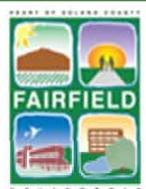


SOLANO TRANSPORTATION AUTHORITY SOLANO, CALIFORNIA COMPREHENSIVE ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED JUNE 30, 2017



This page is intentionally blank.

**SOLANO TRANSPORTATION
AUTHORITY
SOLANO COUNTY, CALIFORNIA**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2017**

Prepared by: Susan Furtado
Accounting & Administrative Services Manager

This page is intentionally blank.

SOLANO TRANSPORTATION AUTHORITY

TABLE OF CONTENTS FOR THE YEAR ENDED JUNE 30, 2017

INTRODUCTORY SECTION

| | |
|---|-----|
| Letter of Transmittal | i |
| Governing Board | v |
| Organizational Chart | vi |
| List of Elected and Appointed Officials | vii |

FINANCIAL SECTION

| | |
|--|----|
| Independent Auditor's Report | 2 |
| Management's Discussion and Analysis | 5 |
| Basic Financial Statements | |
| Government-wide Financial Statements | |
| Statement of Net Position | 11 |
| Statement of Activities | 12 |
| Fund Financial Statements | |
| Governmental Funds - Balance Sheet | 13 |
| Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position | 15 |
| Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balances | 16 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities | 18 |
| Fiduciary Fund – Statement of Assets and Liabilities | 19 |
| Notes to Basic Financial Statements | 20 |
| Required Supplementary Information | |
| CalPERS - Proportionate Share of the Net Pension Liability | 46 |
| CalPERS - Schedule of Contributions | 47 |
| PARS - Schedule of Changes in the Net Pension Liability and Related Ratios | 48 |
| PARS - Schedule of Employer Pension Contributions | 49 |
| General Fund Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual | 50 |
| Supplementary Information | |
| Combining Statements - Non-Major Governmental Funds | |
| Combining Balance Sheet | 52 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances | 54 |
| Statement of Changes in Assets and Liabilities - Agency Fund | 56 |
| Budgetary Comparison Schedules | |
| Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Regional Measure 2 Fund | 57 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Regional Transportation Impact Fee Program Fund | 58 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - I-80 Reliever Route Fund | 59 |

SOLANO TRANSPORTATION AUTHORITY

TABLE OF CONTENTS FOR THE YEAR ENDED JUNE 30, 2017

FINANCIAL SECTION (continued)

| | |
|---|----|
| Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Transportation for Clean Air Fund | 60 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Abandoned Vehicle Abatement Fund | 61 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Dixon B Street Undercrossing Fund | 62 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Jameson Canyon Project Fund | 63 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Vallejo Turner Parkway Project Fund | 64 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - SR 12 Bridge Realignment Fund | 65 |
| Schedule of Expenditures of Federal Awards | 66 |
| Note to the Schedule of Expenditures of Federal Awards | 67 |

STATISTICAL SECTION

| | |
|--|----|
| Financial Trend | |
| Net Position by Component | 70 |
| Changes in Net Position | 71 |
| Fund Balances - Governmental Funds | 72 |
| Changes in Fund Balances - Governmental Funds | 73 |
| Demographic and Economic Information | |
| Demographic and Economic Statistics | 74 |
| Principal Employers | 75 |
| Operating Information | |
| Full-Time Equivalent Employees by Function | 76 |
| Program Revenues, Operating Grants and Contributions | 77 |

COMPLIANCE SECTION

| | |
|--|----|
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> and the Transportation Development Act | 79 |
| Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance | 81 |
| Summary of Auditor's Results | 83 |
| Schedule of Current Year's Financial Audit Findings | 84 |
| Schedule of Current Year's Federal Audit Findings | 85 |
| Schedule of Prior Year's Findings | 86 |

INTRODUCTORY SECTION

This page is intentionally blank.

November 27, 2017

To the STA Board and the Citizens of Solano County

I am pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the Solano Transportation Authority (Authority) for the fiscal year ending June 30, 2017. State law requires that every local government publish, within six months of the close of each fiscal year, a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ending June 30, 2017.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Vavrinek, Trine, Day & Co., LLP, Certified Public Accountants, have issued an Unmodified ("clean") opinion on the Authority's financial statements for the year ending June 30, 2017. The independent auditor's report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The Authority serves the citizens of Solano County (County) which lies in the northeast section of the nine-county San Francisco Bay Area. It is located approximately 45 miles northeast of San Francisco and 45 miles southwest of Sacramento. The County consists of a total area of 907 square miles. Land area is represented by 829 square miles and water area by 78 square miles. It is bordered by Napa County to the northwest, Yolo County to the northeast, Sacramento County to the east and Contra Costa County to the south. Between Solano and Contra Costa Counties lies Suisun Bay, which is an extension of the San Francisco Bay, and the confluence of the Sacramento and San Joaquin Rivers, which empty into San Pablo Bay through the Carquinez Straits. The western edge of the County consists of low mountains, which are part of the Coast Range.

The Authority was created in 1990 through a Joint Powers Agreement between the cities of Benicia, Dixon, Fairfield, Rio Vista, Suisun City, Vacaville, Vallejo and the County of Solano to serve as the Congestion Management Agency (CMA) for Solano. As the CMA for the Solano area, the Authority partners with various transportation and planning agencies, such as the Metropolitan Transportation Commission (MTC) and Caltrans District 4.

The Authority is responsible for countywide transportation planning, programming transportation funds, managing and providing transportation programs and services, delivering transportation projects, and setting transportation priorities.

The Authority uses an open and inclusive public involvement process through various committees made up of local elected officials, public works directors, transit operators, and interested citizens.

Local Economy

The County's seven cities are long-established communities. Relatively moderate costs for land and housing, proximity to major population and recreation centers, and job opportunities continue to make the County an attractive place to live. Similar to the state and national economies, the County's economy continues to slowly improve. Like last year, the stock and housing markets remain the lead indicators of economic growth but the slow and weak job growth keeps unemployment relatively high, slowing the overall recovery. Continued fears of inflation and volatile fuel prices only add to the continuing economic uncertainty.

Because of its location in a region with a varied economic base, unemployment had been relatively stable. During the past six years, the unemployment rate dropped from an initial high of 13.1 percent (2011) to a decade low of 5.7 percent for the current year (2017). Although unemployment rates have dropped in the County over the last several years, the County continues to experience unemployment rates consistently higher than national averages. The County's unemployment rate as of January 2017 was 5.7 percent compared to 4.3 percent nationally. The decreases in unemployment rates during the fiscal year reflect the current improvement in the economy. Additional decreases may occur in the near future. However, based on economic forecasts, a leveling off in unemployment rates are anticipated in calendar year 2018.

Per capita personal incomes within County are lower than for the state as a whole. According to the U.S. Department of Commerce Bureau of Economic Analysis, the Authority's per capita personal income in 2017 was \$46,302, while the state's was \$57,107. The County's population recently increased from 440,207 to 446,810 as of June 30, 2017, in part because of new residential developments. Housing prices in the vicinity of the County continue to remain strong. As of September 2017, the median price of existing single family homes sold in the vicinity of the County was \$422,500 according to the California Association of Realtors.

Long-term Financial Planning and Major Initiatives

The Authority is charged with developing, adopting and implementing the County transportation plans. The Authority submits applications and funding claims for transportation related purposes to local governments, the Metropolitan Transportation Commission, the State of California, the Federal Government, and other entities supporting transportation. The Authority executes transportation related agreements and enters into contracts, adopts policies and programs for all modes of transportation including: transit, paratransit, streets and roads, bicycles, pedestrian facilities, and railroads. In addition, the Authority coordinates all modes of transportation within the County and with agencies outside the County.

Major funding is received from Regional Measure (RM) 2 Bridge Toll which is a regional measure passed by Bay Area is voted in 2004, raising the toll on the seven State-owned bridges in the Bay Area, the Transportation Fund for Clean Air Program (TFCA), the Transportation Development Act (TDA) Article-3 funds, the Countywide Bicycle and Pedestrian funds through MTC's Regional Bicycle and Pedestrian Program (RBPP), the Eastern Solano Congestion Mitigation and Air Quality (CMAQ) funds, and the Regional Transportation Impact Fee (RTIF).

Relevant Financial Policies

The Authority has an adopted policy requiring a two-year annual fiscal year budget plan. The budget authorizes and provides the basis for control of financial operations during the fiscal year and for multi-year funded projects. The financial plan is presented to the Board for adoption, is revised mid-year and finalized at the end of the fiscal year.

Programs and Projects

The Authority is dedicated to addressing Solano County's most urgent transportation needs by providing funding for highway and safety improvements, providing mobility options for seniors and people with disabilities, expanding travel options for commuters, and supporting local projects such as road safety and maintenance, transit facilities and Safe Routes to School.

Despite state and federal cutbacks in transportation funding, the Authority has been able to ensure continued progress on its top priority projects, such as the I-80/I-680/SR 12 Interchange Project, Jepson Parkway Project, and the State Route (SR) 12 safety projects. The Authority is working with Caltrans, MTC, the California Transportation Commission (CTC), Federal Highway Administration (FHWA), Federal Transit Administration (FTA), and our state and federal representatives to obtain the maximum amount of regional, state and federal funds for Solano County's transportation projects.

The Authority has achieved many successes in FY 2016-17, highlighted by the many partnerships forged in Solano County with Caltrans, the Metropolitan Transportation Commission (MTC), the Bay Area Toll Authority (BATA), the Capitol Corridor Joint Powers Authority (CCJPA), the Yolo-Solano Air Quality Management District (YSAQMD), the Bay Area Air Quality Management District (BAAQMD), California Highway Patrol, seven member cities, County of Solano, and our school districts.

The Authority Board adopted the 2016 Solano Travel Safety Plan to provide roadmap for improved local road safety; the Solano Priority Conservation Area (PCA) Assessment and Implementation Plan; and the 2nd Solano County Coordinated Short Range Transit Plan (SRTP) comprised of five local SRTP. The Authority Board approved a request for Solano County Board of Supervisors to place a local measure on the ballot to help address the significant near-term and long-term funding shortfall for local streets and roads, road safety, mobility for seniors and people with disabilities, and oversight and accountability; approved the funding agreement with the Transportation Authorities of Napa, Marin and Sonoma County to conduct the State Route (SR) 37 financial opportunities analysis and entered into an agreement with the Metropolitan Transportation Commission (MTC) and Sonoma County Transportation Authority to develop a Design Alternatives Assessment for the SR 37 corridor; approved the continued funding for Vine Route 21 that provide services between the cities of Napa, Fairfield, and Suisun City on SR 12 Jameson Canyon, which continues to have increased ridership; approved funding of the Transportation Development Act (TDA) Article 3 funds of \$440,000 for the Countywide Bicycle and Pedestrian Plans, Solano County Suisun Valley Farm to Market Program and City of Fairfield Northern Green Valley Road Crossing; and approved the Solano Community College student transportation fee for half-price student fares on Fairfield and Suisun Transit (FAST), Solano County Transit (SolTrans) and City Coach buses.

The Authority hosted the Solano Seniors and People with Disabilities Transportation Summit and the Mobile Workshop in Suisun City for the Rail-Volution National Conference; celebrated with Caltrans the grand opening of the I-80/I-680/SR 12 Construction Package 1 Project and the newly remodeled Suisun City Historic Train Depot, along with the Suisun City and Capitol Corridor Joint Powers Authority, which houses the Authority's Solano Mobility Call Center Transportation Info Depot.

The Authority's Regional Traffic Impact Fee (RTIF) Program celebrated its third year by surpassing the \$4 million milestone of funds collected, which helps fund the Green Valley Overpass, Benicia Bus Hub Project, and the Jepson Parkway Project. The Authority's I-80/I-680/SR 12 Interchange Project was prioritized by Caltrans as one of only three California priority freight project candidates for federal FASTLANES funds. The Authority was awarded Caltrans State Safety Grant for the Authority's Countywide Systemic Safety Analysis Report Program (SSARP) as follow up to the Countywide Safety Plan.

The Authority's Mobility Management Travel Training Program received a statewide Transportation System Award from the California Transportation Foundation; the Solano Mobility Programs award of Excellence in

Motion Award from the Metropolitan Transportation Commission; and the SR 12 Jameson Canyon Project received its third statewide award from Caltrans as their top rural highway project for 2016.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) of the United States and Canada issued a Certificate of Achievement for Excellence in Financial Reporting to the Authority for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016. This is the second year that the Authority will be applying for this prestigious award. In order to be awarded a Certificate of Achievement, the Authority has to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable program requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. However, the Authority believes that the current CAFR will meet the Certificate of Achievement for Excellence in Financial Reporting Program's requirements, and the Authority is submitting its report to the GFOA to determine its eligibility for the certificate.

The preparation of this Report would not have been possible without the skill, effort, and dedication of the entire staff of Solano Transportation Authority. We wish to thank all staff involved for their assistance in providing the data necessary to prepare this report. Credit also is due to the Authority's Board for their unfailing support for maintaining the highest standards of professionalism in the management of the Authority's finances.

Respectfully submitted,



Daryl K. Halls, Executive Director



Susan Furtado, Accounting & Administrative Services Manager



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Solano Transportation Authority
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

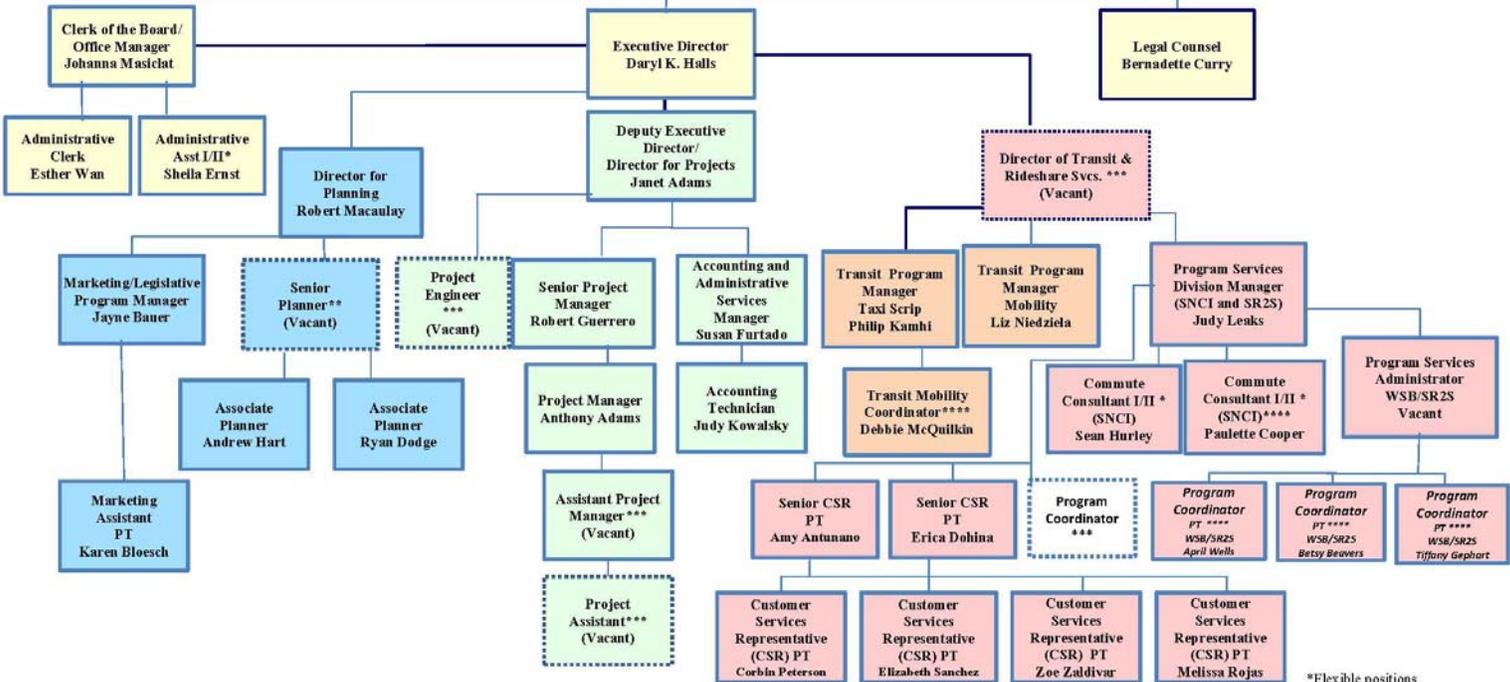


Solano Transportation Authority
 One Harbor Center, Suite 130
 Suisun City, CA 94585
 Tel.: (707) 424-6075
 oFax: (707) 424-6074

Organizational Chart FY 2016-17



Top Row Left to Right: City of Vacaville - Mayor Len Augustine; City of Vallejo - Mayor Osby Davis; City of Suisun City - Mayor Pete Sanchez; City of Fairfield - Mayor Harry Price; City of Dixon - Mayor Jack Batchelor, Jr.
Bottom Row Left to Right: City of Benicia - Mayor Elizabeth Patterson; City of Rio Vista - Mayor Norman Richardson (2016 STA Board Chair); County of Solano - Supervisor Jim Spering (2016 STA Board Vice-Chair)



*Flexible positions
 ** Under fill Sr. Planner
 *** Non-Budgeted FY 16-17
 **** Limited Term
 PT - Part Time

SOLANO TRANSPORTATION AUTHORITY

GOVERNING BOARD FOR THE YEAR ENDED JUNE 30, 2017

The Solano Transportation Authority Board Members



*Jim Spering, Chair
Supervisor, District 3
Solano County*



*Pete Sanchez, Vice Chair
Mayor, City of Suisun City*



*Elizabeth Patterson,
Mayor, City of Benicia*



*Thom Bogue,
Mayor, City of Dixon*



*Harry Price,
Mayor, City of Fairfield*



*Norman Richardson,
Mayor, City of Rio Vista*



*Len Augustine,
Mayor, City of Vacaville*



*Bob Sampayan,
Mayor, City of Vallejo*

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Governing Board
Solano Transportation Authority
Suisun City, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Solano Transportation Authority (Authority) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Authority, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule for the general fund, CalPERS schedule of proportionate share of net pension liability and related ratios and schedule of pension contributions, PARS schedule of changes in net pension liability and related ratios and schedule of contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary information, such as 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*, the combining nonmajor fund financial statements, capital projects and nonmajor special revenue funds budgetary comparison schedules, the agency fund statement of changes in assets and liabilities, and the other information, such as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering of the Authority's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
November 27, 2017

SOLANO TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

As management of the Authority, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-iv of this report.

Financial Highlights

- The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$8,588,019 (net position). Of this amount, \$2,815,564 represents unrestricted net position, which may be used to meet the Authority's ongoing obligations to citizens and creditors.
- The Authority's total net position increased by \$4,331,558 because the total revenues exceeded the total expenditures by the amount.
- At the close of the fiscal year, the Authority's combined fund balances had increased to \$9,429,509 in comparison with the prior year amount of \$5,243,977. Approximately \$3,790,942 of this amount is available for spending at the Authority's discretion (unassigned fund balance).
- At the end of the current fiscal year, unrestricted fund balance for the general fund was \$4,294,129, or approximately 72.25% of total general fund expenditures.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business. *The statement of net position* presents financial information on all of the Authority's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. *The statement of activities* presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods. Both of the government-wide financial statements can be found on pages 11-12 of this report.

SOLANO TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Authority can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Authority maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, and the three capital projects funds, which are considered to be major funds. Data from the other six governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The Authority adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The Authority maintains only one type of fiduciary fund which is the payroll agency fund. The fund is used to report resources held to pay taxes and on-behalf of the Authority's employees.

Notes to the Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on page 20 of this report.

SOLANO TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the Authority's budgetary comparison schedules, schedule of the proportionate share of the net pension liability and schedule of pension contributions. Required supplementary information can be found on pages 46-50 of this report. The combining statements and budgetary schedules referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 52-55- of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the Authority, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$8,588,019 for the fiscal year 2016-2017.

| | <u>2017</u> | <u>2016</u> |
|---------------------------------|---------------------|---------------------|
| ASSETS | | |
| Cash and Investments | \$ 10,588,625 | \$ 5,284,118 |
| Accounts Receivable | 7,910,243 | 15,776,975 |
| Prepaid Expense | 38,137 | 61,369 |
| Capital Assets | 172,025 | 170,463 |
| TOTAL ASSETS | <u>18,709,030</u> | <u>21,292,925</u> |
| DEFERRED OUTFLOWS | <u>586,450</u> | <u>303,861</u> |
| LIABILITIES | | |
| Accounts Payable | 7,491,468 | 14,101,065 |
| Accrued Payroll | 143,545 | 132,340 |
| Unearned Revenue | 1,472,483 | 1,645,080 |
| Compensated Absences | 189,344 | 191,180 |
| Aggregate Net Pension Liability | 1,270,387 | 1,089,936 |
| TOTAL LIABILITIES | <u>10,567,227</u> | <u>17,159,601</u> |
| DEFERRED INFLOWS | <u>140,234</u> | <u>180,724</u> |
| NET POSITION | | |
| Invested in Capital Assets | 172,025 | 170,463 |
| Total Restricted Net Position | 5,600,430 | 1,792,753 |
| Total Unrestricted Net Position | 2,815,564 | 2,293,245 |
| TOTAL NET POSITION | <u>\$ 8,588,019</u> | <u>\$ 4,256,461</u> |

SOLANO TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

By far the largest portion of the Authority's net position (32.78%) reflects cash, investments and accounts receivables that are unrestricted and may be used to meet the Authority's ongoing obligations to its citizens and creditors. An additional portion of the Authority's net position (65.21%) represents resources that are subject to external restrictions on how they may be used.

| | <u>2017</u> | <u>2016</u> | <u>Net Change</u> |
|--------------------------------------|---------------------|-------------------|--------------------|
| REVENUES: | | | |
| Program Revenues | \$ 26,789,035 | \$ 24,719,716 | \$ 2,069,319 |
| General Revenues | 52,816 | 385,229 | (332,413) |
| TOTAL | <u>26,841,851</u> | <u>25,104,945</u> | <u>1,736,906</u> |
| EXPENSES: | | | |
| Special Projects | 16,712,752 | 18,170,618 | (1,457,866) |
| Admin, Transit, Project and Planning | <u>5,797,541</u> | <u>6,722,142</u> | <u>(924,601)</u> |
| TOTAL | <u>22,510,293</u> | <u>24,892,760</u> | <u>(2,382,467)</u> |
| Increase (decrease) in Net Position | 4,331,558 | 212,185 | 4,119,373 |
| Net Position - Beginning | <u>4,256,461</u> | <u>4,044,276</u> | 212,185 |
| Net Position - Ending | <u>\$ 8,588,019</u> | <u>4,256,461</u> | <u>4,331,558</u> |

During the current fiscal year, net position for governmental activities increased \$4,331,558 from the prior fiscal year for an ending balance of \$8,588,019. The reasons for this overall increase are discussed in the following sections for governmental activities.

Financial Analysis of Governmental Funds

As noted earlier, the Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the Authority's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Authority itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Authority's governing board.

At June 30, 2017, the Authority's governmental funds reported combined fund balances of \$9,429,509, an increase of \$4,185,532 in comparison with the prior year. Approximately 40.20% of this amount (\$3,790,942) constitutes unassigned fund balance, which is available for spending at the Authority's discretion. The remainder of the fund balance is nonspendable (\$38,137) and restricted for particular purposes (\$5,600,430).

The general fund is the chief operating fund of the Authority. At the end of the current fiscal year, the total general fund balance was \$7,052,180. The nonspendable fund balance was \$38,137 representing prepaid items. The restricted fund balance was \$2,719,914 or 38.57% which is restricted for transportation projects and programs. The unassigned fund balance was \$4,294,129 or 60.89% which is available for the Authority's discretion. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures.

SOLANO TRANSPORTATION AUTHORITY

MANAGEMENT’S DISCUSSION AND ANALYSIS JUNE 30, 2017

The fund balance of the Authority’s general fund increased by \$3,097,695 during the current fiscal year. The increase was due to the fact that the total revenues simply exceeded the total expenditures because of the timing of the expenditures incurred.

The Regional Measure 2 fund, a major fund, had a \$16,470 decrease in fund balance during the current fiscal year which put the overall fund balance of the amount of \$57,575. Again, this is because the total program revenues were below the total related expenditures by a small amount since the revenues are derived mainly from grant reimbursements.

The Regional Transportation Impact Fee Program fund (RTIF), a major fund, experienced a \$1,014,192 increase in fund balance during the current fiscal year having a positive fund balance of \$2,203,878. This is to offset the excess expenditures over revenues in the prior year in the amount of \$435,118 and to be spent in the future years because the RTIF revenues are not on a reimbursement basis.

The I-80 Reliever Route Capital Projects fund, a major fund, had no changes in fund balance during the current fiscal year. This is because the fund’s revenues are on reimbursement basis and therefore, they typically equal to the related expenditures.

General Fund Budgetary Highlights

The following tables provide summaries of the comparison between the initial budget, the final budget and the actual financials with in General Fund.

| | Budgeted Amounts | | Variance between | Actual | Variance between |
|-------------------------------------|------------------|------------------|---|---------------------|--|
| | Original | Final | Original Budget and Final Budget (Negative) | | Final Budget and Actual (Negative) |
| REVENUES | | | | | |
| Intergovernmental | \$ 7,110,460 | \$ 7,543,377 | \$ 432,917 | \$ 5,789,968 | \$ (1,753,409) |
| Interest | - | - | - | 21,943 | 21,943 |
| Other | 637,239 | 690,509 | 53,270 | 3,229,351 | 2,538,842 |
| Total Revenues | <u>7,747,699</u> | <u>8,233,886</u> | <u>486,187</u> | <u>9,041,262</u> | <u>807,376</u> |
| EXPENDITURES | | | | | |
| Operations and administrative | 1,861,070 | 1,824,073 | (36,997) | 1,659,536 | 164,537 |
| Transit and Rideshare Services/SNCI | 4,407,011 | 4,308,419 | (98,592) | 2,699,893 | 1,608,526 |
| Project development | 567,992 | 574,312 | 6,320 | 491,941 | 82,371 |
| Strategic planning | 911,626 | 1,527,082 | 615,456 | 1,092,197 | 434,885 |
| Total Expenditures | <u>7,747,699</u> | <u>8,233,886</u> | <u>486,187</u> | <u>5,943,567</u> | <u>2,290,319</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | 3,097,695 | <u>\$ 3,097,695</u> |
| Fund balance - beginning | | | | 3,954,485 | |
| Fund balance - ending | | | | <u>\$ 7,052,180</u> | |

The Authority experienced a significant variance in intergovernmental revenues between the final budget and the actual and related expenditures. Since most of the Authority’s revenues are grant driven, decline in expenditures would cause the same effect on the revenues and the same effect on budget variances. The expenditure budget variance is due to delay in the start of the programs and projects, such as the Solano Express Managed Lanes Implementation Plan, the Redwood Parkway Drive/Fairground Improvement Project, the Solano Online Bike Map, the Countywide Bike/Ped Plan, and the Water Transportation Plan.

SOLANO TRANSPORTATION AUTHORITY

MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2017

Capital Assets and Long-Term Debt

The authority has neither significant investment in Capital Assets nor Long-Term Debt. Minor capital assets and long-term debt are shown in the table below.

Capital assets are office equipment and furnishings identified as capital assets. Capital assets are depreciated over five years using the straight-line depreciation method.

Long-term liabilities are composed of compensated absences, which are the vested interests in vacation leave and sick leave for employees of the Authority. This item changes as employees accumulate vacation and sick leave and when employees enter or leave employment with the Authority. Compensated Absences are further defined as a the current portion in the amount of \$8,209, estimated to be due within one year, and the long-term portion in the amount of \$181,135. Additionally, long-term liabilities include pension liabilities related to the Authority’s participation in the CalPERS and PARS pension plans. Additional information about the capital assets of the Authority, compensated absences and the net pension liabilities is available in note 4 – capital assets, note 5 and 6 – pensions and note 1-E for compensated absences.

CAPITAL ASSETS AND LONG-TERM DEBT

| | <u>Value as of July 1, 2016</u> | <u>Change in Fiscal Year</u> | <u>Value as of June 30, 2017</u> |
|------------------------------|-------------------------------------|----------------------------------|--------------------------------------|
| CAPITAL ASSETS | | | |
| Equipment | \$ 170,463 | \$ 1,562 | \$ 172,025 |
| LONG-TERM LIABILITIES | | | |
| Net pension liability | \$ 1,091,243 | \$ 179,144 | \$ 1,270,387 |
| Compensated absences | 187,726 | (6,591) | 181,135 |
| Total Long-Term Liabilities | <u>\$ 1,278,969</u> | <u>\$ 172,553</u> | <u>\$ 1,451,522</u> |

Requests for Information

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Authority’s finances and to demonstrate the Authority’s accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact, Solano Transportation Authority, One Harbor Center, Suite 130, Suisun City, CA 94585, or sfurtado@sta.ca.gov.

SOLANO TRANSPORTATION AUTHORITY

STATEMENT OF NET POSITION JUNE 30, 2017

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| ASSETS | |
| Cash and investments | \$ 10,588,625 |
| Accounts receivable | 7,910,243 |
| Prepaid items | 38,137 |
| Capital assets, net of accumulated depreciation | 172,025 |
| Total Assets | <u>18,709,030</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflows from pension activities | <u>586,450</u> |
| LIABILITIES | |
| Accounts payable | 7,491,468 |
| Accrued payroll | 143,545 |
| Unearned revenue | 1,472,483 |
| Compensated absences | |
| Due within one year | 8,209 |
| Due in more than one year | 181,135 |
| Aggregate net pension liability | 1,270,387 |
| Total Liabilities | <u>10,567,227</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred inflows from pension activities | <u>140,234</u> |
| NET POSITION | |
| Investment in capital assets | 172,025 |
| Restricted for transportation projects and programs | 5,600,430 |
| Unrestricted net position | 2,815,564 |
| Total Net Position | <u>\$ 8,588,019</u> |

The notes to financial statements are an integral part of this statement.

SOLANO TRANSPORTATION AUTHORITY

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

| Functions/Programs | Expenses | Program Revenues - Operating Grants and Contributions | Net (Expense) Revenue and Change in Net Position- Governmental Activities |
|--------------------------------------|----------------------|---|--|
| Governmental Activities: | | | |
| Congestion management: | | | |
| Operations and administrative | \$ 1,513,510 | \$ 4,189,571 | \$ 2,676,061 |
| Transit and Rideshare Services/SNCI | 2,699,893 | 2,815,875 | 115,982 |
| Project development | 491,941 | 921,675 | 429,734 |
| Strategic planning | 1,092,197 | 1,092,197 | - |
| Special projects and programs | 16,712,752 | 17,769,717 | 1,056,965 |
| Total Governmental Activities | \$ 22,510,293 | \$ 26,789,035 | 4,278,742 |
| General Revenues: | | | |
| Interest and investment earnings | | | 52,816 |
| Total General Revenues | | | 52,816 |
| Change in Net Position | | | 4,331,558 |
| Net Position - Beginning | | | 4,256,461 |
| Net Position - Ending | | | \$ 8,588,019 |

The notes to financial statements are an integral part of this statement.

SOLANO TRANSPORTATION AUTHORITY

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2017

| | General | Regional Measure 2 | RTIF Program | I-80 Reliever Route |
|--|----------------------|-----------------------|---------------------|---------------------------|
| ASSETS | | | | |
| Cash and investments | \$ 7,272,531 | \$ - | \$ 1,751,940 | \$ 1,061,824 |
| Accounts receivable | 1,803,529 | 5,309,315 | 465,727 | - |
| Prepaid items | 38,137 | - | - | - |
| Due from other funds | 1,100,000 | - | - | - |
| Total Assets | <u>10,214,197</u> | <u>5,309,315</u> | <u>2,217,667</u> | <u>1,061,824</u> |
| LIABILITIES | | | | |
| Accounts payable | 2,047,922 | 5,240,669 | 13,027 | 1,775 |
| Accrued payroll | 129,491 | 11,071 | 762 | 1,030 |
| Unearned revenue | 984,604 | - | - | 457,580 |
| Due to other funds | - | - | - | 1,100,000 |
| Total Liabilities | <u>3,162,017</u> | <u>5,251,740</u> | <u>13,789</u> | <u>1,560,385</u> |
| FUND BALANCES | | | | |
| Fund balance | | | | |
| Nonspendable | 38,137 | - | - | |
| Restricted for transportation projects and programs | 2,719,914 | 57,575 | 2,203,878 | - |
| Unassigned | 4,294,129 | - | - | (498,561) |
| Total Fund Balances | <u>7,052,180</u> | <u>57,575</u> | <u>2,203,878</u> | <u>(498,561)</u> |
| Total Liabilities and Fund Balances | <u>\$ 10,214,197</u> | <u>\$ 5,309,315</u> | <u>\$ 2,217,667</u> | <u>\$ 601,439</u> |

The notes to financial statements are an integral part of this statement.

| Non-major Governmental Funds | | Total | |
|------------------------------------|----------------|-------|-------------------|
| \$ | 502,330 | \$ | 10,588,625 |
| | 331,672 | | 7,910,243 |
| | - | | 38,137 |
| | - | | 1,100,000 |
| | <u>834,002</u> | | <u>19,637,005</u> |
| | 188,075 | | 7,491,468 |
| | 1,191 | | 143,545 |
| | 30,299 | | 1,472,483 |
| | - | | 1,100,000 |
| | <u>219,565</u> | | <u>10,207,496</u> |
| | - | | 38,137 |
| | 619,063 | | 5,600,430 |
| | (4,626) | | 3,790,942 |
| | <u>614,437</u> | | <u>9,429,509</u> |
| \$ | <u>834,002</u> | \$ | <u>19,637,005</u> |

SOLANO TRANSPORTATION AUTHORITY

RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION JUNE 30, 2017

Amounts reported for governmental activities in the statement of net position are different because:

| | |
|--|----------------------------|
| Total fund balances - governmental funds | \$ 9,429,509 |
| Capital assets used in governmental activities are not current assets or financial resources and therefore are not reported in the governmental funds. | 172,025 |
| Compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds. | (189,344) |
| Net pension liability and related deferrals are not due and payable in the current period and therefore are not reported in the governmental funds. | <u>(824,171)</u> |
| Net position of governmental activities | <u><u>\$ 8,588,019</u></u> |

The notes to financial statements are an integral part of this statement.

This page left blank intentionally.

SOLANO TRANSPORTATION AUTHORITY

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017**

| | General | Regional Measure 2 | RTIF Program | I-80 Reliever Route |
|--------------------------------|---------------------|-----------------------|---------------------|---------------------------|
| REVENUES | | | | |
| Intergovernmental: | | | | |
| Member contributions | \$ 264,044 | \$ - | \$ - | \$ - |
| STIP | 232,304 | - | - | - |
| DMV/AVA | 12,186 | - | - | - |
| TDA Article 3 | 30,696 | - | - | - |
| TDA Article 4/8 | 897,597 | - | - | - |
| TFCA | 246,893 | - | - | - |
| STAF | 1,215,867 | - | - | - |
| CMAQ | 2,325,664 | - | - | - |
| YSAQMD | 34,085 | - | - | - |
| California energy commission | 238,717 | - | - | - |
| Regional Measure 2 (RM2) | 126,252 | 15,211,282 | - | - |
| FTA | 165,663 | - | - | - |
| RTIF | - | - | 1,441,589 | 26,557 |
| Interest | 21,943 | 12,791 | 7,350 | 6,733 |
| Other local grants | 3,229,351 | 7,531 | - | 349,165 |
| Total Revenues | 9,041,262 | 15,231,604 | 1,448,939 | 382,455 |
| EXPENDITURES | | | | |
| Current: Congestion management | | | | |
| Operations and administrative | 1,659,536 | - | - | - |
| Transit and rideshare services | 2,699,893 | - | - | - |
| Project development | 491,941 | - | - | - |
| Strategic planning | 1,092,197 | - | - | - |
| Special projects and programs | - | 15,248,074 | 434,747 | 382,455 |
| Total Expenditures | 5,943,567 | 15,248,074 | 434,747 | 382,455 |
| Net change in fund balances | 3,097,695 | (16,470) | 1,014,192 | - |
| Fund balances - beginning | 3,954,485 | 74,045 | 1,189,686 | (498,561) |
| Fund balances - ending | \$ 7,052,180 | \$ 57,575 | \$ 2,203,878 | \$ (498,561) |

The notes to financial statements are an integral part of this statement.

| Non-major Governmental Funds | | Total |
|------------------------------------|---------------------|-------|
| \$ - | \$ 264,044 | |
| 7,054 | 239,358 | |
| 394,013 | 406,199 | |
| - | 30,696 | |
| - | 897,597 | |
| 332,525 | 579,418 | |
| - | 1,215,867 | |
| - | 2,325,664 | |
| - | 34,085 | |
| - | 238,717 | |
| - | 15,337,534 | |
| - | 165,663 | |
| - | 1,468,146 | |
| 3,999 | 52,816 | |
| - | 3,586,047 | |
| <u>737,591</u> | <u>26,841,851</u> | |
| - | 1,659,536 | |
| - | 2,699,893 | |
| - | 491,941 | |
| - | 1,092,197 | |
| <u>647,476</u> | <u>16,712,752</u> | |
| <u>647,476</u> | <u>22,656,319</u> | |
| 90,115 | 4,185,532 | |
| 524,322 | 5,243,977 | |
| <u>\$ 614,437</u> | <u>\$ 9,429,509</u> | |

SOLANO TRANSPORTATION AUTHORITY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017

Amounts reported for governmental activities in the statement of activities
are different because of the following:

| | |
|--|----------------------------|
| Net change in fund balances - total governmental funds | \$ 4,185,532 |
| Pension expenses due to the changes in net pension liability and related deferrals are not recognized in governmental funds because they do not require the use of current resources and therefore are not reported as expenditures. | 142,628 |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense. | |
| Capital outlay expenditures are added back to net change in fund balance. | 27,728 |
| Depreciation expense is deducted from net change in fund balance. | (26,166) |
| The change in compensated absences included in the statement of activities does not provide or (require) the use of current financial resources and therefore is not reported as an expenditure in governmental funds. | <u>1,836</u> |
| Change in net position - governmental activities | <u><u>\$ 4,331,558</u></u> |

The notes to financial statements are an integral part of this statement.

SOLANO TRANSPORTATION AUTHORITY

FIDUCIARY FUND STATEMENT OF ASSETS AND LIABILITIES JUNE 30, 2017

| | <u>Payroll Agency Fund</u> |
|-------------------------------|--------------------------------|
| ASSETS | |
| Cash and investments (Note 3) | \$ 134,720 |
| Prepaid items | 1,554 |
| Total Assets | <u>\$ 136,274</u> |
| LIABILITIES | |
| Due to other agencies | <u>\$ 136,274</u> |
| Total Liabilities | <u>\$ 136,274</u> |

The notes to financial statements are an integral part of this statement.

SOLANO TRANSPORTATION AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 1 – REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

A. *Reporting Entity*

The Solano Transportation Authority (Authority), previously known as the Solano County Transportation Authority, was created under a Joint Powers Agreement as an entity to provide coordinated, continuous, and comprehensive transportation planning for Solano County (County) and the cities of the County on June 1, 1993. The Authority's Board of Directors consists of eight members: one from each of the seven cities of Benicia, Dixon, Fairfield, Rio Vista, Suisun City, Vacaville and Vallejo and one from the County.

The Authority is charged with the following duties:

- Develop, adopt, and implement County transportation plans.
- Submit applications and funding claims for transportation-related purposes to local governments, the Metropolitan Transportation Commission, the State of California, the Federal Government, and other entities supporting transportation.
- Execute transportation-related agreements and enter into contracts.
- Adopt policies and programs for all modes of transportation including: transit, paratransit, streets and roads, bicycles, pedestrian facilities, bridle paths, airports, marinas, harbors, deep sea channels, and railroads.
- Coordinate all modes of transportation within the County and with agencies outside the County.
- Operate or cause to have operated transit and paratransit.

The basic financial statements of the Authority include all of its financial activities. The Authority is the sole independent Authority responsible for receiving and allocating funds necessary to complete the programs.

The financial statements and accounting policies of the Authority conform with generally accepted accounting principles applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting policies are summarized below.

SOLANO TRANSPORTATION AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

B. *Basis of Presentation – Government-wide financial statements*

The Authority's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard-setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

Government-wide statements: The statement of net position and the statement of activities display information about the primary government. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through intergovernmental revenues and other non-exchange transactions. The governmental activity incorporates data from governmental funds. Separate financial statements are provided for governmental funds. Fiduciary funds are excluded from government-wide financial statements.

The Authority has no business-type activities; therefore, the statement of activities presents a comparison between direct expenses and program revenues for each function of the Authority's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues are presented as general revenues.

C. *Basis of Presentation – Fund financial statements*

Fund Financial Statements

The fund financial statements provide information about the Authority's funds, including its fiduciary funds. The emphasis of fund financial statements is on major individual governmental funds, each of which is displayed in a separate column. All remaining funds are aggregated and reported as non-major funds.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

Major Funds and Non-major Funds

The Authority's major governmental funds are required to be identified and presented separately in the fund financial statements. Major funds are defined as funds that have either assets, liabilities and deferred inflows, revenues or expenditures equal to ten percent of their fund-type total. The General Fund is always a major fund. All other funds are reported as special revenue funds or capital projects funds.

SOLANO TRANSPORTATION AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

The Authority reported the following major governmental funds in the accompanying financial statements:

General Fund

The General Fund is the general operating fund of the Authority. It is used to account for and report all financial resources not accounted for and reported in another fund. Most revenues are recorded in the General Fund. All intergovernmental revenue is recorded in this Fund, except for those restricted funds required to be recorded in other funds. Fund expenditures include salaries and benefits of the Authority's staff that are not chargeable to other funds.

Regional Measure 2 Capital Projects Fund

This Fund is used by the Authority to advance the implementation of the I-80/I-680/SR 12 Interchange Project for the preparation of the environmental document and preliminary engineering. This Fund is also used to advance the implementation of the I-80 High Occupancy Vehicle (HOV), the Eastern Segment of the North Connector project, the I-80 East Bound Cordelia Truck Scales Relocation Project, and the I-80 Express Lanes Project for the preparation of the environmental document, preliminary engineering, design phase, right of way acquisition and relocation, and construction of these projects.

Regional Transportation Impact Fee (RTIF) Program Capital Projects Fund

The Solano County Board of Supervisors unanimously approved the Public Facility Fee (PFF) in December 2013, which includes adding a \$1,500 per dwelling unit equivalent allocated towards RTIF implementation. Seven Districts were approved as part of the RTIF program implementation. Each District includes at least one or more transportation improvement project. Five percent (5%) of the total RTIF fund is dedicated towards transit projects under Package 6 – Express Bus Transit Centers and Train Stations, and five percent (5%) to Unincorporated County Roads under district. The Authority will receive 2% of the total RTIF Funds for the administrative costs of this program. The remaining balance of the RTIF funds will be returned to each RTIF District from which the revenue was generated.

I-80 Reliever Route Capital Projects Fund

This Fund is used by the Authority to account for the project approval and environmental documents phase of the Jepson Parkway project, a central Solano multi-modal roadway intended to relieve congestion on I-80 between Fairfield and Vacaville, and for the Walters Road widening segment of the Jepson Parkway in Suisun City.

The Authority reported the following non-major governmental funds in the accompanying financial statements:

TFCA Special Revenue Fund

This Fund is used by the Authority to account for the transportation programs that promote the reduction of air pollution in the Bay Area.

SOLANO TRANSPORTATION AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

Abandoned Vehicle Abatement Special Revenue Fund

This Fund is used by the Authority to account for the removal of abandoned vehicles by local agencies within Solano County.

Dixon B Street Undercrossing Capital Projects Fund

This fund is used to initiate the implementation of the project study done of the City of Dixon for the West B Street Undercrossing. The Project is located in the vicinity of the City of Dixon's downtown, which involves constructing a pedestrian undercrossing to replace an existing at-grade crossing at the city's future train station location.

Jameson Canyon Capital Projects Fund

This fund is used by the Authority to fund the identified critical design and related support services for an additional lane in each direction and constructing a concrete median barrier on State Route (SR) 12 from Kelly Road in Napa County to Red Top Road in Solano County. A Memorandum of Understanding (MOU) and a Cooperative Agreement was issued between the California Department of Transportation (CalTrans), Napa County Transportation Planning Agency (NCTPA), and the Authority.

Vallejo Turner Parkway Capital Projects Fund

This fund is used by the Authority to fund the study of alternative improvements to the Redwood Parkway/I-80 Interchange, improvements to State Route 37, Park-and-Ride Lot, and HOV Lanes.

SR 12 Bridge Realignment Capital Projects Fund

This fund is used by the Authority to fund the study based on future-year traffic projections and the projected additional traffic capacity crossing the Sacramento River, and to identify the movement of goods on the Sacramento River waterway needs for the Port of Sacramento and the City of Rio Vista Bridge. The study will identify realignment alternatives for the location, bridge type, feasibility of each alternative, environmental constraint, preliminary costs of each alternative; and develop potential funding strategies and next steps.

D. *Measurement focus and basis of accounting*

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

SOLANO TRANSPORTATION AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 180 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 180 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 180 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

E. Compensated Absences

Compensated absences comprise unpaid vacation and sick leave which are accrued as earned. Sick leave is accrued and compensated at the time of service retirement at 25% of accumulated hours. Vacation hours accumulated are fully compensated at time of separation. The liabilities are separated into current and long-term portions based estimates as of June 30 and amounts expected to be paid subsequent to next fiscal year. The Authority's liability for compensated absences is recorded in the Authority's governmental Activities. The general fund pays for compensated absences when the amounts are due.

The changes in long-term compensated absences during the fiscal year ended June 30, 2017 were as follows:

| | Governmental Activities |
|-------------------|----------------------------|
| Beginning Balance | \$ 191,180 |
| Additions | 4,754 |
| Deletion | 6,590 |
| Ending Balance | \$ 189,344 |
| Current Portion | \$ 8,209 |

SOLANO TRANSPORTATION AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

F. Use of Management Estimates

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

G. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Authority's retirement plans (Plans) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the plan's administrators. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

H. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

I. Net Position

Government-wide financial statements utilize a net position presentation. Net position of the Authority is categorized as net investment in capital assets, restricted, and unrestricted. When both restricted and unrestricted resources are available for an expense, the Authority's policy is to use restricted first and then unrestricted.

- Net investment in capital assets represent the capitalized cost of capital assets, net of depreciation and the related outstanding debt balances if any.
- Restricted net position represent net position that is constrained by externally imposed requirements of creditors (such as through debt covenants), laws or regulations of other governments or imposed by law, through constitutional provisions or enabling legislation.
- All net position not categorized as net investment in capital assets or restricted are included in unrestricted net position.

SOLANO TRANSPORTATION AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

J. Fund Balances

Governmental funds report fund balance in classifications based primarily on the extent to which the Authority is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balances for government funds are made up of the followings:

- *Nonspendable Fund Balance* – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: amounts held for perpetuity and prepaid amounts. The Authority’s nonspendable fund balance represents prepaid items as of year-end.
- *Restricted Fund Balance* – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- *Committed Fund Balance* – includes amounts that can only be used for the specific purposes determined by a formal action of the Authority’s highest level of decision-making authority, the governing board. Commitments may be changed or lifted only by the adoption of a Board Resolution. The Authority had no committed fund balances as of year-end.
- *Assigned Fund Balance* – comprises amounts intended to be used by the Authority for specific purposes that are neither restricted nor committed. Intent is expressed by the Authority’s Board of Directors. The Authority had no assigned fund balances as of year-end.
- *Unassigned Fund Balance* – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are available for any purpose. In addition, the general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

K. Reclassification

For the year ended June 30, 2017, certain classifications have been changed to improve financial statement presentation.

SOLANO TRANSPORTATION AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

L. New Accounting Principles

GASB Statement No. 74 – In June 2015, GASB issued Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. The objective of the Statement is to address the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated. The Statement is effective for periods beginning after June 15, 2016, or the fiscal year 2016-17. This pronouncement did not have an impact on the financial statements of the Authority.

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. The objective of the Statement is to replace the requirements of GASB Statement No. 45. In addition, the Statement requires governments to report a liability on the face of the financial statements for the OPEB provided and requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. The Statement is effective for the periods beginning June 15, 2017, or the fiscal year 2017-18. The Authority has not determined the effect of this pronouncement.

GASB Statement No. 77 – In August 2015, GASB issued Statement No. 77, Tax Abatement Disclosures. The Statement requires state and local governments to disclose information about tax abatement agreements. The Statement is effective for the periods beginning after December 15, 2015, or the fiscal year 2016-17. This pronouncement did not have an impact on the financial statements of the Authority.

GASB Statement No. 78 – In December 2015, GASB issued Statement No 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans. The Statement amends the scope and applicability of GASB Statement No. 68 to exclude certain types of cost-sharing multiple-employer plans. The Statement is effective for the periods beginning after December 15, 2015, or the fiscal year 2016-17. This pronouncement did not have an impact on the financial statements of the Authority.

GASB Statement No. 80 – In January 2016, GASB issued Statement No. 80, Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14. The objective of the Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The Statement is effective for the reporting periods beginning after June 15, 2016, or the fiscal year 2016-17. This pronouncement did not have an impact on the financial statements of the Authority.

SOLANO TRANSPORTATION AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

GASB Statement No. 83 – In November 2016, GASB issued Statement No. 83, Certain Asset Retirement Obligations. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital asset should recognize a liability based on the guidance in this Statement. This Statement also requires disclosure of information about the nature of a government’s ARO, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018, or the 2018-19 fiscal year. The Authority has not determined the effect of this pronouncement.

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, Fiduciary Activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018, or the 2019-20 fiscal year. The Authority has not determined the effect of this pronouncement.

GASB Statement No. 85 – In March 2017, GASB issued Statement No. 85, Omnibus 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The Statement is effective for the reporting periods beginning after June 15, 2017, or 2017-18 fiscal year. The Authority has not determined the effect of this pronouncement.

GASB Statement No. 86 – In May 2017, GASB issued Statement No. 86, Certain Debt Extinguishment Issues. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The Statement is effective for the reporting periods beginning after June 15, 2017, or 2017-18 fiscal year. The Authority has not determined the effect of this pronouncement.

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The Statement is effective for the reporting periods beginning after December 15, 2019, or 2020-21 fiscal year. The Authority has not determined the effect of this pronouncement.

SOLANO TRANSPORTATION AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 2 – BUDGETS AND BUDGETARY ACCOUNTING

Budgeting Procedures

The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Executive Director submits a proposal for the operating budget to the Authority's Board Members for the fiscal year commencing the following July. The operating budget includes proposed expenditures and the means of financing them for two fiscal years.
2. Public meetings are conducted to obtain public comments.
3. The budget is legally enacted by adoption by the Authority's Board Members before July 1.
4. All budget adjustments must be approved by the Authority Board Members. Expenditures may not legally exceed budgeted appropriations at the fund level.
5. The Executive Director is authorized to transfer budgeted amounts; however, any revisions that alter total expenditures of any fund must be approved by the Authority's Board Members.
6. Formal budgetary integration is employed as a management control device during the year for all funds.
7. Budgeted revenue amounts represent the original budget modified by adjustments authorized during the year. Budgeted expenditure amounts represent original appropriations adjusted for supplemental appropriations during the year, which were contingent upon new or additional revenue sources and reappropriated amounts for prior year encumbrances.
8. Appropriations lapse at the end of the fiscal year and then are rebudgeted for the coming fiscal year.
9. Budgeted appropriations for the various governmental funds become effective July 1. The legal level of budgetary control has been established at the fund level.
10. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

SOLANO TRANSPORTATION AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 3 – CASH AND INVESTMENTS

The Authority's cash is pooled and invested by the City of Vacaville, except for cash in the Regional Transportation Impact Fee (RTIF) fund which is deposited with Bank of the West. Investments are stated at fair value as required by generally accepted accounting principles. The Authority adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it must include the effects of these adjustments in income for that fiscal year. At June 30, 2017, the Authority's cash and investments amounted to \$10,723,345 of which \$10,588,625 and \$134,720 were reflected in the Authority's Governmental Funds and Agency Fund, respectively. Of this total amount, \$8,971,405 was invested with the City of Vacaville Pool. The pool is not registered with the Securities Exchange Commission (SEC). This pooled cash is invested by the City's Investment Officer, and overseen by the City's Treasurer to enhance interest earnings. These investments were valued at \$8,948,218 with an average maturity of 273 days as of June 30, 2017. In addition to the investment in the City of Vacaville Pool, the Authority deposits its RTIF cash with Bank of the West. The bank balance was \$1,751,940 as of June 30, 2017, \$250,000 of which is fully insured and the remaining amounts are secured by a pledge of the financial institutions first trust deed mortgage notes having a value of 150% of the public deposits.

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. The City of Vacaville's cash and investment pool is not rated by a nationally recognized statistical rating organization. Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Authority manages its exposure to interest rate risk by depositing all their cash and investments with the City of Vacaville's investment pool, which has a maturity of less than one year.

The Authority categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Authority is a participant in the City of Vacaville's Pool (Pool). The Pool is an external investment pool, is not rated and is not registered with the Securities Exchange Commission. Cash on deposit in the City Pool at June 30, 2017 is stated at fair value. The Pool values participant shares on an amortized cost basis during the year and adjusts to fair value at year-end. Investment in the Pool is not categorized because deposits to and from the pool are made on the basis of \$1 and not at fair value.

SOLANO TRANSPORTATION AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 4 – CAPITAL ASSETS

All capital assets are valued at historical cost less accumulated depreciation or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at estimated acquisition value at the date of donation plus ancillary charges, if any.

The Authority is required to exclude from its financial statements assets maintained by other governments or organizations. The Authority has funded a variety of capital projects consisting of streets and road and other transportation infrastructure projects, which upon completion were “contributed” to its Members, the State, or other governments responsible for maintenance and care. Since those other agencies maintain these capital assets, those amounts have been excluded from the accompanying financial statements.

Capital assets with limited useful lives are required to be depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year’s pro rata share of the cost of capital assets.

Depreciation is provided using the straight-line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The Authority has assigned a useful life of 5 years for Equipment. The Authority capitalizes acquisitions of capital assets in excess of \$1,000 with useful life over one year.

Some capital assets may be acquired using federal and State grant funds, or they may be contributed by developers or other governments. Contributions are required to be accounted for as revenues at the time the capital assets are contributed.

The Authority’s capital assets comprise the following at June 30, 2017:

| | <u>Balance at July 1, 2016</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance at June 30, 2017</u> |
|--|------------------------------------|------------------|------------------|-------------------------------------|
| Cost: | | | | |
| Equipment | \$ 399,489 | \$ 27,728 | \$ (17,385) | \$ 409,832 |
| Accumulated Depreciation: | | | | |
| Equipment | <u>(229,026)</u> | <u>(26,166)</u> | <u>17,385</u> | <u>(237,807)</u> |
| Capital Assets, Net of Accumulated Depreciation | <u>\$ 170,463</u> | <u>\$ 1,562</u> | <u>\$ -</u> | <u>\$ 172,025</u> |

SOLANO TRANSPORTATION AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 5 – CALIFORNIA PUBLIC EMPLOYEE RETIREMENT SYSTEM PENSION PLAN

General Information about the Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Authority’s Employee Pension Plan, (the Plan) a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees’ Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and Authority resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 or 52, depending on hire date, with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The Plan provisions and benefits in effect at June 30, 2017, are summarized as follows:

| | <u>Prior to January 1, 2013</u> | <u>On or after January 1, 2013</u> |
|---|-------------------------------------|--|
| Hire date | | |
| Benefit formula | 2% at 55 | 2% at 62 |
| Benefit vesting schedule | 5 years service | 5 years service |
| Benefit payments | monthly for life | monthly for life |
| Retirement age | 50 - 55 | 52 - 67 |
| Monthly benefits, as a percent of eligible compensation | 2.0% to 2.5% | 1.0% to 2.5% |
| Required employee contribution rates | 0.07 | 0.0625 |
| Required employer contribution rates | 0.08377 | 0.06555 |

SOLANO TRANSPORTATION AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. 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. The Authority is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2017, contributions recognized as part of pension expense were \$153,544.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2017, the Authority's reported net pension liability for its proportionate shares of the net pension liability in the amount of \$1,189,190.

The Authority's net pension liability is measured as the proportionate share of the Plan's net pension liability. The net pension liability is measured as of June 30, 2016, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Authority's proportionate share of the net pension liability as of June 30, 2016 and 2017 was as follows:

| | Miscellaneous CalPERS |
|------------------------------|--------------------------|
| Proportion - June 30, 2016 | \$ 894,778 |
| Proportion - June 30, 2017 | 1,189,190 |
| Change - Increase (Decrease) | <u>\$ 294,412</u> |

SOLANO TRANSPORTATION AUTHORITY

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

For the year ended June 30, 2017, the Authority recognized pension expense in the amount of \$57,428 for the Miscellaneous CalPERS plan. On June 30, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Pension contributions subsequent to measurement date | \$ 153,544 | \$ - |
| Contributions in excess of proportionate share | - | 29,744 |
| Contributions in deficit of proportionate share | 21,328 | - |
| Changes in assumptions | - | 64,805 |
| Difference in expected and actual experience | 6,850 | 1,569 |
| Adjustment due to differences in proportions | 57,787 | - |
| Net differences between projected and actual earnings on plan investments | 337,290 | - |
| Total | <u>\$ 576,799</u> | <u>\$ 96,118</u> |

Reported as deferred outflows of resources related to contributions subsequent to the measurement date is \$153,544, which will be recognized as a component of pension expense in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| Year Ended June 30 | Deferred Outflows/(Inflows) of Resources |
|-----------------------|--|
| 2018 | \$ 46,189 |
| 2019 | 42,782 |
| 2020 | 150,800 |
| 2021 | 87,362 |
| | <u>\$ 327,134</u> |

SOLANO TRANSPORTATION AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2017

Actuarial Assumptions

The total pension liabilities in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions for the Miscellaneous CalPERS plan:

| | |
|---------------------------|---------------------------------|
| Valuation Date | June 30, 2015 |
| Measurement Date | June 30, 2016 |
| Actuarial Cost Method | Entry-Age Normal Cost Method |
| Actuarial Assumptions | |
| Discount Rate | 7.65% |
| Inflation | 2.75% |
| Payroll Growth | 3.00% |
| Projected Salary Increase | Varies by Entry-Age and Service |
| Investment Rate of Return | 7.50% (1) |
| Mortality | (2) |

- (1) Net of pension plan investment and administrative expenses, includes inflation.
- (2) The probabilities of mortality are based on the 2010 CalPERS experience study for the period from 1997 to 2011.

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of a 2014, actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plan that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plan run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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.

SOLANO TRANSPORTATION AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds’ asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

| Asset Class | New Strategic Allocation | Real Return Years 1 - 10(a) | Real Return Years 11+(b) |
|-------------------------------|--------------------------|-----------------------------|--------------------------|
| Global Equity | 51.00% | 5.25% | 5.71% |
| Global Fixed Income | 20.00% | 0.99% | 2.43% |
| Inflation Sensitive | 6.00% | 0.45% | 3.36% |
| Private Equity | 10.00% | 6.83% | 6.95% |
| Real Estate | 10.00% | 4.50% | 5.13% |
| Infrastructure and Forestland | 2.00% | 4.50% | 5.09% |
| Liquidity | 1.00% | -0.55% | -1.05% |
| Total | 100% | | |

- (a) An expected inflation of 2.5% used for this period.
- (b) An expected inflation of 3.0% used for this period.

SOLANO TRANSPORTATION AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

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

The following presents the Authority’s proportionate share of the net pension liability, as well as what the Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---------------------------------|--------------|--------------------------|-------------|
| | 6.65% | 7.65% | 8.65% |
| Net Pension Liability - CalPERS | \$ 1,852,727 | \$ 1,189,190 | \$ 640,810 |

Pension Plan Fiduciary Net Position

Detailed information about the Plan’s fiduciary net position is available in the separately issued CalPERS financial report.

NOTE 6 – PUBLIC AGENCY RETIREMENT SYSTEM PENSION PLAN (PARS)

General Information about the Pension Plan

Plan Description

The Authority entered into an agreement as of July 1, 2011 with the Public Agency Retirement Services (PARS), an agent multiple-employer plan, to provide a supplemental retirement benefits. Benefit provisions under the Plan are established by Authority resolution. The plan is closed to new entrants as of January 1, 2013. PARS issues publicly available reports that can be obtained by writing to 3961 MacArthur Boulevard, Suite 200, Newport Beach, California 92660.

Benefits Provided

PARS provides lifetime supplemental benefits for participants that retire on or after age 55 with cost of living adjustments. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service with CalPERS are eligible to receive the supplemental PARS benefits.

SOLANO TRANSPORTATION AUTHORITY

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

The Plan provisions and benefits in effect at June 30, 2017, are summarized as follows:

| | |
|--------------------------------------|--------------------------------------|
| Hire date | On or before December 31, 2012 |
| Benefit formula | .7% at 55 |
| Benefit vesting schedule | 5 years service |
| Benefit payments | Monthly for life |
| Retirement age | 55 |
| Required employee contribution rates | 2.00% |
| Required employer contribution rates | 4.71% |

Employees Covered – At the June 30, 2016 valuation date, employees that were covered by the benefit terms were 2 retired and 11 active.

Contributions

Contributions are determined on a bi-annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. 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. The employee required contribution rate is 2%.

For the year ended June 30, 2017, contributions recognized as part of pension expense were \$83,219.

SOLANO TRANSPORTATION AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

Net Pension Liability

The Authority's 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, 2017, using an annual actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions – The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

| | |
|----------------------------------|---|
| Valuation Date | June 30, 2016 |
| Measurement Date | June 30, 2017 |
| Actuarial Cost Method | Entry-Age Normal Cost Method |
| Actuarial Assumptions | |
| Discount Rate | 7.00% |
| Inflation | 2.75% |
| Projected Salary Increase | Graded up to 3.50% after 30 years of service. |
| Investment Rate of Return | 7.00% |
| Mortality | Pre-retirement: CalPERS Miscellaneous Non-Industrial Rates. Post-retirement: CalPERS 1997-2011 Healthy Retiree Tables projected using Scale AA and base year of 2008. |
| Post Retirement Benefit Increase | Contract COLA of 2.00% |

Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, PARS stress tested plan that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, the Plan would not run out of assets. Therefore, the current 7.00 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary.

SOLANO TRANSPORTATION AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

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.

In determining the long-term expected rate of return, PARS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Arithmetic Real Rate of Return</u> | <u>Long-Term Expected Geometric Real Rate of Return</u> |
|----------------------------|--------------------------|--|---|
| US Cash | 4.20% | 0.36% | 0.35% |
| US Core Fixed Income | 36.71% | 2.17% | 2.04% |
| US Equity Market | 42.27% | 4.83% | 3.57% |
| Foreign Developed Equities | 11.29% | 5.76% | 4.15% |
| Emerging Market Equities | 3.95% | 8.06% | 4.84% |
| US REITs | 1.58% | 5.04% | 3.27% |
| Total | <u>100%</u> | | |

SOLANO TRANSPORTATION AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2017

Changes in the Net Pension Liability - The changes in the Net Pension Liability for the Plan is as follows:

| | Increase (Decrease) | | |
|--|-------------------------------|-----------------------------------|-----------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| Balance at June 30, 2016 | \$ 742,723 | \$ 547,564 | \$ 195,159 |
| Changes in the year: | | | |
| Service cost | 50,815 | - | 50,815 |
| Interest on the total pension liability | 51,694 | - | 51,694 |
| Effect of economic/demographic gains or losses | (52,286) | - | (52,286) |
| Changes in assumptions | - | - | - |
| Changes in benefit terms | - | - | - |
| Contribution - employer | - | 83,219 | (83,219) |
| Contribution - employee | - | 24,722 | (24,722) |
| Net investment income | - | 59,388 | (59,388) |
| Administrative expenses | - | (3,145) | 3,145 |
| Benefit payments | (5,595) | (5,595) | - |
| Net changes | <u>44,628</u> | <u>158,589</u> | <u>(113,961)</u> |
| Balance at June 30, 2017 | <u>\$ 787,351</u> | <u>\$ 706,153</u> | <u>\$ 81,198</u> |

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

The following presents the Authority’s proportionate share of the net pension liability, as well as what the Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

| | 1% Decrease | Current Discount Rate | 1% Increase |
|------------------------------|-------------|--------------------------|-------------|
| | 6.00% | 7.00% | 8.00% |
| Net Pension Liability - PARS | \$ 195,016 | \$ 81,198 | \$ (13,533) |

Pension Plan Fiduciary Net Position

Detailed information about the Plan’s fiduciary net position is available in the separately issued PARS financial report.

SOLANO TRANSPORTATION AUTHORITY

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

For the year ended June 30, 2017, the Authority recognized pension expense in the amount of \$36,707 for the PARS plan. On June 30, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Difference in expected and actual experience | \$ - | \$ 44,116 |
| Net differences between projected and actual earnings on plan investments | 9,651 | - |
| Total | <u>\$ 9,651</u> | <u>\$ 44,116</u> |

Amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| Year Ended June 30 | Deferred Outflows/(Inflows) of Resources |
|-----------------------|--|
| 2018 | \$ (2,482) |
| 2019 | (2,483) |
| 2020 | (6,365) |
| 2021 | (11,699) |
| 2022 | (8,170) |
| Thereafter | (3,266) |
| | <u>\$ (34,465)</u> |

NOTE 7 – RISK MANAGEMENT

The Authority is a member of the County Supervisors Association of California Excess Insurance Authority (CSACEIA) which covers general liability claims up to \$15,000,000. The Authority has a self-insured retention of \$100,000 per claim. Once the Authority’s self-insured retention for claims is met, CSACEIA becomes responsible for payment of all claims up to the limit. The Authority has no deductible for workers compensation with the State Compensation Insurance Fund up to the statutory limits. There have been no significant reductions in insurance coverage from the previous year, nor have settled claims exceeded the Authority’s insurance coverages in any of the past three years.

Financial statements for CSACEIA may be obtained from Alliant Insurances Services, Inc., 1301 Dove Street, Suite 200, Newport Beach, CA 92660.

SOLANO TRANSPORTATION AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 8 – NET POSITION AND FUND BALANCES

At June 30, 2017, the following funds had deficit fund balances:

| | |
|------------------------|----------|
| Vallejo Turner Parkway | \$ 4,626 |
| I-80 Reliever Route | 498,561 |

Future project revenues are anticipated, and therefore these funds will end up with positive fund balances.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

The Authority is subject to litigation arising in the normal course of business. In the opinion of the Authority's Attorney, there is no pending litigation which is likely to have a material adverse effect on the financial position of the Authority.

The Authority receives federal and state grant funds. The amounts if any, of the Authority's grant expenditures which may be disallowed upon audit by the granting agencies cannot be determined at this time, although the Authority expects any such amounts to be immaterial.

The Authority has various contracts with private consulting companies and cooperative agreements with governmental entities. As of June 30, 2017, the Authority had outstanding commitments approximating \$15,879,380.

On June 1, 2006, the Authority entered into a 5-year lease agreement with The Wiseman Company LLC, to lease their office space located at One Harbor Center commencing January 1, 2007. In November 2013, amendment was signed for additional expansion space. The lease is estimated at a total amount of \$709,013 payable over a three-year period at monthly payments of \$19,323, annually increasing by 2%. The monthly rate for the total rentable space is \$19,323 per month which increases \$.05 per month per rentable square foot, beginning January 2015. The lease was extended through December 31, 2017. The Authority has the ability to cancel the lease at any time prior to the lease expiration on December 31, 2017.

SOLANO TRANSPORTATION AUTHORITY

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2017

NOTE 10 – PAYROLL AND BENEFITS

In fiscal 2016-2017 the Authority expended these amounts on payroll and related benefits:

| Description | Operation and Administration | Transit and Rideshare Services/SNCI | Project Development | Strategic Planning | Special Project | Total |
|------------------------|---------------------------------|---|------------------------|-----------------------|-------------------|---------------------|
| Salaries-full-time | \$ 691,591 | \$ 578,673 | \$ 96,876 | \$ 296,292 | \$ 269,756 | \$ 1,933,188 |
| Salaries-non full-time | 18,298 | 179,745 | - | - | - | 198,043 |
| Overtime | 173 | - | - | - | - | 173 |
| Total salaries | 710,062 | 758,418 | 96,876 | 296,292 | 269,756 | 2,131,404 |
| Employee benefits | 340,914 | 232,210 | 47,365 | 132,043 | 93,246 | 845,778 |
| Total payroll cost | <u>\$ 1,050,976</u> | <u>\$ 990,628</u> | <u>\$ 144,241</u> | <u>\$ 428,335</u> | <u>\$ 363,002</u> | <u>\$ 2,977,182</u> |

REQUIRED SUPPLEMENTARY INFORMATION

SOLANO TRANSPORTATION AUTHORITY

COST SHARING RETIREMENT PLAN - CalPERS PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|--------------|--------------|--------------|
| Proportion of the collective net pension liability | 0.0173% | 0.0130% | 0.0142% |
| Proportionate share of the collective net pension liability | \$ 1,189,190 | \$ 894,778 | \$ 884,393 |
| Covered - payroll | \$ 1,873,891 | \$ 1,599,963 | \$ 1,528,122 |
| Proportionate Share of the net pension liability as a percentage of covered payroll | 63.46% | 55.92% | 57.87% |
| Plan fiduciary net position as a percentage of the total pension liability | 74.06% | 78.40% | 81.01% |

Note to schedule: Fiscal year 2015 was the first year of implementation of pension reporting standards, therefore, only three years are shown.

SOLANO TRANSPORTATION AUTHORITY

COST SHARING RETIREMENT PLAN - CalPERS SCHEDULE OF CONTRIBUTIONS

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|--------------|--------------|--------------|
| Actuarially determined contribution | \$ 153,544 | \$ 142,541 | \$ 185,159 |
| Contributions in relation to the actuarially determined contribution | (153,544) | (142,541) | (185,159) |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| | | | |
| Covered - payroll | \$ 1,933,188 | \$ 1,873,891 | \$ 1,599,963 |
| | | | |
| Contributions as a percentage of covered-payroll | 7.94% | 7.61% | 11.57% |

Note to schedule: Fiscal year 2015 was the first year of implementation of pension reporting standards, therefore, only three years are shown.

SOLANO TRANSPORTATION AUTHORITY

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS - PARS

Prepared for Solano Transportation Authority, PARS Plan
Measurement Period

| | <u>2016-2017</u> | <u>2015-2016</u> | <u>2014-2015</u> |
|--|-------------------|-------------------|-------------------|
| Total Pension Liability | | | |
| Service Cost | \$ 50,815 | \$ 52,108 | \$ 50,590 |
| Interest on total pension liability | 51,694 | 48,667 | 42,458 |
| Effect of economic/demographic gains or losses | (52,286) | - | - |
| Changes in assumptions | - | - | - |
| Changes in benefits | - | - | - |
| Benefit payments, including refunds of employee contributions | (5,595) | (2,341) | (9,267) |
| Net change in total pension liability | <u>44,628</u> | <u>98,434</u> | <u>83,781</u> |
| Total pension liability - beginning | <u>742,723</u> | <u>644,289</u> | <u>560,508</u> |
| Total pension liability - ending (a) | <u>\$ 787,351</u> | <u>\$ 742,723</u> | <u>\$ 644,289</u> |
| Plan fiduciary net position | | | |
| Contributions - employer | \$ 83,219 | \$ 82,795 | \$ 79,307 |
| Contributions - employee | 24,722 | 24,578 | 23,923 |
| Net investment income | 59,388 | 7,486 | 7,413 |
| Administrative expenses | (3,145) | (2,393) | - |
| Benefit payments | (5,595) | (2,341) | (11,361) |
| Net change in plan fiduciary net position | <u>158,589</u> | <u>110,125</u> | <u>99,282</u> |
| Plan fiduciary net position - beginning | <u>547,564</u> | <u>437,439</u> | <u>338,157</u> |
| Plan fiduciary net position - ending (b) | <u>\$ 706,153</u> | <u>\$ 547,564</u> | <u>\$ 437,439</u> |
| Net pension liability - ending (a)-(b) | <u>\$ 81,198</u> | <u>\$ 195,159</u> | <u>\$ 206,850</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 89.69% | 73.72% | 67.89% |
| Covered payroll | 1,265,743 | 1,272,766 | 1,235,695 |
| Net pension liability as percentage of covered payroll | 6.42% | 15.33% | 16.74% |

Notes to Schedule:

Note to schedule: Fiscal year 2015 was the first year of implementation of pension reporting standards, therefore, only three years are shown.

SOLANO TRANSPORTATION AUTHORITY

SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS - PARS

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|--------------------|--------------------|--------------|
| Actuarially determined contribution | \$ 57,880 | \$ 59,947 | \$ 79,307 |
| Contributions in relation to the actuarially determined contribution | (83,219) | (82,795) | (79,307) |
| Contribution deficiency (excess) | <u>\$ (25,339)</u> | <u>\$ (22,848)</u> | <u>\$ -</u> |
| | | | |
| Covered-payroll | \$ 1,265,743 | \$ 1,272,766 | \$ 1,235,695 |
| | | | |
| Contributions as a percentage of covered-payroll | 6.57% | 6.51% | 6.42% |

Note to schedule: Fiscal year 2015 was the first year of implementation of pension reporting standards, therefore, only three years are shown.

SOLANO TRANSPORTATION AUTHORITY

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017**

| | Budgeted Amounts | | Actual | Variance with |
|-------------------------------------|------------------|------------------|---------------------|--|
| | Original | Final | | Final Budget Positive (Negative) |
| REVENUES | | | | |
| Intergovernmental: | | | | |
| Member contributions | \$ 324,234 | \$ 264,044 | \$ 264,044 | \$ - |
| STIP | 185,411 | 189,530 | 232,304 | 42,774 |
| DMV/AVA | 10,000 | 11,000 | 12,186 | 1,186 |
| TDA Article 3 | 25,000 | 150,000 | 30,696 | (119,304) |
| TDA Article 4/8 | 1,099,129 | 1,099,273 | 897,597 | (201,676) |
| TFCA | 389,173 | 540,683 | 246,893 | (293,790) |
| STAF | 1,879,399 | 1,786,519 | 1,215,867 | (570,652) |
| CMAQ | 2,502,022 | 2,624,264 | 2,325,664 | (298,600) |
| YSAQMD | 95,000 | 80,000 | 34,085 | (45,915) |
| California Energy Commission | 100,000 | 200,000 | 238,717 | 38,717 |
| Regional Measure 2 | 135,961 | 130,036 | 126,252 | (3,784) |
| New Freedom Grant | 306,278 | 188,028 | - | (188,028) |
| Federal Transit Administration | 58,853 | 280,000 | 165,663 | (114,337) |
| Interest | - | - | 21,943 | 21,943 |
| Other | 637,239 | 690,509 | 3,229,351 | 2,538,842 |
| Total Revenues | <u>7,747,699</u> | <u>8,233,886</u> | <u>9,041,262</u> | <u>807,376</u> |
| EXPENDITURES | | | | |
| Current: Congestion management | | | | |
| Operations and administrative | 1,861,070 | 1,824,073 | 1,659,536 | 164,537 |
| Transit and Rideshare Services/SNCI | 4,407,011 | 4,308,419 | 2,699,893 | 1,608,526 |
| Project development | 567,992 | 574,312 | 491,941 | 82,371 |
| Strategic planning | 911,626 | 1,527,082 | 1,092,197 | 434,885 |
| Total Expenditures | <u>7,747,699</u> | <u>8,233,886</u> | <u>5,943,567</u> | <u>2,290,319</u> |
| Net change in fund balances | <u>\$ -</u> | <u>\$ -</u> | 3,097,695 | <u>\$ 3,097,695</u> |
| Fund balances - beginning | | | 3,954,485 | |
| Fund balances - ending | | | <u>\$ 7,052,180</u> | |

Note to schedule: Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. The budgetary level of control is at the total expenditures at the fund level.

SUPPLEMENTARY INFORMATION

SOLANO TRANSPORTATION AUTHORITY

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2017**

| | Special Revenue Funds | |
|---|-----------------------|-----------------------------------|
| | TFCA | Abandoned Vehicle Abatement |
| ASSETS | | |
| Cash and investments | \$ 428,149 | \$ 44,156 |
| Accounts receivable | 172,525 | 103,356 |
| Total Assets | <u>\$ 600,674</u> | <u>\$ 147,512</u> |
| LIABILITIES | | |
| Accounts payable | \$ - | \$ 141,123 |
| Accrued payroll | 1,191 | - |
| Unearned revenue | - | - |
| Total Liabilities | <u>1,191</u> | <u>141,123</u> |
| FUND BALANCES | | |
| Fund balance: | | |
| Restricted for transportation projects and programs | 599,483 | 6,389 |
| Unassigned | - | - |
| Total Fund Balances (Deficit) | <u>599,483</u> | <u>6,389</u> |
| Total Liabilities and Fund Balances | <u>\$ 600,674</u> | <u>\$ 147,512</u> |

Capital Project Funds

| Dixon B Street Undercrossing | Jameson Canyon Project | Vallejo Turner Parkway | SR 12 Bridge Realignment | Total Non-major Governmental Funds |
|------------------------------------|---------------------------|---------------------------|-----------------------------|--|
| \$ - | \$ 28,185 | \$ - | \$ 1,840 | \$ 502,330 |
| 55,791 | - | - | - | 331,672 |
| <u>\$ 55,791</u> | <u>\$ 28,185</u> | <u>\$ -</u> | <u>\$ 1,840</u> | <u>\$ 834,002</u> |
| \$ 42,326 | \$ - | \$ 4,626 | \$ - | \$ 188,075 |
| - | - | - | - | 1,191 |
| 8,562 | 21,737 | - | - | 30,299 |
| <u>50,888</u> | <u>21,737</u> | <u>4,626</u> | <u>-</u> | <u>219,565</u> |
| 4,903 | 6,448 | - | 1,840 | 619,063 |
| - | - | (4,626) | - | (4,626) |
| <u>4,903</u> | <u>6,448</u> | <u>(4,626)</u> | <u>1,840</u> | <u>614,437</u> |
| <u>\$ 55,791</u> | <u>\$ 28,185</u> | <u>\$ -</u> | <u>\$ 1,840</u> | <u>\$ 834,002</u> |

SOLANO TRANSPORTATION AUTHORITY

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017**

| | Special Revenue Funds | |
|-------------------------------|-----------------------|-----------------------------------|
| | TFCA | Abandoned Vehicle Abatement |
| REVENUES | | |
| Intergovernmental: | | |
| STIP | \$ - | \$ - |
| DMV/AVA | - | 394,013 |
| TFCA | 332,525 | - |
| Interest | 3,816 | 277 |
| Total Revenues | <u>336,341</u> | <u>394,290</u> |
| EXPENDITURES | | |
| Special projects and programs | 246,131 | 394,290 |
| Total Expenditures | <u>246,131</u> | <u>394,290</u> |
| Net change in fund balances | 90,210 | - |
| Fund balances - beginning | 509,273 | 6,389 |
| Fund balances - ending | <u>\$ 599,483</u> | <u>\$ 6,389</u> |

| Capital Project Funds | | | | |
|------------------------------------|---------------------------|---------------------------|-----------------------------|--|
| Dixon B Street Undercrossing | Jameson Canyon Project | Vallejo Turner Parkway | SR 12 Bridge Realignment | Total Non-major Governmental Funds |
| \$ - | \$ 7,054 | \$ - | \$ - | \$ 7,054 |
| - | - | - | - | 394,013 |
| - | - | - | - | 332,525 |
| (376) | 196 | 74 | 12 | 3,999 |
| (376) | 7,250 | 74 | 12 | 737,591 |
| - | 7,055 | - | - | 647,476 |
| - | 7,055 | - | - | 647,476 |
| (376) | 195 | 74 | 12 | 90,115 |
| 5,279 | 6,253 | (4,700) | 1,828 | 524,322 |
| \$ 4,903 | \$ 6,448 | \$ (4,626) | \$ 1,840 | \$ 614,437 |

SOLANO TRANSPORTATION AUTHORITY

AGENCY FUND STATEMENT OF CHANGES IN ASSETS AND LIABILITIES FOR THE YEAR ENDED JUNE 30, 2017

| <u>Payroll Agency Fund</u> | <u>Balance July 1, 2016</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance June 30, 2017</u> |
|----------------------------|---------------------------------|------------------|-------------------|----------------------------------|
| Assets | | | | |
| Cash and investments | \$ 74,432 | \$ 60,288 | \$ - | \$ 134,720 |
| Prepaid and other items | 57,118 | - | 55,564 | 1,554 |
| Total assets | <u>\$ 131,550</u> | <u>\$ 60,288</u> | <u>\$ 55,564</u> | <u>\$ 136,274</u> |
| Liabilities | | | | |
| Due to other agency | \$ 131,550 | \$ 60,288 | \$ 55,564 | \$ 136,274 |
| Total liabilities | <u>\$ 131,550</u> | <u>\$ 60,288</u> | <u>\$ 55,564</u> | <u>\$ 136,274</u> |

SOLANO TRANSPORTATION AUTHORITY

**SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 REGIONAL MEASURE 2 FUND
 FOR THE YEAR ENDED JUNE 30, 2017**

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|----------------------------|------------------|-------------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental: | | | | |
| Regional Measure 2 | \$ 8,014,664 | \$ 13,504,213 | \$ 15,211,282 | \$ 1,707,069 |
| Interest | - | - | 12,791 | 12,791 |
| Other | - | - | 7,531 | 7,531 |
| Total Revenues | <u>8,014,664</u> | <u>13,504,213</u> | <u>15,231,604</u> | <u>1,727,391</u> |
| EXPENDITURES | | | | |
| Regional Measure 2 | <u>8,014,664</u> | <u>13,504,213</u> | <u>15,248,074</u> | <u>(1,743,861)</u> |
| Total Expenditures | <u>8,014,664</u> | <u>13,504,213</u> | <u>15,248,074</u> | <u>(1,743,861)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>(16,470)</u> | <u>\$ (16,470)</u> |
| Fund balance - beginning | | | <u>74,045</u> | |
| Fund balance - ending | | | <u>\$ 57,575</u> | |

SOLANO TRANSPORTATION AUTHORITY

**SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 REGIONAL TRANSPORTATION IMPACT FEE PROGRAM FUND
 FOR THE YEAR ENDED JUNE 30, 2017**

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|----------------------------|------------------|----------------|---------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental: | | | | |
| RTIF | \$ 870,000 | \$ 879,533 | \$ 1,441,589 | \$ 562,056 |
| Interest | - | - | 7,350 | 7,350 |
| Total Revenues | <u>870,000</u> | <u>879,533</u> | <u>1,448,939</u> | <u>569,406</u> |
| EXPENDITURES | | | | |
| RTIF | <u>870,000</u> | <u>879,533</u> | <u>434,747</u> | <u>444,786</u> |
| Total Expenditures | <u>870,000</u> | <u>879,533</u> | <u>434,747</u> | <u>444,786</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>1,014,192</u> | <u>\$ 1,014,192</u> |
| Fund balance - beginning | | | <u>1,189,686</u> | |
| Fund balance - ending | | | <u>\$ 2,203,878</u> | |

SOLANO TRANSPORTATION AUTHORITY

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL FOR I-80 RELIEVER ROUTE
FUND
FOR THE YEAR ENDED JUNE 30, 2017**

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|-------------------------------|------------------|----------------|---------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental: | | | | |
| RTIF | \$ 304,635 | \$ 304,635 | \$ 26,557 | \$ (278,078) |
| Interest | - | - | 6,733 | 6,733.00 |
| Other local grants | 535,554 | 535,554 | 349,165 | (186,389) |
| Total Revenues | <u>840,189</u> | <u>840,189</u> | <u>382,455</u> | <u>(457,734)</u> |
| EXPENDITURES | | | | |
| Special projects and programs | 840,189 | 840,189 | 382,455 | 457,734 |
| Total Expenditures | <u>840,189</u> | <u>840,189</u> | <u>382,455</u> | <u>457,734</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>-</u> | <u>\$ -</u> |
| Fund balance - beginning | | | (498,561) | |
| Fund balance - ending | | | <u>\$ (498,561)</u> | |

SOLANO TRANSPORTATION AUTHORITY

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL FOR TFCA FUND
FOR THE YEAR ENDED JUNE 30, 2017**

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|-------------------------------|------------------|----------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental: | | | | |
| TFCA | \$ 358,390 | \$ 358,390 | \$ 332,525 | \$ (25,865) |
| Interest | - | - | 3,816 | 3,816 |
| Total Revenues | <u>358,390</u> | <u>358,390</u> | <u>336,341</u> | <u>(22,049)</u> |
| EXPENDITURES | | | | |
| Special projects and programs | <u>358,390</u> | <u>358,390</u> | <u>246,131</u> | <u>112,259</u> |
| Total Expenditures | <u>358,390</u> | <u>358,390</u> | <u>246,131</u> | <u>112,259</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>90,210</u> | <u>\$ 90,210</u> |
| Fund balance - beginning | | | 509,273 | |
| Fund balance - ending | | | <u>\$ 599,483</u> | |

SOLANO TRANSPORTATION AUTHORITY

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL FOR ABANDONED VEHICLE
ABATEMENT FUND
FOR THE YEAR ENDED JUNE 30, 2017**

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|-------------------------------|------------------|----------------|-----------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental: | | | | |
| DMV/AVA | \$ 320,000 | \$ 350,000 | \$ 394,013 | \$ 44,013 |
| Interest | - | - | 277 | 277 |
| Total Revenues | <u>320,000</u> | <u>350,000</u> | <u>394,290</u> | <u>44,290</u> |
| EXPENDITURES | | | | |
| Special projects and programs | <u>320,000</u> | <u>350,000</u> | <u>394,290</u> | <u>(44,290)</u> |
| Total Expenditures | <u>320,000</u> | <u>350,000</u> | <u>394,290</u> | <u>(44,290)</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>-</u> | <u>\$ -</u> |
| Fund balance - beginning | | | 6,389 | |
| Fund balance - ending | | | <u>\$ 6,389</u> | |

SOLANO TRANSPORTATION AUTHORITY

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL FOR DIXON B STREET
UNDERCROSSING FUND
FOR THE YEAR ENDED JUNE 30, 2017**

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|----------------------------|------------------|-------|----------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Interest | \$ - | \$ - | \$ (376) | \$ (376) |
| Total Revenues | - | - | (376) | (376) |
| Net change in fund balance | \$ - | \$ - | (376) | \$ 376 |
| Fund balance - beginning | | | 5,279 | |
| Fund balance - ending | | | \$ 4,903 | |

SOLANO TRANSPORTATION AUTHORITY

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL FOR JAMESON CANYON
PROJECT FUND
FOR THE YEAR ENDED JUNE 30, 2017**

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|-------------------------------|------------------|---------------|-----------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental: | | | | |
| STIP | \$ 20,000 | \$ 20,000 | \$ 7,054 | \$ (12,946) |
| Interest | - | - | 196 | 196 |
| Total Revenues | <u>20,000</u> | <u>20,000</u> | <u>7,250</u> | <u>(12,750)</u> |
| EXPENDITURES | | | | |
| Special projects and programs | <u>20,000</u> | <u>20,000</u> | <u>7,055</u> | <u>12,945</u> |
| Total Expenditures | <u>20,000</u> | <u>20,000</u> | <u>7,055</u> | <u>12,945</u> |
| Net change in fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>195</u> | <u>\$ 195</u> |
| Fund balance - beginning | | | <u>6,253</u> | |
| Fund balance - ending | | | <u>\$ 6,448</u> | |

SOLANO TRANSPORTATION AUTHORITY

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL FOR VALLEJO TURNER
PARKWAY FUND
FOR THE YEAR ENDED JUNE 30, 2017**

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|----------------------------|------------------|-------|------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental: | | | | |
| Interest | \$ - | \$ - | \$ 74 | \$ 74 |
| Total Revenues | - | - | 74 | 74 |
| Net change in fund balance | \$ - | \$ - | 74 | \$ 74 |
| Fund balance - beginning | | | (4,700) | |
| Fund balance - ending | | | \$ (4,626) | |

SOLANO TRANSPORTATION AUTHORITY

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL FOR SR 12 BRIDGE
REALIGNMENT FUND
FOR THE YEAR ENDED JUNE 30, 2017**

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|----------------------------|------------------|-------|----------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental: | | | | |
| Interest | \$ - | \$ - | \$ 12 | \$ 12 |
| Total Revenues | - | - | 12 | 12 |
| Net change in fund balance | \$ - | \$ - | 12 | \$ 12 |
| Fund balance - beginning | | | 1,828 | |
| Fund balance - ending | | | \$ 1,840 | |

SOLANO TRANSPORTATION AUTHORITY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

| <u>Program Name</u> | <u>Pass-Through Identification or Grant Number</u> | <u>CFDA</u> | <u>Program Expenditures</u> |
|---|--|-------------|---------------------------------|
| U.S. Department of Transportation, Highway Planning and Construction Grants: Passed through Metropolitan Transportation Commission: One Bay Area Grant (OBAG)/STP Passed through Metropolitan Transportation Commission (MTC) | 6084(175) | 20.205 | \$ 904,504 |
| (CMAQ) MTC Passed through - Regional Rideshare Program | C001462 | 20.205 | 138,154 |
| Passed through California Department of Transportation: Congestion Mitigation and Air Quality - Solano County (CMAQ) - Regional Spare the Air Program | CML-6249(027) | 20.205 | 160,118 |
| (CMAQ) Countywide Safe Route to School | CML-6249(036) | 20.205 | 297,858 |
| SR2S - Active Transportation Program (ATP) Cycle 1 | SRTSLNI-6249(039) | 20.205 | 201,473 |
| (CMAQ) Solano Travel Training / Transit Ambassador Program | CML-6249(035) M003 | 20.205 | 211,972 |
| Congestion Mitigation and Air Quality (CMAQ) - PDA and PCA Program | CML-6249(034) L40E | 20.205 | 411,586 |
| Total Highway Planning and Construction Grants | | | <u>2,325,665</u> |
| Transit Service Program: Passed through Solano County Transit: Enhanced Mobility of Seniors and Individuals with Disabilities Program | 643573 | 20.513 | 80,797 |
| Passed through Metropolitan Transportation Commission: Short Range Transit Plan for Transit Operation in Solano County | Not Available | 20.516 | 59,153 |
| Passed through Napa Valley Transportation Authority: Job Access And Reverse Commute (JARC) Program funds - Urbanized Area Formula Program | CA-90-Y927-00 | 20.516 | 7,846 |
| Total Transit Services Program Grants | | | <u>147,796</u> |
| Partnership and Transit Planning Fund Transfer Passed through California Department of Transportation | 074A045 | 20.505 | 17,867 |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <u><u>\$ 2,491,328</u></u> |

See accompanying note to schedule of expenditures of federal awards.

SOLANO TRANSPORTATION AUTHORITY

NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The accompanying Schedule of Expenses of Federal Awards presents the activity of all federal awards programs of the Authority. The Authority's reporting entity is defined in Note 1 of the Authority's financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other governmental agencies to the Authority are included in the accompanying schedule.

The Authority has not elected to use the ten percent de minimis indirect cost rate as allowed under the uniform guidance.

Basis of Accounting

The accompanying Schedule of Expenses of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 of the Authority's financial statements.

STATISTICAL SECTION

STATISTICAL SECTION

This part of the Government's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

| Contents | Page |
|--|-------------|
| <i>Financial Trends</i> These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time. | 70-73 |
| <i>Revenue Capacity</i> The Authority has no own-source of revenue since the revenues are mainly intergovernmental based on project needs. | |
| <i>Debt Capacity</i> The Authority has no debt and therefore this section is not applicable. | |
| <i>Demographic and Economic Information</i> The reader understand the environment within which the government's financial activities take place. | 74-75 |
| <i>Operating Information</i> These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs. | 76-77 |

SOLANO TRANSPORTATION AUTHORITY

FINANCIAL TREND – NET POSITION BY COMPONENT

| | Fiscal Years Ending June 30, | | |
|---|------------------------------|---------------------|---------------------|
| | 2017 | 2016 | 2015 |
| Governmental Activities: | | | |
| Net investment in capital assets | \$ 172,025 | \$ 170,463 | \$ 187,233 |
| Restricted for transportation projects and programs | 5,600,430 | 1,792,753 | 4,046,401 |
| Unrestricted | 2,815,564 | 2,293,245 | (189,358) |
| Total Governmental Activities Net Position | <u>\$ 8,588,019</u> | <u>\$ 4,256,461</u> | <u>\$ 4,044,276</u> |

Note: Since this is the second year to present the Comprehensive Annual Financial Report for Solano Transportation Authority a 10 year trend analysis is not available.

Source: Solano Transportation Authority Financial Statements

SOLANO TRANSPORTATION AUTHORITY

FINANCIAL TREND – CHANGES IN NET POSITION

| EXPENSES | Fiscal Years Ending June 30, | | |
|---|------------------------------|-------------------|---------------------|
| | 2017 | 2016 | 2015 |
| Governmental activities: | | | |
| Congestion management | | | |
| Operations and administrative | \$ 1,513,510 | \$ 1,493,771 | \$ 1,552,133 |
| Transit and Rideshare Services/SNCI | 2,699,893 | 3,127,188 | 2,630,308 |
| Project development | 491,941 | 814,946 | 951,477 |
| Strategic projects and programs | 1,092,197 | 1,286,237 | 1,101,478 |
| Special projects and programs | 16,712,752 | 18,170,618 | 23,129,160 |
| Total Expenses | 22,510,293 | 24,892,760 | 29,364,556 |
| REVENUES | | | |
| Program revenues: | | | |
| Operations and administrative | 4,189,571 | 2,095,647 | 3,189,457 |
| Transit and Rideshare Services/SNCI | 2,815,875 | 3,018,185 | 2,731,442 |
| Project development | 921,675 | 868,369 | 994,990 |
| Strategic projects and programs | 1,092,197 | 1,250,721 | 1,246,161 |
| Special projects and programs | 17,769,717 | 17,844,800 | 23,493,793 |
| General revenues: | | | |
| Interest and investment earnings | 52,816 | 27,223 | 10,299 |
| Total Revenues | 26,841,851 | 25,104,945 | 31,666,142 |
| Governmental Activities Change in Net Position | \$ 4,331,558 | \$ 212,185 | \$ 2,301,586 |

Note: Since this is the second year to present the Comprehensive Annual Financial Report for Solano Transportation Authority a 10 year trend analysis is not available.

Source: Solano Transportation Authority Financial Statements

SOLANO TRANSPORTATION AUTHORITY

FINANCIAL TREND – FUND BALANCES, GOVERNMENTAL FUNDS

| | Fiscal Years Ending June 30, | | |
|------------------------------------|------------------------------|---------------------|---------------------|
| | 2017 | 2016 | 2015 |
| General Fund | | | |
| Nonspendable | \$ 38,137 | \$ - | \$ - |
| Restricted | 2,719,914 | - | 2,431,120 |
| Unassigned | 4,294,129 | 3,954,485 | 1,137,973 |
| Total General Fund | <u>7,052,180</u> | <u>3,954,485</u> | <u>3,569,093</u> |
| | | | |
| All Other Governmental Funds | | | |
| Restricted | 2,880,516 | 1,792,753 | 1,615,281 |
| Unassigned | (503,187) | (503,261) | - |
| Total All Other Governmental Funds | <u>\$ 2,377,329</u> | <u>\$ 1,289,492</u> | <u>\$ 1,615,281</u> |

Note: Since this is the second year to present the Comprehensive Annual Financial Report for Solano Transportation Authority a 10 year trend analysis is not available.

Source: Solano Transportation Authority Financial Statements

SOLANO TRANSPORTATION AUTHORITY

**FINANCIAL TREND – CHANGES IN FUND BALANCES,
GOVERNMENTAL FUNDS**

| | Fiscal Years Ending June 30, | | |
|------------------------------------|-------------------------------------|-------------------|---------------------|
| | 2017 | 2016 | 2015 |
| REVENUES | | | |
| Intergovernmental | \$ 23,202,988 | \$ 22,805,814 | \$ 29,008,084 |
| Interest | 52,816 | 27,223 | 10,299 |
| Other income | 3,586,047 | 2,271,908 | 2,647,759 |
| Total Revenues | 26,841,851 | 25,104,945 | 31,666,142 |
| EXPENDITURES | | | |
| Congestion management: | | | |
| Operations and administrative | 1,659,536 | 1,646,353 | 1,625,599 |
| Transit and Rideshare Services | 2,699,893 | 3,127,188 | 2,630,308 |
| Project development | 491,941 | 814,946 | 951,477 |
| Strategic planning | 1,092,197 | 1,286,237 | 1,101,478 |
| Special projects and programs | 16,712,752 | 18,170,618 | 23,129,160 |
| Total Expenditures | 22,656,319 | 25,045,342 | 29,438,022 |
| NET CHANGE IN FUND BALANCES | \$ 4,185,532 | \$ 59,603 | \$ 2,228,120 |

Note: Since this is the second year to present the Comprehensive Annual Financial Report for Solano Transportation Authority a 10 year trend analysis is not available.

Source: Solano Transportation Authority Financial Statements

SOLANO TRANSPORTATION AUTHORITY

DEMOGRAPHIC AND ECONOMIC INFORMATION – STATISTICS LAST TEN FISCAL YEARS

| Year ¹ | Population ² | Personal Income ³ | Per Capita Personal Income ⁴ | Unemployment Rate ⁵ |
|--------------------------|--------------------------------|-------------------------------------|--|---|
| 2017 | 446,810 | \$ 20,191,930,261 | \$ 46,302 | 5.7% |
| 2016 | 440,207 | 19,796,010,060 | 45,394 | 5.9% |
| 2015 | 434,321 | 19,407,853,000 | 44,504 | 7.0% |
| 2014 | 429,601 | 17,921,605,000 | 41,602 | 8.7% |
| 2013 | 423,972 | 17,111,870,000 | 40,285 | 10.5% |
| 2012 | 419,881 | 16,422,311,000 | 39,067 | 11.8% |
| 2011 | 416,486 | 16,093,886,000 | 38,617 | 13.1% |
| 2010 | 414,034 | 15,454,633,000 | 37,324 | 13.0% |
| 2009 | 405,670 | 15,361,500,000 | 37,441 | 9.5% |
| 2008 | 404,838 | 15,680,540,000 | 38,341 | 6.2% |

1 Calendar year.

2 Data for 2008-2016 includes retroactive revisions by the U.S. Department of Commerce Bureau of Economic Analysis. 2017 data is based on an estimated one and a half percent annual increase over 2016.

3 Total Personal Income data for 2016 and 2017 is based on an estimated two percent annual increase over 2015. Data for 2008-2015 includes retroactive revisions by the U.S. Department of Commerce Bureau of Economic Analysis.

4 Per Capita Income data for 2016 and 2017 is based on an estimated two percent annual increase over 2015. Data for 2008-2015 includes retroactive revisions by the U.S. Department of Commerce Bureau of Economic Analysis.

5 Data includes retroactive revisions by the U.S. Bureau of Labor Statistics.

SOLANO TRANSPORTATION AUTHORITY

DEMOGRAPHIC AND ECONOMIC INFORMATION – TOP TEN PRINCIPAL EMPLOYERS IN SOLANO COUNTY YEAR ONE AND YEAR TEN

| Employer | Fiscal Year Ending June 30, 2016* | | |
|--|-----------------------------------|---------------------|--------------------------|
| | Rank | Number of Employees | Percentage of Employment |
| Travis AFB | 1 | 12,875 | 6.49% |
| County of Solano | 2 | 3,092 | 1.56% |
| Kaiser Permanente - Vallejo | 3 | 2,937 | 1.48% |
| NorthBay Healthcare System | 4 | 2,617 | 1.32% |
| Fairfield-Suisun Unified School District | 5 | 2,187 | 1.10% |
| Six Flags Discovery Kingdom | 6 | 1,932 | 0.97% |
| Vallejo City Unified School District | 7 | 1,515 | 0.76% |
| Kaiser Permanente - Vacaville | 8 | 1,218 | 0.61% |
| California Medical Facility | 9 | 1,216 | 0.61% |
| Genentech Inc. | 10 | 1,200 | 0.55% |
| | | <u>30,789</u> | |

| Employer | Fiscal Year Ending June 30, 2007 | | |
|------------------------------|----------------------------------|---------------------|--------------------------|
| | Rank | Number of Employees | Percentage of Employment |
| Kaiser Permanente - Vallejo | 1 | 3,385 | 1.72% |
| NorthBay Medical Center | 2 | 1,480 | 0.75% |
| Six Flags Discovery Kingdom | 3 | 1,200 | 0.61% |
| Alza Corporation | 4 | 1,000 | 0.51% |
| Wal-Mart | 5 | 773 | 0.39% |
| Genetech Inc. | 6 | 750 | 0.38% |
| Sutter Solano Medical Center | 7 | 674 | 0.34% |
| City of Fairfield | 8 | 647 | 0.33% |
| City of Vacaville | 9 | 613 | 0.31% |
| City of Vallejo | 10 | 574 | 0.29% |
| | | <u>11,096</u> | |

* Most current information available

Sources: County of Solano, Travis AFB Website

SOLANO TRANSPORTATION AUTHORITY

OPERATING INFORMATION – FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION

| Function | Fiscal Year Ending June 30, | | |
|--|-----------------------------|-----------|-----------|
| | 2017 | 2016 | 2015 |
| Executive | 1 | 1 | 1 |
| Administration | 3 | 3 | 3 |
| Finance | 2 | 2 | 2 |
| Policy, Public Affairs and Legislation | 1 | 1 | 1 |
| Planning | 3 | 3 | 3 |
| Program and Projects | 20 | 20 | 20 |
| Total Employees | 30 | 30 | 30 |

Source: Solano Transportation Authority, Accounting and Administrative Services

Note: Since this is the second year to present the Comprehensive Annual Financial Report for Solano Transportation Authority a 10 year trend analysis is not available.

SOLANO TRANSPORTATION AUTHORITY

OPERATING INFORMATION – PROGRAM REVENUES, OPERATING GRANTS AND CONTRIBUTIONS

| | Fiscal Year Ending June 30, | | |
|-------------------------------------|-----------------------------|----------------------|----------------------|
| | 2017 | 2016 | 2015 |
| Operations and administrative | \$ 4,189,571 | \$ 1,737,641 | \$ 3,199,756 |
| Transit and rideshare services/SNCI | 2,815,875 | 3,018,185 | 2,731,442 |
| Project development | 921,675 | 868,369 | 994,990 |
| Strategic planning | 1,092,197 | 1,250,721 | 1,246,161 |
| Special projects and programs | 17,769,717 | 17,844,800 | 23,493,793 |
| | <u>\$ 26,789,035</u> | <u>\$ 24,719,716</u> | <u>\$ 31,666,142</u> |

Source: Solano Transportation Authority, Accounting and Administrative Services

Note: Since This is the second year to present the Comprehensive Annual Financial Report for Solano Transportation Authority a 10 year trend analysis is not available.

COMPLIANCE SECTION



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* AND THE TRANSPORTATION DEVELOPMENT ACT

Governing Board
Solano Transportation Authority
Suisun City, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Solano Transportation Authority (Authority) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated November 27, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including Section 6666 of Title 21 of the California Code of Regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or Section 6666 of Title 21 of the California Code of Regulations.

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

Vavrinck, Trine, Day & Co. LLP

Palo Alto, California
November 27, 2017



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

Governing Board
Solano Transportation Authority
Suisun City, California

Report on Compliance for Each Major Federal Program

We have audited the Solano Transportation Authority's (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2017. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Authority, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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

Vavrinck, Trine, Day & Co. LLP

Palo Alto, California
November 27, 2017

SOLANO TRANSPORTATION AUTHORITY

**SUMMARY OF AUDITOR’S RESULTS
FOR THE YEAR ENDED JUNE 30, 2016**

FINANCIAL STATEMENTS

| | |
|---|----------------------|
| Type of auditor's report issued: | <u>Unmodified</u> |
| Internal control over financial reporting: | |
| Material weaknesses identified? | <u>None</u> |
| Significant deficiencies identified? | <u>None reported</u> |
| Noncompliance material to financial statements noted? | <u>No</u> |

FEDERAL AWARDS

| | |
|--|----------------------|
| Internal control over major programs: | |
| Material weaknesses identified? | <u>None</u> |
| Significant deficiencies identified? | <u>None reported</u> |
| Type of auditor's report issued on compliance for major programs: | <u>Unmodified</u> |
| Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule. | <u>None</u> |

Identification of major programs:

| <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u> |
|--------------------|---|
| <u>20.205</u> | <u>Highway Planning and Construction</u> |

| | |
|--|-------------------|
| Dollar threshold used to distinguish between Type A and Type B programs: | <u>\$ 750,000</u> |
| Auditee qualified as low-risk auditee? | <u>Yes</u> |

SOLANO TRANSPORTATION AUTHORITY

**SCHEDULE OF CURRENT YEAR'S FINANCIAL AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

None reported.

SOLANO TRANSPORTATION AUTHORITY

**SCHEDULE OF CURRENT YEAR'S FEDERAL AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

None reported.

SOLANO TRANSPORTATION AUTHORITY

**SCHEDULE OF PRIOR YEAR'S FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

There were no findings in the prior year.