024	64,949
2025	61,063
2026	102,049
2027	37,385
Thereafter	<u>121,857</u>
Total	<u>\$ 459,203</u>

E. Payable to the Pension Plan

At June 30, 2022, SolTrans reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2022.

NOTE 11 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 22, 2022, the date the basic financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**SOLANO COUNTY TRANSIT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
FOR THE LAST 10 YEARS ENDED JUNE 30, 2022***

	Measurement Period 2021/22	Measurement Period 2020/21	Measurement Period 2019/20	Measurement Period 2018/19
Total Pension Liability				
Service Cost	\$ 207,942	\$ 193,385	\$ 175,466	\$ 169,605
Interest on Total Pension Liability	97,825	79,478	53,727	39,743
Differences between Expected and Actual Experience	-	-	141,579	-
Changes in Assumptions	56,232	-	-	-
Other Liability Experience (Gain)/Loss	176,238	-	-	-
Changes in Benefits	-	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	(15,695)	(6,004)	-	(18,734)
Net Change in Total Pension Liability	522,542	266,859	370,772	190,614
Total Pension Liability - Beginning	1,405,214	1,138,355	767,583	576,969
Total Pension Liability - Ending (a)	<u>\$ 1,927,756</u>	<u>\$ 1,405,214</u>	<u>\$ 1,138,355</u>	<u>\$ 767,583</u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 124,024	\$ 99,332	\$ 88,328	\$ 88,491
Contributions - Employee	89,125	79,489	82,990	86,504
Expected Investment Return	114,873	-	-	-
Net Investment Income	(323,320)	276,911	33,321	50,826
Administrative Expenses	(7,083)	(6,013)	(5,038)	(4,029)
Benefit Payments	(15,695)	(6,004)	-	(18,734)
Net Change in Plan Fiduciary Net Position	(18,076)	443,715	199,601	203,058
Plan Fiduciary Net Position - Beginning	1,547,467	1,103,752	904,151	701,093
Plan Fiduciary Net Position - Ending (b)	<u>\$ 1,529,391</u>	<u>\$ 1,547,467</u>	<u>\$ 1,103,752</u>	<u>\$ 904,151</u>
Net Pension Liability (Asset) - Ending [(a) - (b)]	<u>\$ 398,365</u>	<u>\$ (142,253)</u>	<u>\$ 34,603</u>	<u>\$ (136,568)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.34%	110.12%	96.96%	117.79%
Covered Payroll	\$ 1,333,335	\$ 1,239,994	\$ 1,260,220	\$ 1,217,696
Net Pension Liability (Asset) as a Percentage of Covered Payroll	29.88%	-11.47%	2.75%	(11.21)%

* Fiscal year 2015 was the 1st year of implementation; therefore, only eight years are shown.

**SOLANO COUNTY TRANSIT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
(Continued)
FOR THE LAST 10 YEARS ENDED JUNE 30, 2022***

	Measurement Period 2017/18	Measurement Period 2016/17	Measurement Period 2015/16	Measurement Period 2014/15
Total Pension Liability				
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	-	-	-
Other Liability Experience (Gain)/Loss	-	-	-	-
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>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 86,717	\$ 68,678	\$ 68,404	\$ 63,357
Contributions - Employee	85,784	66,310	65,092	46,575
Expected Investment Return	-	-	-	-
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 Liability (Asset) - 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 Liability (Asset) as a Percentage of Covered Payroll	(11.11)%	(3.8)%	(1.19)%	(10.06)%

* Fiscal year 2015 was the 1st year of implementation; therefore, only eight years are shown.

**SOLANO COUNTY TRANSIT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
(Continued)
FOR THE LAST 10 YEARS ENDED JUNE 30, 2022***

Notes to Schedule:

Benefit Changes. In 2022, 2021, 2020, 2019, 2018, 2017, 2016, and 2015, there were no benefit changes.

Changes in Assumptions. In 2022, 2021, and 2020, there were no changes in assumptions. In 2019, 2018, 2017, 2016, and 2015, amounts reported as changes in assumptions resulted primarily from wage inflation, salary scale, retirement, turnover, and mortality rates that were 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.

**SOLANO COUNTY TRANSIT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
FOR THE LAST 10 YEARS ENDED JUNE 30, 2022***

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Actuarially Determined Contributions	\$ 125,200	\$ 115,621	\$ 72,731	\$ 61,581
Contributions in Relation to the Actuarially Determined Contributions	<u>124,024</u>	<u>99,332</u>	<u>88,328</u>	<u>88,491</u>
Contribution Deficiency (Excess)	<u>\$ 1,176</u>	<u>\$ 16,289</u>	<u>\$ (15,597)</u>	<u>\$ (26,910)</u>
Covered Payroll	\$ 1,333,335	\$ 1,239,994	\$ 1,260,220	\$ 1,229,365
Contributions as a Percentage of Covered Payroll	9.30%	8.01%	7.01%	7.20%
	<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	\$ 77,667	\$ 63,718	\$ 48,492
Contributions in Relation to the Actuarially Determined Contributions	<u>86,717</u>	<u>68,678</u>	<u>68,404</u>	<u>63,357</u>
Contribution Deficiency (Excess)	<u>\$ 3,299</u>	<u>\$ 8,989</u>	<u>\$ (4,686)</u>	<u>\$ (14,865)</u>
Covered Payroll	\$ 1,116,822	\$ 963,612	\$ 907,662	\$ 690,771
Contributions as a Percentage of Covered Payroll	7.76%	8.06%	7.54%	9.17%

Notes to Schedule:

Valuation date	June 30, 2022
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry Age Normal
Amortization method and period	As a level dollar over an open 15 years starting 7/1/13
Asset valuation method	Market Value
Inflation	2.80%
Salary increases	2.80% average, including wage inflation
Investment rate of return	6.75%
Retirement age	60 years
Mortality	CalPERS' 2021 Experience Study

* Fiscal year 2015 was the 1st year of implementation; therefore, only eight years are shown.

OTHER SUPPLEMENTARY INFORMATION

**SOLANO COUNTY TRANSIT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

Federal Grantor / Pass-Through Grantor / Program Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures Incurred for the Year Ended June 30, 2022
U.S. Department of Transportation/ Federal Transit Administration (FTA) Federal Transit Cluster				
<i>Direct:</i>				
Capital Grants:				
Federal and Transit Formula Grants	20.507	CA 2020-006-002	(FTA Sec. 5307)	\$ - \$ 500,000
Federal and Transit Formula Grants	20.507	CA 2020-194	(FTA Sec. 5307)	- 118,083
Federal and Transit Formula Grants	20.507	CA 2021-192	(FTA Sec. 5307)	- 585,679
Total Capital Grants			-	1,203,762
<i>Direct:</i>				
Operating Grants:				
Federal and Transit Formula Grants	20.507	CA 2020-194	(FTA Sec. 5307)	- 835,192
Federal and Transit Formula Grants	20.507	CA 2021-097	(FTA Sec. 5307)	- 156,725
Federal and Transit Formula Grants	20.507	CA 2021-080	(FTA Sec. 5307)	- 1,692,275
COVID 19 - Federal and Transit Formula Grants - CARES Act	20.507	CA 2021-192	(FTA Sec. 5307)	- 2,562,063
Total Operating Grants			-	5,246,255
Total U.S. Department of Transportation/FTA			-	6,450,017
U.S. Department of Homeland Security				
<i>Direct:</i>				
Diaster Grants - Public Assistance	97.036	PA-09-CA-4482-PW-00395(801)		- 142,531
Total U.S. Department of Homeland Security			-	142,531
Total Federal Awards			\$ -	\$ 6,592,548

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, 2022**

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.

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

To the Board of Directors
Solano County Transit
Vallejo, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Solano County Transit (SolTrans), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise SolTrans' basic financial statements, and have issued our report thereon dated December 22, 2022.

Report on 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) as a basis for designing 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 the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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 communication is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

*Brown Armstrong
Accountancy Corporation*

Bakersfield, California
December 22, 2022

**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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Solano County Transit's (SolTrans) compliance with the types of compliance requirements identified as subject to audit 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, 2022. SolTrans' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of SolTrans and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of SolTrans' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to SolTrans' federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on SolTrans' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about SolTrans' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding SolTrans' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of SolTrans' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 SolTrans' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of SolTrans, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise SolTrans' basic financial statements. We issued our report thereon dated December 22, 2022, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information 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. The information has been subjected to the auditing procedures applied in the audit of the 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.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

*Brown Armstrong
Accountancy Corporation*

Bakersfield, California
December 22, 2022

**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 METROPOLITAN TRANSPORTATION COMMISSION**

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, 2022, and have issued our report thereon dated December 22, 2022.

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.

Proposition 1B provides \$4 billion for public transportation modernization, improvement, and service enhancements in the Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA). 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.

As of June 30, 2022, there were no Proposition 1B funds received or expended.

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 TDA and the allocation instructions and resolutions of the Metropolitan Transportation Commission. Accordingly, this report is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive, flowing style.

Bakersfield, California
December 22, 2022

**SOLANO COUNTY TRANSIT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

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 – Assistance Listing Number 20.507 Federal and Transit Formula 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.